METAIR INVESTMENTS LIMITED

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METAIR INVESTMENTS LIMITED ANNUAL REPORT 2007

METAIR

METAIR INVESTMENTS LIMITED

ANNUAL REPORT 2007

CONTENTS

Transformation (n.) a marked change in nature, form or appearance.

A flat piece of paper can become a work of art. A worm becomes a butterfly. These miracles happen through a process of transformation. This process can be slow, moments pass when seemingly nothing is happening. But behind the scenes there is a flurry of activity happening unseen. At Metair we believe in the value of transformation. We believe and value the positive impact it will have on our business. As key stakeholders in Metair we look forward to sharing our transformation with you.

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.

METAIR INVESTMENTS LIMITED

thegate200821240

FINANCIAL HIGHLIGHTS

for the year ended 31 December 2007

	2007	2006	2005	2004	2003
	R'000	R'000	R'000	R'000	R'000
Revenue	**2 984 293**	2 641 911	2 151 020	1 949 547	1 854 208
Profit before taxation	**287 185**	324 931	241 995	233 759	189 902
Interest paid	**9 856**	6 846	10 104	11 953	19 026
Preference dividend	**7 182**				
Profit attributable to ordinary shareholders	**174 509**	203 240	158 799	161 143	135 806
Total equity	**1 190 132**	1 077 362	986 910	834 550	686 010
Interest-bearing debt	**27 126**	18 121	69 081	84 751	99 175
Cumulative redeemable preference shares	**100 000**				
Property, plant and equipment	**702 714**	614 087	502 118	439 476	337 940
Current assets	**1 079 221**	836 316	792 889	736 278	610 250
Total assets	**1 906 625**	1 533 247	1 369 026	1 251 649	1 027 711
Number of shares in issue	**152 532**	151 645	149 875	148 725	147 450
Weighted average number of shares in issue	**142 085**	151 250	149 600	148 425	147 450
Net asset value per share (cents)	**780**	710	658	561	465
Basic earnings per share (cents)	**123**	134	106	109	92
Headline earnings per share (cents)	**124**	133	104	111	92
Adjusted headline earnings per share (cents)	**121**				
Dividend per share (cents) declared and paid	**40**	34	34	28	20
Dividend cover (times) (calculated on headline earnings)	**3,1**	3,9	3,1	4,0	4,6
Net profit as a % of average total shareholders' funds	**17,2**	21,3	17,4	20,9	21,4
Profit before interest and tax as a % of average total assets (excluding cash)	**17,8**	24,8	20,4	22,7	22,6
Total shareholders' funds as a % of total assets	**62,4**	70,3	72,1	66,7	66,8
Interest cover (times)	**17**	47	26	21	11

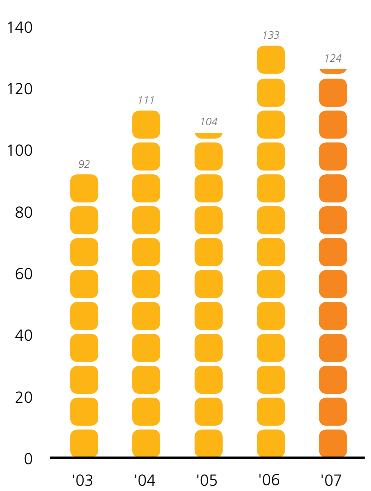
Notes:

The 2004 year has been restated in accordance with IFRS, the previous years are stated in accordance with SA GAAP.

Actuarial gains and losses in respect of defined benefit plans for the years 2004 and earlier have not been accounted for directly in equity.

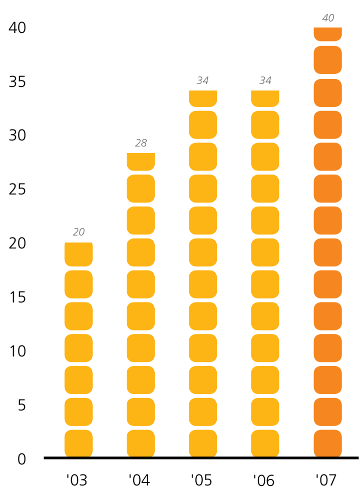
HEADLINE EARNINGS PER SHARE

(Cents)



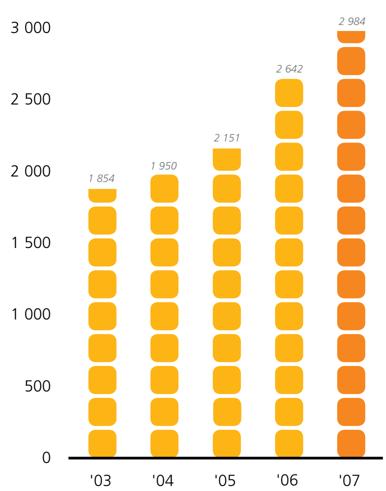
DIVIDENDS PER SHARE

(Cents)



REVENUE

(R million)



GROUP PROFILE AND TURNOVER BY SECTOR

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

The seven 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 proportion of output is exported.

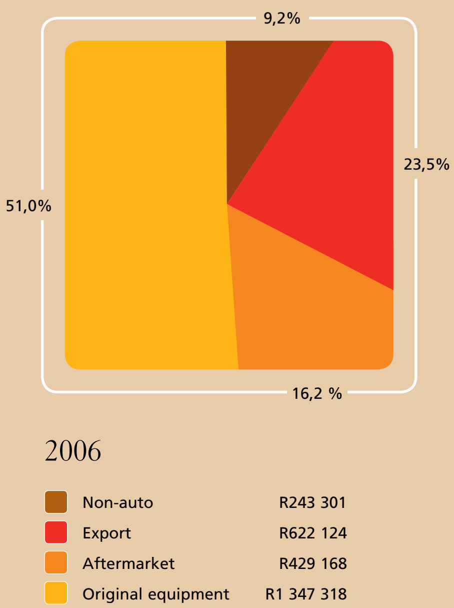
Products manufactured include heating and cooling systems, shock absorbers, springs, lead acid batteries, lighting and signalling devices, plastic mouldings, wiring harnesses and front-end modules.

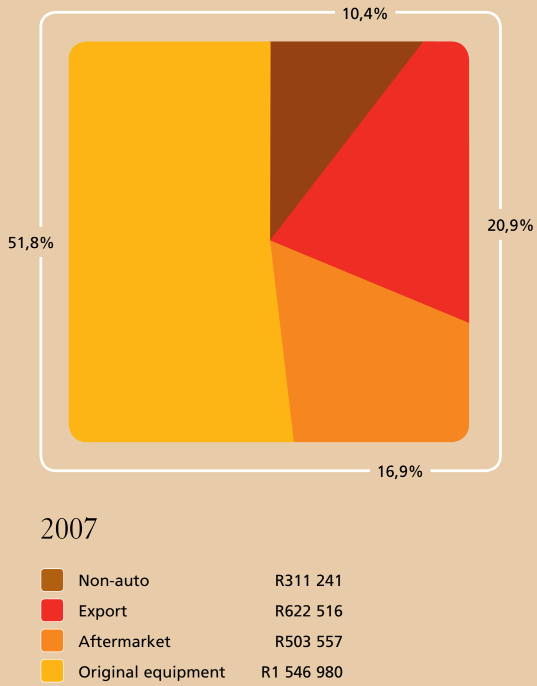
Metair is dedicated to the automotive industry and through partnerships and technical relationships, brings a South African focus to a global industry.

Ongoing investments in facilities and people ensure that subsidiary companies meet the challenge of continuous quality and efficiency improvements and maintains a competitive edge despite increasing demands from customers to reduce costs.

TURNOVER BY SECTOR (R'000)	**2007 R'000**	2006 R'000
Original equipment	**1 546 980**	1 347 318
Export	**622 516**	622 124
After market	**503 557**	429 168
Non-auto	**311 241**	243 301
	2 984 293	2 641 911

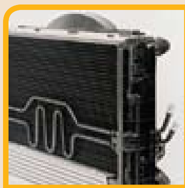
TURNOVER BY SECTOR (R'000)





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

GROUP STRUCTURE



Smiths Manufacturing (Pty) Ltd
75%

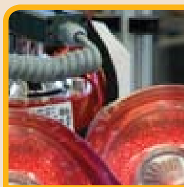
- Radiators
- Heaters
- Air-conditioners
- Condensers
- Cooling fans
- Hoses and pipes

Metindustrial (Pty) Ltd Supreme Spring Division
100%

- Coil springs
- Leaf springs
- Stabilisers
- Torsion bars

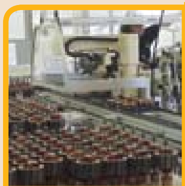
Smiths Plastics (Pty) Ltd
100%
(Including Automold (Pty) Ltd)

- Plastic injection mouldings



Hella South Africa (Pty) Ltd
100%

- Headlights
- Plastic injection mouldings
- Lamps
- Wheel trims
- Horns



Smiths Electric Motors (Pty) Ltd
100%

- Blower motors

Unitrade 745 (Pty) Ltd
100%

- Automotive cable

Hesto Harnesses (Pty) Ltd
74,9%

- Wiring harnesses

Valeo Systems South Africa (Pty) Ltd
49%

- Front end modules

Metindustrial (Pty) Ltd First National Battery Division
100%

- Batteries (includes non-automotive)

Tenneco Automotive Holdings SA (Pty) Ltd
25,1%

- Shock absorbers
- Struts
- Track control arms

DIRECTORS AND OFFICERS

From left to right:

OME POOE (49)
Non-executive chairman
B Proc, Management Development Program, Certificate in Advanced Corporate and Securities Law

CT LOOK (43)
Managing director
B.Eng (Industrial)

CIJ VAN DER MERWE (59)
Finance director
M.Comm. (Acc)

A JOFFE (39)
Non-executive director
B.Comm. (Hons), GDA CA (SA)

RS BROADLEY (75)
Independent non-executive director
Advanced Technical Certificate

From left to right:

GMC RYAN (59)
Non-executive director
B.Comm., CTA, CA (SA), MBA

AD PLUMMER (60)*
Non-executive director
FCA (England and Wales)

LM NDALA (34)
Non-executive director
CA (SA)

L SOANES (71)*
Independent non-executive director
National Certificate of Engineering

B MOLOTLEGI (35)
Non-executive director

SM VERMAAK (42)
Company secretary
B. Comm (Fin.M.) AIRMSA

COMPANY SECRETARY
SM Vermaak

TRANSFER SECRETARY
Computershare Investor Services (Pty) Ltd
70 Marshall Street, Johannesburg 2001

REGISTERED OFFICE
10 Anerley Road, Parktown, Johannesburg 2193

REGISTRATION NUMBER
1948/031013/06

* British

Transformation was the central theme for 2007 not only for the group but also for the industry.

CHAIRMAN'S AND MANAGING DIRECTOR'S REPORT

We take pleasure in announcing the 2007 results to Shareholders.

Transformation was the central theme for 2007 not only for the group but also for the industry.

In this year, we saw the company making meaningful progress towards compliance with the Broad Based Black Economic Empowerment (BBBEE) requirements in South Africa by way of the introduction of Royal Bafokeng Holdings (RBH) as a strategic shareholder. RBH is the investment arm of the Royal Bafokeng Nation (RBN) and holds a direct economic interest of 12,43% and the control of a special purpose empowerment trust that vote 24,85% of the company's voting shares.

At the end of the period, the total black shareholding in the company was 39,27%. This results in the company attaining 19,81 points on the generic BBBEE scorecard in respect of the ownership element. Other areas of the scorecards continue to receive attention.

The board was similarly transformed with the appointment of Mpueleng Pooe and Bothata Molotlegi as non-executive directors and Lucas Ndala as an alternate director for Bothata Molotlegi. Mpueleng Pooe was also appointed as chairman of the board.

The group's management finalised the purchase of 6,6% Metair shares during this period through the Metair Share Incentive Trust as part of a long-term incentive structure. The group aligned the short-term incentive structure based on annual financial performance with the long-term incentive structure using the 2008 budget as the base linked to annual improvements on return on net assets and return on equity over the next 3-years. In addition to the required return improvements, the group identified strategic growth drivers for each subsidiary.

The butterfly origami, depicted elsewhere in this report, best symbolises the transformation that is unfolding in the group. Progress has been satisfactory on this front but some work still remains to be done.

During the year the group embarked on a share split with a ratio of 25 to 1.This effectively increases the number of shares in issue from 6 065 810 to 151 645 250 (based on 2006 issued shares) and improves the liquidity of the share.

The industry underwent some changes. A number of lower volume models aimed at the South African market, such as the Toyota Tazz, Toyota Hi Ace and Nissan 1400 light commercial vehicle came to the end of their cycles. In addition, two high volume models aimed at the export market ran out and have been replaced.

The gradual introduction of the new C Class Mercedes and new Toyota Corolla had the effect that locally produced vehicles excluding the production of medium and heavy commercial vehicles declined by 10,35% to 496 771 vehicles compared to the 554 100 produced in 2006.

A number of other challenges had an impact on the industry. Amongst these was the introduction of the E-Natis Registration System in the first half of the year. The problems associated with implementing this system resulted in an initial low uptime and hence low registration rate of vehicles.

The new National Credit Act, which was introduced in the middle of the year, also brought about its own challenges. This Act puts into place more stringent requirements for the extension of credit and impacts negatively on the consumer's ability to purchase motor vehicles utilising credit.

The total number of vehicles sold excluding medium and heavy commercial vehicles declined by 6,19% to 639 039 vehicles compared to 681 235 vehicles in 2006. Rising interest rates and escalating fuel prices during this period contributed towards the negative sales trend.

A further challenge was the fact that following the end of the 3-year industry wide wage agreement, protracted wage negotiations ensued. The industry as a whole experienced disruptions as a result of industrial action in support of the demands by labour. The group falls under the industry chapter that was the worst hit by industrial action and lost 10 production days during the month of September.

RESULTS

Adjusted headline earnings per share for the full year was 121 cents compared to 133 cents achieved in the previous financial year. This represents a 9% decline in adjusted headline earnings. This decline can be attributed to the decline in the number of locally produced vehicles and the loss of 10 production days during September.

The labour disruptions came at the worst possible time for the group as it coincided with Toyota South Africa's launch of the new Corolla and the first phase of production volume ramp up. Smiths Plastics who supply plastic and styling painted plastic products to Toyota was particularly affected. With the assistance and cooperation of our associates at Toyota, measures to stabilise supply from Smiths Plastics were put in place in the latter part of the year.

A new management team was appointed at Hella following which a review of the Hella operation as a whole and in particular its stockholding strategy was undertaken. The subsidiary made a substantial loss during the period.

Group turnover increased by 13% to R2 984 million compared to R2 642 million in 2006. Profit after tax attributable to ordinary shareholders decreased to R183,5 million from R200,7 million and operating profit declined to R281 million from R311 million in 2006. Cash generated from operations was R240 million compared to R242 million in 2006. The decline in the group's operating margin was primarily due to the loss incurred at Hella, the disappointing performance from Smiths Plastics and labour disruptions during September.

The group ROE after the inclusion of the pension fund on the balance sheet was 17%.

Sales of components to Original Equipment Manufacturers (OEM's) increased by 14,8% and constituted 52% of turnover (2006 – 51%). Export sales remained at R622 million the same as in 2006. Export sales include an estimate for the year in respect of those components supplied to OEM's for incorporation into their export programs.

After market sales increased to R504 million compared to R429 million in 2006. Non-automotive business is mostly through First National Battery into retail, mining, tele-communications, utility, industrial and standby power sectors and grew to R311 million from R243 million in 2006.

Administrative and distribution expenses increased by 9,6%.

The minority shareholding now reflects the full year effect of both the 25,1% shareholding of Yazaki in Hesto Harnesses and 25% shareholding of Denso in Smiths Manufacturing.

The tax rate was 32% in 2007. Of the tax charge of R92,2 million, secondary tax on companies contributed R10 million.

The balance sheet reflects an increase in net book value of property, plant and equipment of R88 million from R614 million to R702 million as a result of the additional plant and equipment installed to meet higher volume requirements expected throughout 2008 and 2009 as well as the addition of Automold (Pty) Ltd assets.

Current assets (inventory and debtors excluding cash) increased by R196 million. The combination of the trading days lost due to industrial action and high commodity prices increased stock values. Debtors increased due to extended production during the shutdown period as customers tried to claw back some of the lost production experienced during the September labour disruptions.

The balance sheet remains strong with shareholders funds representing 62,4% of total assets at year-end (2006 – 70,3%).

GROUP STRUCTURE

During this period, Elisabeth Bradley and Gerrit Strydom resigned from the board. Mpueleng Pooe was appointed as the chairman of the board. He replaces Alan Plummer who continues to serve on the board as a non-executive director.

Bothata Molotlegi was appointed to the board as a non-executive director with Lucas Ndala as his alternate.

The group remains committed to maintain multi license agreements in the subsidiaries with equity participation by Japanese licensors in order to service the full spectrum of Original Equipment Manufacturers (OEM's) in South Africa. The group is currently pursuing the opportunity to expand equity participation by a multinational company in our automotive lighting company Hella South Africa.

DIVIDEND

A dividend of 40 cents per share has been declared in respect of 2007. This is on par with the 40 cents dividend declared in 2006 and paid in 2007.

INDUSTRY REVIEW

2007 was the first year since 2002 that saw a decline in the total number of vehicles sold in South Africa. The total number of vehicles excluding medium and light commercial vehicles sold was 639 039 and 6,2 % less than the 681 235 sold in 2006.

The export of completely built up vehicles steadily grew from 67 352 vehicles exported in 2000 to 179 323 vehicles exported in 2006. The number of vehicles exported in 2007 declined by 4,9% to 170 587 vehicles on the back of the launch of the new Mercedes Benz C Class and Toyota Corolla both with high export targets from 2008.

The group's OE business is more affected by the number of vehicles produced in South Africa both for the domestic and export market rather than what is sold domestically.

The concerning fact is the number of completely imported vehicles sold in the South African market. The sale of imported vehicles in 2007 increased to 61% in respect of total passenger vehicles sold while that of imported light commercial vehicles increased to 23,4% of sales.

The impact of this is that overall, 49% or 312 855 imported vehicles were sold locally in 2007. This is 142 268 vehicles more than what is exported and puts tremendous strain on the trade account deficit for the industry.

Against this background the Motor Industry Development Program (MIDP) is currently under review. The trade account deficit issue alluded to above, is a matter for concern for the government. The government is also concerned about how the MIDP can be made World Trade Organisation compliant, and be utilised to stimulate an increase in the production of vehicles to 1.2 million units by 2020. The Industry has been invited to make submissions and Government have set up a formal structure to consult with Industry in this regard. Metair will make a submission and will also play a role in the preparation of the Industry submission through the auspices of NAACAM. It is anticipated that an announcement regarding the revised program will be made in the latter part of 2008. Government has given the Industry the undertaking that the current program will continue until 2012 and that the detailed aspects of the new program is expected to be announced and promulgated between 2009 and 2012.

Metair remains positive that the revised program will have a positive impact for local component manufacturers as the focus of the future program is expected to shift to local content and increased high volume vehicle exports.

Restructuring of the Vehicle Manufacturing Industry in South Africa continued during 2007 with the further rationalisation of the number of models produced decreasing to 19 compared to 21 in 2006.

REVIEW OF OPERATIONS

Capital expenditure of R163 million (including R33 million Automold (Pty) Ltd) was incurred during the period under review. The capital expenditure will facilitate the increase in export volumes especially for the Toyota Corolla European export in 2008.

The prolonged industrial action that resulted in a loss of 10 production days during the month of September had a detrimental effect on the company's results for the second half of the period. The new wage adjustment agreement covers the 3-year period 2008 to 2010 at 9%, 8,5% and 7,5% increase respectively over this period.

The startup after the labour action proved very difficult for Smiths Plastics as it coincided with the first phase ramp-up of

Toyota Corolla production in addition to the introduction of new products. Smiths Plastics' delivery and financial performance for the second half of the period was very poor resulting in a loss from the Plastics subsidiary. Smiths Plastics managed with the assistance of Toyota to stabilise supply at year-end.

The remainder of the subsidiaries except Hella all contributed positively to the bottom line.

Quality, cost and supply requirements will continue to rise over 2008 and 2009 as more sophisticated export markets are entered into. Increased quality requirements will subject subsidiaries without minority shareholding by overseas licensors like Smiths Plastics to direct competition from overseas suppliers that hold design responsibility.

ELECTRICITY

Fortunately, Metair has to date, not been directly affected by the current shortage of electricity experienced in South Africa. The group purchases its electricity from local councils and the councils have not been interrupting power supply to industrial sites. The group could be affected if the electricity shortage was to escalate and a need arises to apply wider power supply interruptions.

The interruptions of the power supply by Eskom directly to mining customers and the 10% demand saving requirement is of concern to the group as it may have an impact on the supply of copper and other strategic materials in the future. In this regard, the group has put plans in place that could result in an increase in the amount of imported copper.

The group is committed to reducing electricity demand and have used innovative automotive technology to design and industrialise an energy efficient street light. The power shortage in South Africa also presents opportunities for First National Batteries to expand its product offering in support of the renewable energy focus.

CORPORATE ACTIVITY

During the second half of the financial year, Smiths Plastics acquired 100% of the shares in Automold a KwaZulu Natal plastics component manufacturer as part of the plastics business expansion strategy. In addition to Automold, Smiths Plastics also entered into an agreement to acquire the plastics operations of Aristons and SPE in the Eastern Cape from Control Instruments. This agreement was subject to the competitions commissions' approval and approval was granted at the end of February 2008.

Supreme Springs entered into an agreement with the Public Investment Commission (PIC) at the end of the period to acquire 100% of the shares and loan accounts of the ATE (Alfred Tevis) the manufacturer of OE brake systems and after market brake lining systems. Competitions Commissions approval for the transaction will be sought on successful finalisation of the Sale of Shares Agreement.

The group will continue to pursue strategic acquisition opportunities.

Metair bought back 2 187 773 shares (1,4%) during the second half of the period at an average price of R13,60 per share amounting to R29,9 million. These shares will be used to settle the second last tranch of the old Metair Share scheme in order not to dilute earnings per share.

PROSPECTS

Industry

The overall vehicle production outlook for 2008 and 2009 remains positive especially on the back of increased export volumes planned from Toyota South Africa for 2008 and 2009.

The introduction of a locally produced Renault vehicle is also planned for 2009 offering limited production opportunities to FNB and Supreme Springs.

The announcement from Ford South Africa regarding the production of a high volume light commercial vehicle from 2011 could offer some additional opportunities for the group. This announcement also indicates Ford South Africa's confidence in Government's future commitment to continue the MIDP Program.

Component manufacturers continued to be subjected to cost competitiveness from the developing countries in the likes of Thailand and Brazil as high volume export vehicles are launched in South Africa.

Group

The Metair Group is fortunate that all of its subsidiaries will participate in the increase in OEM production volumes in 2008 and 2009 especially those planned by Toyota South Africa. The number of vehicles to be produced by all of the manufacturers in 2008 is expected to increase by 18,64% from 496 771 vehicles in 2007 to 589 300 vehicles. The planned increase of 92 529 vehicles is mostly for the export market which is projected to increase to 284 300 vehicles from the 170 587 exported in 2006. Although new business was obtained under much tighter competitive and price target conditions resulting in the reduction in overall gross margin the anticipated increase in volumes across the Metair group is expected to result in an improved financial performance in 2008.

The group remains sensitive to customer's ability to produce vehicles at forecasted volumes and their successful entry into the new export markets.

The exchange rate especially the Rand/Dollar rate remains a determining factor in terms of the overall competitiveness and profitability of the group.

APPRECIATION

The group would like to express our sincere appreciation for the years of service and contribution from Elisabeth Bradley and Gerrit Strydom.

Employees and management are thanked for their continued efforts during 2007.

OME Pooe
Chairman
13 March 2008

CT Loock
Managing director

2007 was a year of transition, change, and completion as the company dealt with an original equipment market that phased in major model and volume changes, internal restructuring and the finalisation of three capital expansion program. Leon Coetzee, managing director

SMITHS MANUFACTURING (PTY) LIMITED (SMITHS)

EXTERNAL CHANGE
As was anticipated in 2006, the growth in sales slowed in 2007 as various vehicle model run-outs and run-ins took place.

The gradual introduction of the new Corolla which had not ramped up to full production volume by year end, resulted in a lull in production for that model.

Mercedes Benz SA introduced the new C Class in October where the company gained new contracts to supply the radiator and condenser. Ford introduced a major facelift for their LCV where, unfortunately, the air-conditioner system remained an imported item. Smiths did, however, obtain the radiator and other components on the vehicle. Fiat ceased production in South Africa resulting in Smiths no longer producing the airconditioning and cooling modules.

Landrover UK introduced the new Defender. This new model has a locally developed Smiths air-conditioning system which has been received with some acclaim in the market.

Smiths' key USA export customer continued to struggle with an overstocked position and internal changes that impacted negatively on orders for most of 2007, resulting in some lost market share. The company is in the process of being taken over and it is expected to see some recovery in 2008. Sales, however, are not expected to return to previous levels within the near future.

Whilst sales of aftermarket airconditioners through Smiths' Dunair division have reduced substantially due to higher fitment percentages at the motor plants, the sale of spare parts has increased drastically resulting in a 1,25% year on year increase in sales.

Despite the transition to new contracts, the loss of some business and the unexpected 10 day strike in the automotive sector, Smiths Manufacturing still managed to grow turnover by 6,9%.

INTERNAL TRANSITION
Smiths focused heavily on cost reduction and localisation. This focus is imperative to maintain competitiveness in the face of the inevitable price down that accompanies vehicle model changes and to provide local manufacturing advantage.

The company used the opportunity provided by transfers, retirement of senior management and attrition at other levels to restructure and rationalise the company's operational, engineering and sourcing divisions. These changes have not only resulted in leaner structures but have increased the focus on productivity. Operational directors, as an example, have been reduced from 9 to 5 for 2008.

Ongoing succession planning has been a management objective; thus restructuring has retained the required competency levels. The writer, Leon Coetzee, is retiring as managing director at the end of March 2008. He will remain on the board of Smiths Manufacturing as a non-executive director to provide continuity.

Ken Lello, previously managing director of Smiths Plastics, will assume the responsibility of managing director.

William Hilditch, in line with the succession planning, has replaced Ken Lello at Smiths Plastics.

Smiths Manufacturing continues addressing employment equity and broad based economic empowerment through initiatives that focus on internal development, traineeships, recruitment and extensive internal and external training programmes.

Training is completed on BBBEE for all managers. There is an active BBBEE committee and several sub-committees which are formalising long term targets and objectives. An initial assessment has been completed and Smiths achieved 55.69 points which equates to level 5 on the scorecard and equivalent to the 80% compliance recognition level.

PROJECT COMPLETION
If the company was to meet the technology and volume demands expected in 2008, a major capital improvement programme was required. This was completed during 2007.

The overhaul and major upgrade of the fluid exchanger plant, which produces pipes and hoses for automotive air-conditioner systems, has been completed. This plant matches the latest international technology whilst accommodating the demands of lower cost and increased volume.

In order to cope with the increased commercial traffic as the frequency and volume of just-in-time deliveries increases, the company also invested in a new roadway and access to the assembly plant.

2007 has seen the further development of the new logistics centre and the preparation in the new heat exchanger plant for additional heat exchangers planned to be localised in the first quarter of 2008.

The company successfully introduced wiper systems, windscreen washer systems and radiator coolant tanks during 2007.

The company has continued to pursue product quality, achieving the only international motor industry quality standard previously outstanding – Ford Q1. The company achieved the newest accreditation in terms of Health and Safety – OHSAS 18001:2002.

CONCLUSION
The focus on cost reduction, restructuring, new technology implementation, new products and quality improvement has resulted in Smiths maintaining its financial performance in the face of reduced target pricing from the motor plants.

After the period where the infrastructural development has been in excess of the volume requirements, the company will achieve the volumes for which the investment was designed during the forthcoming year.

With the appropriate manufacturing base in place at the end of 2007 and the continued focus on localisation and aggressive cost reduction, the company is well prepared to take advantage of the opportunities expected in 2008.

The writer wishes to thank the shareholders, Metair and Denso for the trust and support over a 13 year tenure as managing director. Smiths Manufacturing has been fortunate to have skilled and competent management and associates to whom the writer extends his thanks and appreciation for their dedicated support.

2007 proved to be a particularly challenging year for Smiths Plastics. Growth slowed during this period with the runout of the 096L Corolla and the introduction of the new 133L Corolla model.

William Hilditch, managing director

SMITHS PLASTICS (PTY) LIMITED (SMITHS PLASTIC)

Turnover showed sales consistent with budget and forecast, however costs associated with the new model launch were greater than anticipated, as a result of the overtime costs borne during the line fill and catch back program necessitated by the two-week industrial strike action.

Project start up costs placed a significant burden on Smiths Plastics during the period of the new model volume ramp up. Moulding and plant capacity were installed to achieve the increased Toyota volumes forecast for the first and second quarter of 2008. Smiths Plastics installed an additional 27 moulding machines in 2007 with an additional six scheduled for arrival in the first quarter of 2008. The rapid increase in plant capacity and manpower in conjunction with the significant complexity of the new Corolla model placed a larger burden on the manufacturing management resources. As part of the Corolla ramp up program, Smiths Plastics bolstered management capabilities in the manufacturing areas.

Delivery performance suffered during the last quarter of 2007. The two-week industrial strike action eroded finished goods stocks and thus led to supply disruptions when OEMs started their operations post the strike. This performance was reversed by the end of 2008 and all back orders to OEMs have been closed. In light of the risk that the company faces holding low stock levels, it will be the objective of management in 2008 to review the finished goods stock holding policy with a view to increase internal stock levels so as to reduce risk and allow a more rapid recovery in the event of labour or electricity disruptions.

The quality of parts supplied to customers showed a stable quality trend during the course of 2007. There was a spike in performance during the 133L Corolla launch, however this was corrected and quality levels improved above customer targets by the close of the fourth quarter. Start-up scrap had a serious impact on the material recoveries during the 133L launch. Tooling concerns and process problems within the painting plant resulted in an unacceptably high scrap cost which further burdened the company performance for the year.

Employment grew by over 430 employees during 2007. This growth was a direct result of the increased part numbers and complexity of the new Corolla model. The objective at Smiths Plastics in 2008 is to raise the skill levels commensurate with the higher technology processes.

Training and skills development form a key strategic objective for Smiths Plastics in 2008. The main focus in the recruitment and retention of skills will lie in the technical and maintenance areas. Smiths Plastics is a highly technological and capital based organisation that requires high levels of artisan skills to ensure plant uptime and robust manufacturing efficiency.

With the advent of rising labour and material costs, the focus of Smiths Plastics strategic objectives are to stabilise the manufacturing operations during the continued Corolla ramp up in 2008, and thereafter to drive cost containment and company growth. Superior production systems and continuous improvement principles will form the foundation for the cost reduction programs.

Manufacturing will receive the greatest apportionment of resources available to assist the plant managers to implement process and productivity improvements. Toyota SA and Toyota Motor Corporation have offered technical assistance to accelerate the Kaizen program within the organisation. The launch of the joint Toyota/Smiths cost down program will take place in February 2008.

In order to support the Metair growth strategy, Smiths Plastics successfully concluded the acquisition of Automold in KwaZulu Natal. The next phase of the growth program is to establish a moulding facility in the Eastern Cape. The strategic expansion in this region will provide moulding facilities to the motor plants in this area with the benefits of location and increased service levels. To this end Smiths Plastics have made a successful bid for the acquisition of Plastics injection moulding company Ariston/SPE. The relocation of manufacturing facilities to Aristons from Smiths in Pinetown has begun with the objective of reducing transportation costs currently borne by the customers.

Based on the rapid recovery of the organisation, post the industrial strike action in 2007, it is apparent that management capability and business systems are robust and will withstand the growth and increased output challenges of 2008. Strategic growth into the Eastern Cape and Gauteng will further increase market share and diversify risk. It is the vision of the management of Smiths Plastics to remain the centre of excellence as a supplier of injection moulded components in the South African automotive industry.

2007 results were an improvement on the excellent 2006 results in spite of highly volatile raw material prices and commodity supply problems. Louis Loubscher, divisional managing director

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

Turnover growth was experienced in all market sectors served by First National Battery. This was mainly driven by increasing commodity prices, but strongly underwritten by increased market share supported by quality products and a highly effective distribution network. In-house manufacture of a large range of components and the recycling of lead and plastics has helped to contain costs in the face of ever-increasing raw material prices.

The number of batteries supplied for fitment in vehicles produced by original equipment manufacturers increased during the review period. This volume growth was due to increased market share as well as growth in the level of motor vehicle exports. This trend is likely to continue with existing customers increasing vehicle exports and new customers being serviced. Market share was also gained in the automotive replacement battery market. Future growth in this segment is more likely to stem from the expected strong growth in market size and this should contribute positively towards the company's performance into the future.

The weaker Rand has also created an increased demand for export volumes. Focus will however remain on the increased local demand with direct exports restricted to more attractive niche markets.

The recent advent of "load shedding" has created an entirely new market and demand for stand-by type of batteries. This is an emotional demand, and fluctuates accordingly to current load shedding schedules. The shortage of electricity may impact negatively on manufacturing capacity given the existing 3 shift patterns operated in our factories. Energy saving measures have been put in place and will receive ongoing management attention.

All sectors of the non-automotive markets have shown better than expected improvements and new innovative product developments together with cost-down value engineering projects are set to strengthen First National Battery's position in these markets.

The purchase price of lead on the London Metal Exchange has been extremely volatile during 2007 having started the year at around $1 600 per metric ton, increased to a high of $3 980 before settling back to a average of about $2 600 in December. The price of lead has since remained variable and management of selling prices to retain profitability has been very challenging.

Selling prices have been increased in line with cost increases as far as possible which has resulted in abnormal sales patterns and placed additional strain on the manufacturing facilities. Increasing sales volumes have driven further capital expenditure to increase manufacturing capacity and the company is well positioned to cope with the expected future growth in the demand for our products.

Motor vehicle sales continued to be strong in 2007 particularly in the first half of the year. This combined with further success into the Asian export market resulted in further growth and success for Supreme. André Becker, divisional managing director

METINDUSTRIAL (PTY) LIMITED
SUPREME SPRING DIVISION (SUPREME)

Turnover grew by a further 25% over 2006.

The nature of Supreme's business is however, changing with lower margin, more advanced technology and higher volume products replacing the traditional business. These changes will have to be carefully managed over the next few years to protect the gains that have been made.

2008 is therefore expected to be a year of consolidation with the volumes of the older business phasing out and the newer business ramping up.

The installation and commissioning of the new cold formed coil spring and stabiliser bar lines were successfully completed in 2007 and it is particularly pleasing that these major investments in new technology were completed on time and within forecasted cost levels. It will take further time to secure sufficient business to achieve good returns from the investments but the Company is now technologically equipped to support the market.

Supreme has made good progress over the last few years in building its capabilities in manufacturing, technical competence, logistics, financial contracts and marketing and is well positioned to tackle the future challenges. Demand for Supreme's products and design capabilities continues to grow and the outlook for the Company is positive.

The South African passenger vehicle market is expected to decline in 2008 whilst the light commercial market is forecasted to be more resilient. Since Supreme is less dependant on the local passenger vehicle market and because the OEM vehicle export programs are expected to grow in 2008, Supreme is anticipating a 5% increase in turnover over 2007.

Further expansion opportunities are currently under consideration and should these come to fruition Supreme could see substantial growth in the future.

The 10% increase in turnover over 2006 is the start of significant growth projected for Hella in the next few years. Wolfgang Ropertz – managing director

HELLA SA (PTY) LIMITED (HELLA)

The business was however adversely affected in 2007 by the run out of current vehicle models, the automotive component industry strike and internal operation issues.

The introduction of the headlights and taillights for the Toyota Corolla in mid 2007 was successfully carried out. This has however also added technical and operational challenges which need to be addressed in order to successfully support the ramp up in volumes. Plans are in place to upgrade existing facilities and introduce new facilities to increase capacity early in 2008.

The program, to introduce BMC (Bulk Moulding Compound) technology and facilities to manufacture reflectors locally, is running to schedule. This program will result in an increase in the local content of the headlights produced in South Africa and will ensure the affects of the exchange rates are not as severe into the future. The introduction of the first localised reflectors is planned for mid 2008.

The higher levels of technical and manufacturing skills required for the future growth and expansion of the business have also been addressed and some significant changes in organisation structure and management has been made. Training and development of team members remains a top priority.

Hella (South Africa) (Pty) Ltd has a good strategic outlook with positive forecasts for current and future business. Long term plans are in place to prepare the team members and facilities for this growth however short term challenges need to be overcome and the new management team is fully committed and focused to achieve this.

The Corolla model change impacted on both turnover and returns. Tom Clarkson, managing director

HESTO HARNESSES (PTY) LIMITED (HESTO)

South African Vehicle sales were 5% down on 2006, but the overriding significant event for Hesto was the 6 week changeover period from the old Corolla and subsequent slow ramp up to full production. This, together with the industry wide strikes and reduced margins on the new Corolla largely explains Hesto's reduced turnover and substantially reduced bottom line in comparison to 2006. The full impact of the Corolla model change, however, was reduced by increased Isuzu and Hilux sales.

Toyota's new Corolla is manufactured in many locations in the world. The Electrical Distribution System (EDS) (wiring harness), was designed for Toyota by Yazaki (Hesto's JV partner) in Japan. Yazaki supports Toyota in each of its manufacturing locations by providing them with the technology, support, plant and equipment necessary to build the harnesses to global standards. Each location is involved from the concept stage and grows with the product as it is developed. Substantial two way personnel movement ensures proper transfer of knowledge of product and process. This is the basis of the relationship between Hesto and Yazaki, cemented by the 25,1% equity acquired in 2006. The successful production of the Corolla harnesses to Toyota South Africa attests to the effectiveness of the relationship and the soundness of the business decision to join with Yazaki. The relationship continues to grow in effectiveness, especially with the active participation of the two resident Yazaki members.

For Hesto, the Corolla brought with it new challenges. It will be Toyota South Africa's main export platform. Quality, delivery and price have become even more challenging and important. The wiring harness carries many more circuits, but is designed to fit into a reduced space in the motor vehicle. This has necessitated new technologies, production methods and operator skills.

To meet the volume increases towards the end of the year, 800 additional people were employed and 1600 people passed through Hesto's Training School. Some 60 team leaders continued their development to NQF 4 and 5 levels, in recognition of the importance of this key layer in management effectiveness.

Logistically, not only have the number of component parts increased but, where parts for the previous models were either local or Japanese, the new model is truly global with parts from 17 countries and 63 source companies. This was a challenge well met by a young and enthusiastic logistics team.

With Europe being the main destination for the export vehicles, strict environmental standards apply. This has resulted in a substantial increase in imported materials, due to the technologies required to meet European ELV standards. This includes cable and sleeving, both significant materials in the production of wiring harnesses. Hesto and Yazaki are currently working towards localisation of halogen free cable and corrugated sleeving, to reduce shipping, duties and stockholding costs.

Towards the end of the year, as customers increased demand to recover production lost during the strikes, Hesto's production capacity was strained. This was addressed by bringing in additional machines and equipment ahead of schedule. These new machines will not only increase capacity, but are more efficient, incorporating quick tool change capability and other work saving features.

Cost control remains a major focus through the Lean Manufacturing organisation. Raw material costs, particularly copper and PVC were volatile during the year but were recovered from the customer. With a high proportion of new team members in training there is clearly opportunity for improvement in labour productivity. These improvements, however, have been committed to the customer and are already factored in the selling price. Thus the pursuit of further productivity improvements and cost savings is ongoing and will be intensified. Reduced electricity consumption is already in effect and will further reduce, not only to reduce cost but also to assist the local municipality to meet its lower consumption targets.

The year 2007 was expected to be challenging and it more than met expectations. These challenges, however, were well met, and have prepared the way for a stronger performance in 2008, which will see volumes increase significantly. The outcome will largely depend on how Hesto can best capitalise on these increased volumes to offset the effects of substantially reduced margins.

The measurement of financial performance plays an important role throughout the Metair group.

FINANCIAL REVIEW

Budgeting reviews, monthly reporting and quarterly forecasts are 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 in support of the Metair philosophy is to generate value for shareholders assuring healthy returns in the long-term through profitable growth. With the emphasis on growth, the historic conservative gearing policy will soon become something of the past and gradually the group will be geared up in support of this objective.

The dividend policy will remain between 3 and 4 times for the foreseeable future.

A dividend of 40 cents per share was declared on 13 March 2008 in respect of the 2007 financial year.

PERFORMANCE MEASURE

The key measurement of performance used by the group is ROA (return on total assets) at subsidiary level and ROE on group level. This measures earnings before interest and tax (EBIT) as a percentage of gross assets (total assets excluding cash). At subsidiary level the targeted ROA return remains at 22%.The targeted ROE measurement at group level remains at 20,5%.

TAXATION

The effective group tax rate was 32% (2006: 30%).

RETIREMENT FUNDS

The group provides retirement benefits to its employees by way of both provident and pension funds, with the latter being defined contribution and defined benefit funds. Pension fund benefits are provided under the Metair Group Pension Fund – governed by the Pension Funds Act of 1956. The pension fund is valued on an annual basis on 31 December and the latest actuarial valuation dated 31 December 2007 confirmed that the fund was in a sound financial position.

The group also provides post employment medical aid to certain employees in the group.

Further detail is presented in the note 26 to the financial statements.

ANALYSIS OF SHAREHOLDERS

An analysis of shareholders at 31 December 2007 showed the following:

Shareholder spread	No of shareholdings	%	No of shares	%
1 – 1 000 shares	149	11,89	80 700	0,05
1 001 – 10 000 shares	591	47,17	2 738 291	1,80
10 001 – 100 000 shares	406	32,40	13 199 650	8,65
100 001 – 1 000 000 shares	92	7,34	28 992 140	19,01
1 000 001 shares and over	15	1,20	107 521 094	70,49
Totals	1 253	100,00	152 531 875	100,00

Distribution of shareholders	No of shareholdings	%	No of shares	%
Banks	10	0,80	615 268	0,40
Close corporations	19	1,52	423 435	0,28
Empowerment	1	0,08	37 911 325	24,85
Endowment funds	20	1,60	309 000	0,20
Individuals	756	60,34	9 307 484	6,10
Insurance company	10	0,80	14 094 262	9,24
Investment companies	12	0,96	26 503 762	17,38
Medical schemes	5	0,40	626 191	0,41
Mutual funds	64	5,11	27 913 946	18,30
Nominees and trusts	217	17,32	5 262 807	3,45
Other corporations	25	2,00	369 458	0,24
Private companies	43	3,43	3 775 806	2,48
Public companies	4	0,32	550 050	0,36
Retirement funds	65	5,19	13 921 206	9,13
Share trusts	2	0,16	10 947 875	7,18
Totals	1 253	100,00	152 531 875	100,00

Public/non – public shareholders	No of shareholdings	%	No of shares	%
Non – Public shareholders	**8**	**0,64**	**84 432 919**	**55,35**
Directors and associates of the company holdings	3	0,24	7 481 696	4,91
Share trusts and treasury stock	3	0,24	13 135 648	8,61
Empowerment	1	0,08	37 911 325	24,85
Strategic shareholding	1	0,08	25 904 250	16,98
Public shareholders	**1 245**	**99,36**	**68 098 956**	**44,65**
Totals	1 253	100,00	152 531 875	100,00

Beneficial shareholders holding 5% or more	No of shares	%
Royal Bafokeng Holdings	37 911 325	24,85
Coronation Capital Limited	25 904 250	16,98
Old Mutual	12 188 497	7,99
The Metair Share Trusts	10 947 875	7,18
Investment Solutions	9 325 874	6,11
Totals	96 277 821	63,12

ANALYSIS OF SHAREHOLDERS CONTINUED

An analysis of shareholders at 31 December 2007 showed the following:

BREAKDOWN OF NON-PUBLIC HOLDINGS

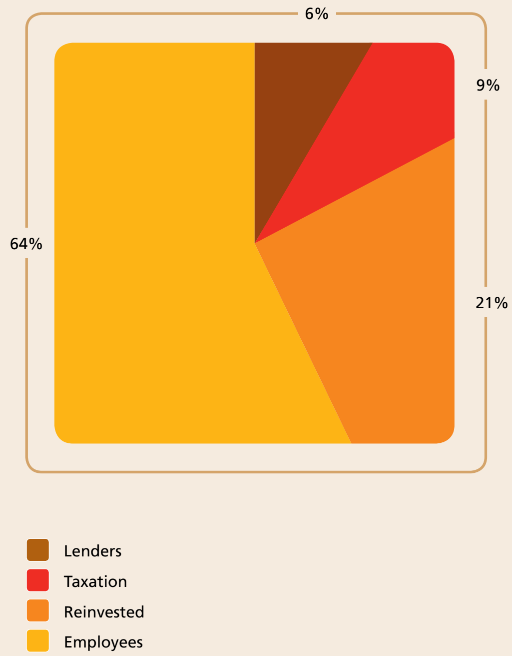
Directors	No of shares	%
GMC Ryan	**7 141 696**	**4,68**
GMC Ryan	7 141 696	4,68
L Soanes	**240 000**	**0,16**
L Soanes	240 000	0,16
CT Loock	**100 000**	**0,07**
CT Loock	100 000	0,07
Totals	**7 481 696**	**4,91**
Metair and Associates (Share Trusts and Treasury Stock)		
The Metair Share Incentive Trust	10 000 000	6,56
The Metair Share Trust	947 875	0,62
Business Venture Investments No.121	2 187 773	1,43
Totals	**13 135 648**	**7,18**
Empowerment		
Royal Bafokeng Holdings	37 911 325	24,85
Totals	**37 911 325**	**24,85**
Strategic Holdings (more than 10%)		
Coronation Capital Limited	25 904 250	16,98
Totals	**25 904 250**	**16,98**
Beneficial Shareholders Holding 5% or more		
Old Mutual	**12 188 497**	**7,99**
Old Mutual Life Assurance Company SA	11 940 393	7,83
SYmmETRY Satellite Equity Fund	199 974	0,13
SYmmETRY Value Equity Fund	47 980	0,03
SYmmETRY Small Cap Portfolio – UPF	150	0,00
Investment Solutions	**9 325 874**	**6,11**
Investment Solutions Funds – Specialist	5 000 000	3,28
Investment Solutions Funds – Local	1 864 929	1,22
Investment Solution Pure Equity Fund	1 125 000	0,74
Investment Solutions Funds – Value	679 427	0,45
Investment Solutions – Incubator Pure Equity	251 476	0,16
Investment Solutions – Aggressive Value Equity	221 422	0,15
Investment Solutions – Specialist Equity	183 620	0,12
Totals	**21 514 371**	**14,10**

VALUE ADDED STATEMENT

for the year ended 31 December 2007

		Group	
		2007	2006
		R'000	R'000
WEALTH CREATED			
Revenue		**2 984 293**	2 641 911
Less: Net cost of products and services		**(1 981 448)**	(1 695 546)
Value added		**1 002 845**	946 365
Add: Income from investments		**22 559**	20 540
Wealth created		**1 025 404**	966 905
WEALTH DISTRIBUTION	**%**		
Employees			
Salaries, wages and other benefits	64	**655 848**	580 566
Providers of capital	6	**63 840**	58 163
Interest on borrowings	1	**7 185**	6 846
Dividends to shareholders	6	**56 655**	51 317
Government taxation and levies	9	**92 175**	98 388
Retained in the group	21	**213 540**	229 788
To provide for the maintenance of capital	7	**75 186**	54 562
To provide for expansion	13	**138 355**	175 226
	100	**1 025 404**	966 905
Total number of employees		**6 506**	5 697

DISTRIBUTION OF VALUE ADDED %



The directors of the company and its subsidiaries subscribe to 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 nine directors, of whom two are executive directors (one being the managing director), six are non-executive directors (one being the chairman) and one is an independent non-executive director. Details of directors in office are detailed on page 4. 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 2007, except for one meeting that was not attended by one of the non-executive directors.

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 on 12 December 2007. 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 are responsible for the preparation, integrity, and fair presentation of the financial statements of Metair Investments Limited. The accounting records disclose with reasonable accuracy the financial position of the company.

The consolidated financial statements as set out in this report have been prepared by the directors in accordance with International Financial Reporting Standards (“IFRS”) and the interpretations adopted by the International Accounting Standards Board ("IASB") and the requirements of the South African Companies Act. 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 30.

GROUP RISK ASSESSMENT

Risk management is the responsibility of the board.

The group's risks have been identified and rated using a well structured and tested methodology. Reporting is done through the board audit committee which monitors and evaluates the whole process, on an ongoing basis, in its efforts to continually improve.

BOARD AUDIT COMMITTEE

The committee comprises of three non-executive directors, namely Messrs AD Plummer, GMC Ryan and LM Ndala who is also the chairman of the committee. The appropriate terms of reference for the committee are in place.

Due to the promulgation of the new Corporate Laws Amendment Act effective 12 November 2007 this committee is not duly constituted. The board is addressing the matter and adopted a plan of action to appoint further members to the committee as soon as possible.

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.

Internal audits were done at random at the Metair subsidiaries during the year and a detailed internal audit report was presented to the committee.

Meetings were held during the year in March, August and November 2007, which were attended by all members of the committee. The next meeting will be held in March 2008.

BOARD REMUNERATION COMMITTEE

The committee comprises of four non-executive directors, Messrs RS Broadley, who is also the chairman, L Soanes, A Joffe and AD Plummer.

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.

Two meetings were held during the year in February and November 2007, which was attended by all members of the committee.

The next meetings will be held in March and November 2008.

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

INTERNAL CONTROLS

The board of directors maintains adequate accounting records and has developed and maintained an effective system of internal control in order to fulfill its responsibilities.

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 foreseeable 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 from 31 December and 30 June 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 AND TRANSFORMATION

The group through each of its subsidiaries has:

– submitted the relevant Employment Equity reports (in October 2007), after thorough consultation with staff and union representatives;
– through the Employment Equity and Transformation 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.

BROAD BASED BLACK ECONOMIC EMPOWERMENT

In this year, we saw the company transforming to conform to the Broad Based Black Economic Empowerment (BBBEE) requirements in South Africa by way of the introduction of Royal Bafokeng Holdings (RBH) the investment arm of the Royal Bafokeng Nation (RBN) as a strategic Shareholder, with a direct economic interest of 12,43% and the control of a special purpose empowerment trust that vote 24,85% of the companies shareholding. The overall black shareholding at the end of the period stood at 39,27% resulting in 19,81 points scored for the ownership element of the generic scorecard. The Board transformed to present the new shareholding structure.

CORPORATE SOCIAL RESPONSIBILITY

The group accepts its corporate social responsibility and at present contributes to a number of charitable and educational institutions.

SPONSOR

Ernst & Young acts as sponsor to the company in compliance with the Listings Requirements of the JSE Limited.

KING II COMPLIANCE

The company complies with the principles, listed below, as set out in the King Code on Corporate Governance as required by the revised Listings Requirements of the JSE Limited (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 were established.
- 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.

ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2007

The following reports and statements in respect of the year ended 31 December 2007 are presented by the board of directors in compliance with the requirement of the Companies Act, 1973.

INDEPENDANT AUDITOR'S REPORT TO THE MEMBERS OF METAIR INVESTMENTS LIMITED

We have audited the annual financial statements and group annual financial statements of Metair Investments Limited which comprise the directors' report, the balance sheet and the consolidated balance sheet as at 31 December 2007, the income statement and the consolidated income statement, the statement of recognised income and expenses and the consolidated statement of recognised income and expenses, the cash flow statement and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 31 to 76.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the financial statements present fairly, in all material respects, the financial position of the company and of the group as at 31 December 2007, and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa.

PricewaterhouseCoopers Inc.

PRICEWATERHOUSECOOPERS

PRICEWATERHOUSECOOPERS INC
Director: L de Wet
Registered auditor
Johannesburg

13 March 2008

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 2007, 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

SM Vermaak
13 March 2008

DIRECTORS REPORT
for the year ended 31 December 2007

The directors have pleasure in submitting their report for the year ended 31 December 2007.

GENERAL REVIEW
The main business of the group is the manufacture and supply of motor vehicle components.

The financial statements on pages 32 to 76 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 attributable to equity holders of the company was R174 509 million (2006: R203 240 million).

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

	2007 R'000	2006 R'000
Ordinary shares Declared and paid 40 cents per share (2006: 34 cents per share)	**56 655**	51 317

A dividend of 40 cents per share was declared on 13 March 2008 in respect of the 2007 financial year.

SHARE CAPITAL
886 625 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:

Arising on acquisition of Automold (Pty) Ltd	R33 828 000
Other additions	R129 691 000
Disposals	R4 163 000

The main changes to the intangible assets of the company and its subsidiaries were as follows:

– Arising on acquisition of Automold (Pty) Ltd	R34 902 000
– Other additions	R2 169 000

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

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

INTEREST OF DIRECTORS
Interest of directors in the company's ordinary share capital are disclosed in note 15 of the annual financial statements. The directors have no material interest in contracts with the group.

SUBSIDIARIES
Details of the company's investments in its subsidiaries are disclosed on page 76.

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.

APPROVAL OF ANNUAL FINANCIAL STATEMENTS
The directors have approved the annual financial statements on pages 31 to 76 which are signed on their behalf by:

OME Pooe
Chairman

CT Loock
Managing Director

Johannesburg
13 March 2008

ACCOUNTING POLICIES

PRINCIPAL ACCOUNTING POLICIES
The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless stated otherwise.

BASIS OF PREPARATION
The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), and the requirements of the South African Companies Act.

The consolidated annual financial statements have been prepared on the historical cost basis, except as disclosed in the accounting policies below. For example, derivative financial instruments are shown at fair value.

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that may affect the application of policies and reported amounts of assets, liabilities, income and expenses. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about the carrying values of assets and liabilities that are not readily apparent from other sources.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision only affects that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRS are advised in note 28 on page 74.

a) Standards, amendments and interpretations effective in 2007:
IFRS 7, "Financial instruments: Disclosures", and the complementary amendment to IAS 1, "Presentation of financial statements – Capital disclosures", introduces new disclosures relating to financial instruments and does not have any impact on the classification and valuation of the group's financial instruments, or the disclosures relating to taxation and trade and other payables.

IFRIC 8, "Scope of IFRS 2", requires consideration of transactions involving the issuance of equity instruments, where the identifiable consideration received is less than the fair value of the equity instruments issued in order to establish whether or not they fall within the scope of IFRS 2. This standard does not have an impact on the group's financial statements.

IFRIC 10, "Interim financial reporting and impairment", prohibits the impairment losses recognised in an interim period on goodwill and investments in equity instruments and in financial assets carried at cost to be reversed at a subsequent balance sheet date.

IFRIC 11, "IFRS 2 – Group and treasury share transactions". IFRIC 11 provides guidance on whether share-based transactions involving treasury shares or involving group entities (for example, options over a parent's shares) should be accounted for as equity-settled or cash-settled share-based payment transactions in the stand-alone accounts of the parent and group companies. This interpretation does not have an impact on the group's financial statements.

AC 503, "Accounting for Black Economic Empowerment (BEE) transactions". This interpretation considers those BEE transactions where the entity grants equity instruments to previously disadvantaged persons (directly or indirectly) and the fair value of the cash and other assets received (or to be received), if any, is less than the fair value of the equity instruments granted. This standard currently does not have an impact on the group's financial statements.

b) Standards, amendments and interpretations effective in 2007 but not relevant:
IFRS 4, "Insurance contracts";

IFRIC 7, "Applying the restatement approach under IAS 29, Financial reporting in hyperinflationary economies"; and

IFRIC 9, "Re-assessment of embedded derivatives".

c) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the group:
The following interpretations to existing standards have been published that are mandatory for the group's accounting periods beginning on or after 1 January 2008 or later periods, but the group has not early adopted these:

IAS 23 (Amendment), "Borrowing costs" (effective from 1 January 2009). This standard requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use of sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The group will apply IAS 23 (Amended) from 1 January 2009.

IFRS 8, "Operating segments" (effective from 1 January 2009). IFRS 8 replaces IAS 14 and aligns segment reporting with the requirements of the US standard SFAS 131, "Disclosures about segments of an enterprise and related information," The new standard requires a "management approach," under which segment information is presented on the same basis as that used for internal reporting purposes. The group will apply IFRS 8 from 1 January 2009. The expected impact is still being assessed by management.

IFRIC 14, "IAS 19 – The limit of a defined benefit asset, minimum funding requirements and their interaction" (effective from 1 January 2008). IFRIC 14 provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. The group will apply IFRIC 14 from 1 January 2008.

d) Interpretations to existing standards that are not yet effective and not relevant for the group's operations:

The following interpretations to existing standards have been published that are mandatory for the group's accounting periods beginning on or after 1 January 2008 or later periods but are not relevant for the group's operations:

IFRIC 12, "Service concession arrangements" (effective from 1 January 2008). IFRIC 12 applies to contractual arrangements whereby a private sector operator participates in the development, financing, operation and maintenance of infrastructure for public sector services. IFRIC 12 is not relevant to the group's operations.

IFRIC 13, "Customer loyalty programmes" (effective from 1 July 2008). IFRIC 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement in using fair values. IFRIC 13 is not applicable to the group's operations.

BASIS OF CONSOLIDATION

Subsidiaries

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. The purchase method of accounting is used to account for the acquisition of subsidiaries by the group. All significant inter-group balances and transactions have been eliminated.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Subsidiaries are those entities (including special purpose entities) over whose financial and operating policies the group has the power to exercise control, so as to obtain benefits from their activities. This power generally accompanies a shareholding of more than one half of the voting rights. The existence and the effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are de-consolidated from the date that control ceases.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

The investment in subsidiaries by the company are stated at cost less amounts written off.

ASSOCIATED COMPANIES

Associates are all entities over which the group has a significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment losses. The group's share of its associates' post acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the group and its associates are eliminated to the extent of the group's interest in associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

If an associated company applies accounting policies that are recognised as being materially different to those adopted by the group, appropriate adjustments are made to the financial statements where it is practicable to do so prior to equity accounting.

MINORITY INTEREST

Minority interest is valued at the minorities' portion of the acquirer's identifiable assets, liabilities and contingent liabilities at the acquisition date plus the minorities' portion of post acquisition reserves.

Minority interest is included in equity on the balance sheet and is also reconciled in the notes to the annual financial statements.

FOREIGN CURRENCIES

a) Functional and presentation currency

The consolidated financial statements are presented in South African Rands, which is the functional and presentation currency of the group.

b) Transactions and balances

Transactions denominated in foreign currencies are translated into the functional currency at the rate of exchange ruling at the transaction date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as a qualifying cash flow hedge. Monetary items denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date.

INTANGIBLES

a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the group's share of the net identifiable assets for the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in "intangible assets". Goodwill on acquisitions of associates is included in "investments in associates" and is tested for impairment as part of the overall balance. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is allocated to cash-generating units for the purpose of impairment testing.The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

b) Trademarks and licences

Trademarks and licenses are shown at historical cost less accumulated amortisation and impairment losses. Amortisation is charged to the income statement on a straight-line basis over their expected useful lives unless such lives are indefinite. Where the useful life of an intangible asset is assessed as indefinite, the intangible asset is not amortised, but is tested annually for impairment.

Local and foreign licenses are amortised over the terms of the agreements.

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

– Trademarks	15 years
– Licences	5 – 15 years

c) Customer relationships

Customer relationships arising on the acquisition of Automold (Pty) Ltd are carried at historical cost less amortisation and impairment losses. Amortisation is charged to the income statement on a straight line basis over the following estimated useful lives:

– Key customer relationships	10 years
– Non-key customer relationships	5 years

d) Brands

Brands consists of the Automold (Pty) Ltd brand name. Brands are carried at historical costs less amortisation and impairment losses. Amortisation is charged to the income statement on a straight line basis over useful life of the asset of 25 years.

PROPERTY, PLANT AND EQUIPMENT

Subsequent expenditure on acquired intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates.

a) Owned assets

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to reduce their cost to their residual values over their estimated useful lives.

Buildings	2%
Plant and machinery	5% – 33%
Motor vehicles	10% – 25%
Computers	33%
Leasehold improvements	2%

All other property, plant and equipment is stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment. Residual values and useful lives of all assets are reassessed annually. In addition, depreciation of an item of property, plant and equipment is to begin when it is available for use and ceases at the earlier of the date it is classified as held for sale or the date that it is derecognised upon disposal.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "other (losses)/gains" in the income statement.

b) Assets held under finance leases

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 shorter of the duration of the lease agreements or useful life, 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.

LEASES

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

IMPAIRMENT OF NON-FINANCIAL ASSETS

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. The group periodically evaluates the carrying value of property, plant and equipment and intangible assets, when events and circumstances warrant such a review. The carrying value of an asset is considered to be impaired, when the recoverable amount of such an asset is less than its carrying value.

In that event, a loss is recognised based on the amount by which the carrying value exceeds the recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

INVENTORY

Inventory is stated 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. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity).

Borrowing costs are excluded. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling prices.

CURRENT AND DEFERRED TAX

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is provided using the balance sheet liability method on all temporary differences between the carrying amounts of assets and liabilities.

However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither the accounting or taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. The effect on deferred tax 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. Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the group controls the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The tax value of losses expected to be available for utilisation against future taxable income is set off against the deferred tax liability within the same legal taxation unit. Net deferred tax assets are reduced to the extent that it is no longer probable that the related taxation benefit will be realised.

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.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as interest expense.

TRADE PAYABLES

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

REVENUE

Revenue is recognised only when it is probable that the economic benefits associated with a transaction will flow to the group and the amount of revenue can be measured reliably.

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the group's activities. Revenue is shown net of value added tax, estimated returns, rebates and discounts and after inter-company sales have been eliminated. A provision is made for the estimated settlement discount at the time of sale.

Goods

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.

Dividends

Dividends are recognised when the right to receive payment is established.

Interest

Interest is recognised on a time proportion basis that takes account of the effective yield on the asset.

When a receivable is impaired, the group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

GOVERNMENT GRANTS AND INCENTIVES

Government grants and incentives, such as MIDP claims, are not recognised until there is reasonable assurance that the group has complied with the conditions attached to it and that the grant will be received. Government grants and incentives are included in other income in the income statement and deferred over the period necessary to match them with the costs that they are intended to compensate.

BASIC EARNINGS PER SHARE

Basic earnings per share is expressed in cents and is based on the net profit attributable to ordinary shareholders divided by the weighted average number of shares in issue.

FINANCIAL INSTRUMENTS

a) Derivative financial instruments

The group uses derivative financial instruments to manage its exposure to foreign exchange and commodity price risks arising from operational, financing and investment activities. The group does not hold or issue derivative financial instruments for dealing purposes.

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 at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value.

The method of recognising the resulting gain or loss is dependent on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The group designates certain derivatives as either:
1) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or
2) hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge).

The fair values of various derivative instruments used for hedging purposes are disclosed in note 23. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged items is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges 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 IAS 39. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting under IAS 39 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 IAS 39, 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. Changes in the fair value of any of these derivative instruments are recognised immediately in the income statement within "other gains/losses".

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 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.

b) Financial assets

The group classifies its financial assets in the following categories: at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit and loss are "financial assets held for trading". A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as "held for trading" unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are classified as "accounts receivable" in the balance sheet (note 13), "short-term loans – subsidiaries" (note 9) and cash and cash equivalents (note14).

Regular purchases and sales of financial assets are recognised on trade-date – the date on which the group commits to purchase or sell the asset. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership. Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest rate method.

Gains or losses arising, from changes in the fair value of the "financial assets at fair value through profit or loss" category, including interest and dividend income, are presented in the income statement within "other operating income" or "other operating expenses", in the period in which they arise. The group assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired.

Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement. Impairment testing of trade receivables is described in the accounting policy note on accounts receivable.

ACCOUNTS RECEIVABLE

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the group will not collect the amount as per the original terms of receivables. The amount of the provision is the difference between the asset's carrying value and the present value of future cash flows, discounted at the effective interest rate. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivables are impaired. The amount of the provision is recognised in the income statement. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited in the income statement.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents are carried in the balance sheet at face value.

Cash and cash equivalents comprise cash on hand, deposits held on call with banks and other short-term, highly liquid investments with original maturities of three months or less, all of which are available for use by the group unless otherwise stated.

Bank overdrafts are included within borrowings in current liabilities on the balance sheet.

BORROWINGS

Borrowings are recognised initially at fair value, net of transaction costs incurred. In subsequent periods, borrowings are stated at amortised cost using the effective interest rate 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.

Preference shares, which are mandatorily redeemable on a specific date, are classified as liabilities. The dividends on these preference shares are recognised in the income statement as interest expense.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

EMPLOYEE BENEFITS

Short-term employee benefits

Employee entitlements to annual leave and long-service leave are recognised when they accrue to employees. An accrual 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.

Retirement benefits

A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate entity. The group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan. Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

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.

The liability or asset recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in the statement of recognised income and expense (SoRIE) in the period in which they arise.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

For defined contribution plans, the group pays contributions to privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Other post-employment obligations

Some group companies provided post-employment health care benefits to their retirees until 31 December 1996. Employees who joined the group after 1 January 1997 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. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in the SoRIE in the period in which they arise. Valuations of these obligations are carried out by independent qualified actuaries.

Share-based payment transactions

The group operates an equity settled as well as cash settled share-based payment compensation plan.

The fair value of share options, share appreciation rights and deferred delivery shares granted to group directors and senior executives are recognised as an employee expense with a corresponding increase in equity or liabilities. The fair value is measured at grant date and expensed over the period during which the employee becomes unconditionally entitled to the equity instruments. The fair value of the instruments granted is measured using generally accepted valuation techniques, taking into account the terms and conditions upon which the instruments are granted excluding the impact of non-market vesting conditions. The accounting policy has been applied to all equity instruments granted after 7 November 2002 that had not yet vested at 1 January 2004, the date of transition to IFRS.

Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement, with a corresponding adjustment to equity or liabilities.

SHARE CAPITAL

Ordinary shares are classified as equity. Mandatorily redeemable preference shares are classified as liabilities.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options, or for the acquisition of a business, are included in the cost of acquisition as part of the purchase consideration.

Where a group company purchases the company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the company's equity holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the company's equity holders.

DIVIDENDS PAYABLE

Dividends payable and Secondary Tax on Companies pertaining thereto are recognised in the period in which such dividends are declared.

SEGMENT REPORTING

Segmental information has not been presented as the products provided by the group are subject to substantially similar risks and returns and the group does not operate in economic environments with differing risks and returns.

INCOME STATEMENTS

for the year ended 31 December 2007

	Notes	Group		Company	
		2007 R'000	2006 R'000	**2007 R'000**	2006 R'000
Revenue	1	**2 984 293**	2 641 911		
Cost of sales		**(2 391 410)**	(2 043 704)		
Gross profit		**592 883**	598 207		
Other operating income	3	**33 030**	30 064	**95 181**	122 217
Distribution costs		**(77 412)**	(65 966)		
Administrative expenses		**(264 030)**	(245 606)		
Other operating expenses		**(2 807)**	(5 462)	**(496)**	(344)
Operating profit		**281 664**	311 237	**94 685**	121 873
Interest income	2	**14 175**	13 440	**1 582**	393
Interest expense	2	**(17 038)**	(6 846)		
Share of results of associates		**8 384**	7 100		
Profit before taxation	3	**287 185**	324 931	**96 267**	122 266
Taxation	4	**(92 175)**	(98 388)	**(7 627)**	(6 007)
Profit for the year		**195 010**	226 543	**88 640**	116 259
Attributable to:					
Equity holders of the company		**174 509**	203 240	**88 640**	116 259
Minority interest		**20 501**	23 303		
		195 010	226 543	**88 640**	116 259
Earnings per share					
Basic earnings per share (cents)	5	**123**	134		
Diluted earnings per share					
Basic earnings per share (cents)	5	**120**	133		
Dividend per share (cents)	6	**40**	34		
Number of shares in issue ('000)		**152 532**	151 645		

BALANCE SHEETS

for the year ended 31 December 2007

	Notes	Group		Company	
		2007	2006	**2007**	2006
		R'000	R'000	**R'000**	R'000
ASSETS					
Non-current assets		**827 404**	696 931	**366 663**	423 596
Property, plant and equipment	7	**702 417**	614 087		
Intangible assets	8	**49 093**	14 647		
Interest in subsidiaries	9			**363 870**	395 803
Investment in associates	10	**22 352**	19 548	**2 793**	2 793
Defined benefit asset	26	**21 016**	1 640		
Deferred taxation	19	**32 526**	10 759		
Other non-current assets	11		36 250		25 000
Current assets		**1 079 221**	836 316	**276 937**	189 557
Inventory	12	**608 243**	423 007		
Trade and other receivables	13	**355 586**	344 724		393
Short-term loans – subsidiaries	9			**276 937**	189 164
Derivative financial assets	23.5	**540**	775		
Cash and cash equivalents	14	**114 852**	67 810		
Total assets		**1 906 625**	1 533 247	**643 600**	613 153
EQUITY AND LIABILITIES					
Capital and reserves		**1 100 837**	998 307	**643 468**	613 040
Share capital and premium	15	**42 876**	40 555	**42 876**	40 555
Treasury shares	15	**(131 813)**	(101 508)		
Share-based payment reserve	16	**3 074**	2 551	**3 030**	2 551
Non-distributable reserves	16	**25 139**	16 755		
Retained earnings	16	**1 161 561**	1 039 954	**597 562**	569 934
Ordinary shareholders equity		**1 100 837**	998 307	**643 468**	613 040
Minority interest	17	**89 295**	79 055		
Total equity		**1 190 132**	1 077 362	**643 468**	613 040
Non-current liabilities		**242 048**	89 077		
Borrowings	18	**15 161**	5 069		
Cumulative redeemable preference shares in respect of Metair Share Incentive Trust	18	**100 000**			
Post-employment medical benefits	26	**16 758**	15 228		
Deferred taxation	19	**110 129**	68 780		
Current liabilities		**474 445**	366 808	**132**	113
Trade and other payables	20	**357 063**	299 228	**132**	113
Borrowings	18	**11 965**	13 052		
Taxation		**4 832**	9 092		
Provisions for liabilities and charges	21	**27 054**	15 569		
Derivative financial liability	23.5		107		
Bank overdrafts	14	**73 531**	29 760		
Total liabilities		**716 493**	455 885	**132**	113
Total equity and liabilities		**1 906 625**	1 533 247	**643 600**	613 153

STATEMENTS OF RECOGNISED INCOME AND EXPENSE

for the year ended 31 December 2007

	Notes	Group		Company	
		2007	2006	**2007**	2006
		R'000	R'000	**R'000**	R'000
Actuarial gains/(losses) recognised directly in equity		**14 161**	(529)		
Gross	26	**19 945**	(745)		
Deferred tax	19	**(5 784)**	216		
Net income/(expense) recognised directly in equity		**14 161**	(529)		
Profit for the year		**195 010**	226 543	**88 640**	116 259
Total recognised income for the year		**209 171**	226 014	**88 640**	116 259
Attributable to:					
Equity holders of the company		**186 646**	202 553	**88 640**	116 259
Minority interest		**22 525**	23 461		
		209 171	226 014	**88 640**	116 259

CASH FLOW STATEMENTS

for the year ended 31 December 2007

	Notes	Group		Company	
		2007 R'000	2006 R'000	**2007 R'000**	2006 R'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash receipts from customers		**2 985 793**	2 544 840		
Cash paid to suppliers and employees		**(2 745 598)**	(2 302 577)		
Cash generated from/(utilised in) operations	22.1	**240 195**	242 263	**2 218**	(199)
Finance charges	2	**(17 038)**	(6 846)		
Taxation paid	22.2	**(93 702)**	(89 857)	**(7 627)**	(6 007)
Dividends paid	22.3	**(68 983)**	(57 055)	**(61 013)**	(51 559)
Dividend income from associate		**6 860**	416		
Net cash inflow/(outflow) from operating activities		**67 332**	88 921	**(66 422)**	(57 765)
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisition of property, plant and equipment		**(129 691)**	(166 275)		
Acquisition of intangible assets		**(2 169)**	(3 992)		
Decrease/(Increase) in other non-current assets		**36 250**	(1 250)	**25 000**	
Acquisition of subsidiary		**(42 774)**			
Decrease in loans to associate			5 593		5 593
Proceeds on disposal of interest in subsidiary			20 080		20 080
Increase in interest in associate		**(1 280)**			
Increase in interest in subsidiaries					(74 586)
Investment income		**14 175**	13 440	**95 181**	102 537
Proceeds on disposal of property, plant and equipment		**2 321**	859		
Net cash outflow/(inflow) from investing activities		**(123 168)**	(131 545)	**120 181**	53 624
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issue of ordinary shares		**2 321**	4 141	**2 321**	4 141
Long-term loans raised from institutions in respect of Metair Share Trust		**100 000**			
Long-term loans repaid		**(11 822)**	(48 183)	**(56 080)**	
Short-term loans repaid		**(1 087)**	(2 777)		
Movement in treasury shares		**(30 305)**	(101 049)		
Net cash inflow/(outflow) from financing activities		**59 107**	(147 868)	**(53 759)**	4 141
Net increase/(decrease) in cash and cash equivalents		**3 271**	(190 492)		
Cash and cash equivalents at beginning of the year		**38 050**	228 542		
Cash and cash equivalents at end of the year	14	**41 321**	38 050		

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2007

	Group		Company	
	2007 R'000	2006 R'000	**2007 R'000**	2006 R'000
1. REVENUE				
Group revenue comprises the total value of net sales of subsidiaries' products, predominantly in the automotive industry	**2 984 293**	2 641 911		
2. NET FINANCE				
Interest income:				
On bank deposits	**12 593**	13 047		
Dividend on redeemable preference shares (unlisted)	**1 582**	393	**1 582**	393
	14 175	13 440	**1 582**	393
Interest expense:				
Bank borrowings	**(8 278)**	(6 145)		
Finance leases	**(763)**	(701)		
Preference share dividends	**(7 182)**			
Other	**(815)**			
	(17 038)	(6 846)		
Net finance	**(2 863)**	6 594	**1 582**	393
3. PROFIT BEFORE TAXATION				
Profit before taxation is stated after taking into account the following:				
Other operating income:				
– Dividends from subsidiaries (unlisted)			**88 321**	102 144
– Dividends from associates (unlisted)	**2 371**	208	**6 860**	
– Profit on disposal of interest in subsidiary		2 435		20 073
– Management, committee fees, and commissions received	**1 907**	3 417		
– Government grants	**8 544**	6 716		
– Cash discounts received	**6 635**	3 723		
– Profit on tooling sales	**2 636**	2 728		
– Fair value loss on investment		(1 703)		
– Pension fund surplus		1 640		
– Profit on foreign exchange	**329**	6 169		
– Bad debts recovered	**4 160**			
– Other financial assets at fair value through profit or loss				
– Fair value losses	**(411)**	(262)		
– Fair value gains	**2 372**	362		
– Other	**4 487**	4 631		
	33 030	30 064	**95 181**	122 217

	Group		Company	
	2007 R'000	2006 R'000	**2007 R'000**	2006 R'000
3. PROFIT BEFORE TAXATION (continued)				
Auditors' remuneration				
– Audit fees	**3 757**	2 345		
– Expenses	**13**	10		
– Agreed procedure certificates	**541**	423		
Depreciation and amortisation (Notes 7 and 8)	**73 650**	54 562		
Loss/(profit) on disposal of property, plant and equipment	**1 842**	(94)		
Operating lease charges				
– Property	**11 207**	10 720		
– Plant and equipment	**9 418**	4 654		
Managerial and technical service fees paid to outside parties	**6 273**	5 416		
Foreign exchange losses	**(2 986)**	(13 267)		
Fair value adjustments on financial instrument		3 110		
Staff costs				
– Wages and salaries	**588 290**	517 247		
– Share based payment expenses	**1 279**	720	**479**	720
– Termination benefits		75		
– Social security costs	**18 080**	22 341		
– Pension costs – defined contribution plans	**28 746**	24 051		
– defined benefit plans	**14 535**	14 388		
– Other post-employment benefits	**1 851**	1 744		
	655 848	580 566	**479**	720
Number of persons employed by the group at the end of the year:				
Hourly	**5 186**	4 444		
Monthly	**1 320**	1 253		
	6 506	5 697		
Directors' emoluments				
– Executive directors				
– Salaries and allowances			**2 919**	3 474
– Other benefits			**1 626**	1 086
			4 545	4 560
– Paid by subsidiary companies			**(4 545)**	(4 560)
– Non-executive directors				8
– Fees			**550**	325
– Paid by subsidiary company			**(550)**	(317)

	Company					
			2007			
	E Bradley R'000	RS Broadley R'000	L Soanes R'000	CT Loock R'000	AD Plummer R'000	CIJ vd Merwe R'000
3. PROFIT BEFORE TAXATION (continued)						
Directors' emoluments (continued)						
– Executive directors						
– Salaries and allowances				**1 725**		**1 194**
– Performance bonuses				**760**		**452**
– Pension and provident fund contributions				**202**		**138**
– Company contributions				**29**		**25**
– Gain on the exercise of share options				**13**		**7**
				2 729		**1 816**
– Paid by subsidiary companies				**(2 729)**		**(1 816)**
– Non-executive directors						
– Fees	**4**	**60**	**56**		**195**	
– Paid by subsidiary company	**(4)**	**(60)**	**(56)**		**(195)**	

	B Molotlegi R'000	GMC Ryan R'000	A Joffe* R'000	OME Pooe** R'000	LM Ndala** R'000
Directors' emoluments (continued)					
– Executive directors					
– Salaries and allowances					
– Performance bonuses					
– Pension and provident fund contributions					
– Retirement payment					
– Company contributions					
– Gain on the exercise of share options					
– Paid by subsidiary companies					
– Non-executive directors					
– Fees	**34**	**58**	**75**	**45**	**23**
– Paid by subsidiary company	**(34)**	**(58)**	**(75)**	**(45)**	**(23)**

			2006			
	E Bradley R'000	RS Broadley R'000	L Soanes R'000	CT Loock R'000	AD Plummer R'000	CIJ vd Merwe R'000
– Executive directors						
– Salaries and allowances				1 537	372	1 077
– Performance bonuses					515	332
– Pension and provident fund contributions				196	44	136
– Retirement payment					299	
– Company contributions				24	6	22
– Gain on the exercise of share options					1 681	
				1 757	2 917	1 567
– Paid by subsidiary companies				(1 757)	(2 917)	(1 567)
– Non-executive directors	2	2	2		2	
– Fees	44	58	55		168	
– Paid by subsidiary company	(42)	(56)	(53)		(166)	

* Paid to Coronation Capital Limited
** Paid to Royal Bafokeng Management Services (Pty) Ltd

	Group		Company	
	2007 R'000	2006 R'000	**2007 R'000**	2006 R'000
4. TAXATION				
South African normal taxation	**82 198**	91 397		
Current:				
– this year	**78 780**	82 001		
– prior years	**685**	270		
Deferred:				
– this year	**2 732**	9 126		
Secondary taxation on companies	**9 977**	6 991	**7 627**	6 007
	92 175	98 388	**7 627**	6 007
	%	%	**%**	%
Reconciliation of taxation rate:				
Standard rate	**29**	29	**29**	29
Increased by:				
Secondary taxation on companies	**4**	2	**8**	5
Decreased by:				
Exempt income	**(1)**	(1)	**(29)**	(29)
Effective rate	**32**	30	**8**	5
Calculated tax losses of subsidiaries	**15 477**	9 292		
Utilised to offset deferred taxation	**(15 477)**	(9 292)		
Assessable tax losses available for offset against future taxable income				
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 excluding treasury shares.	**123**	134		
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 excluding treasury shares.	**124**	133		
The group has decided to present "adjusted headline earnings" to assist users of the group's financial statements to better interpret the operating performance of the group for the year under review. Adjusted headline earnings excludes certain items of income or expense so as to enable users to obtain a more meaningful comparison of the group's performance with prior periods. These adjustments include material items considered to be outside of the normal operating activities of the group and/or a non-recurring nature. Certain aspects of the commentary included in the chairman and managing director's report as indicated in these reviews, have been based on the adjusted headline earnings information.	**121**			
5.1 Diluted earnings per share				
Basic earnings per share (cents)	**120**	133		
Headline earnings per share (cents)	**121**	132		

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 deliverable options at the balance sheet date less shares held.

	Group			
Reconciliation between earnings, headline earnings and adjusted headline earnings:	Earnings **2007** **R'000**	Per share **2007** **cents**	Earnings 2006 R'000	Per share 2006 cents
5. EARNINGS PER SHARE (continued)				
Earnings per share				
Net profit attributable to ordinary shareholders	**174 509**	**123**	203 240	134
(Profit)/loss on disposal of property, plant and equipment	**1 842**	**1**	(94)	1
Profit on disposal of interest in subsidiary			(2 435)	(2)
Headline earnings	**176 351**	**124**	200 711	133
Weighted average number of shares in issue ('000)	**142 085**		151 250	
Diluted earnings per share				
Net profit attributable to ordinary shareholders	**174 509**	**114**	203 240	132
Interest income on proceeds	**768**	**1**	783	1
Interest expense for the Metair Share Incentive Trust	**7 182**	**5**		
Net profit adjusted for dilutive share options ('000)	**182 459**	**120**	204 023	133
Number of shares used for diluted earnings calculation ('000)	**153 682**		153 225	
Diluted headline earnings per share				
Headline earnings	**176 351**	**115**	200 711	131
Interest income on proceeds	**768**	**1**	783	1
Interest expense for the Metair Share Incentive Trust	**7 182**	**5**		
Headline earnings adjusted for dilutive share options ('000)	**184 301**	**121**	201 494	132
Number of shares used for diluted earnings calculation ('000)	**153 682**		153 225	
Number of shares used for diluted earnings calculation ('000):				
Weighted average number of shares in issue	**142 085**		151 250	
Adjustment for dilutive share options	**1 597**		1 975	
Treasury shares held by the Metair Share Incentive Trust	**10 000**			
	153 682		153 225	
Adjusted headline earnings				
Headline earnings	**176 351**	**116**		
Interest expense for the Metair Share Incentive Trust	**7 182**	**5**		
Adjusted headline earnings	**183 533**	**121**		
Number of shares used for adjusted headline earnings calculation ('000)				
Weighted average number of shares in issue	**142 085**			
Treasury shares held by the Metair Share Incentive Trust	**10 000**			
	152 085			

	Group		Company	
	2007 R'000	2006 R'000	**2007 R'000**	2006 R'000
6. DIVIDENDS				
Declared and paid:				
40 cents per share (2006: 34 cents per share)	**56 655**	51 317	**61 012**	51 559
	56 655	51 317	**61 012**	51 559

A dividend of 40 cents per share was declared on 13 March 2008 in respect of the 2007 financial year.

	Land and buildings R'000	Plant and equipment R'000	Capitalised leased assets R'000	Total R'000
7. PROPERTY, PLANT AND EQUIPMENT				
2007				
Group				
At cost	**179 903**	**838 271**	**34 817**	**1 052 991**
Less: Accumulated depreciation	**(8 609)**	**(322 450)**	**(19 515)**	**(350 574)**
	171 294	**515 821**	**15 302**	**702 417**
2006				
Group				
At cost	162 144	710 213	32 974	905 331
Less: Accumulated depreciation	(6 940)	(265 775)	(18 529)	(291 244)
	155 204	444 438	14 445	614 087
1 January 2006				
Group				
At cost	144 836	568 708	33 767	747 311
Less: Accumulated depreciation	(7 591)	(220 821)	(16 781)	(245 193)
	137 245	347 887	16 986	502 118
Reconciliation of movement:				
Group				
Year ended 31 December 2007				
Opening net book value	**155 204**	**444 438**	**14 445**	**614 087**
Additions	**18 499**	**142 134**	**2 886**	**163 519**
Disposals	**(738)**	**(3 425)**		**(4 163)**
Depreciation	**(1 670)**	**(67 326)**	**(2 029)**	**(71 025)**
Closing net book value	**171 294**	**515 821**	**15 302**	**702 417**
Year ended 31 December 2006				
Opening net book value	137 245	347 887	16 986	502 118
Additions	17 366	148 909		166 275
Disposals		(763)	(2)	(765)
Depreciation	(1 354)	(51 595)	(2 539)	(55 488)
Reassessment of useful lives	1 947			1 947
Closing net book value	155 204	444 438	14 445	614 087

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 18.

	Goodwill R'000	Trademarks R'000	Licences R'000	Brand R'000	Customer relationship R'000	Total R'000
8. INTANGIBLE ASSETS						
2007						
Group						
At cost	**17 298**	**1 010**	**18 325**	**11 802**	**5 802**	**54 237**
Less: Accumulated amortisation		**(117)**	**(5 027)**			**(5 144)**
	17 298	**893**	**13 298**	**11 802**	**5 802**	**49 093**
2006						
Group						
At cost		1 000	20 958			21 958
Less: Accumulated amortisation		(50)	(7 261)			(7 311)
		950	13 697			14 647
1 January 2006						
Group						
At cost		1 000	16 966			17 966
Less: Accumulated amortisation		(25)	(6 265)			(6 290)
		975	10 701			11 676
Reconciliation of movement:						
Group						
Year ended 31 December 2007						
Opening net book value		**950**	**13 697**			**14 647**
Additions		**10**	**2 159**			**2 169**
Acquisition of subsidiary	**17 298**			**11 802**	**5 802**	**34 902**
Amortisation		**(67)**	**(2 558)**			**(2 625)**
Closing net book value	**17 298**	**893**	**13 298**	**11 802**	**5 802**	**49 093**
Year ended 31 December 2006						
Opening net book value		975	10 701			11 676
Additions			3 992			3 992
Amortisation		(25)	(996)			(1 021)
Closing net book value		950	13 697			14 647

Goodwill is allocated to the group's cash-generating units (CGU's) identified according to business segment.

The goodwill allocation is presented below:

	2007 R'000
Automold (Pty) Ltd	**17 298**
	17 298

8. INTANGIBLE ASSETS (continued)

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period.

Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates.

Key assumptions used for the value in use calculations are as follows:

Gross margin: 27%
Growth rate: 5%
Discount rate: 19,6%

Management determined the budgeted gross margin based on past performance and its expectations of market development. The weighted average growth rates used are consistent with the forecasts included in industry reports. The discount rates used are pre-tax and reflect specific risks relating to the CGU.

The above value-in-use calculation did not result in an impairment charge.

	Group		Company	
	2007 R'000	2006 R'000	**2007 R'000**	2006 R'000
9. INTEREST IN SUBSIDIARIES				
Unlisted				
Shares at cost less amounts written off			**52 695**	52 695
Non-current advances to subsidiary companies			**308 145**	340 557
Share-based payment costs			**3 030**	2 551
			363 870	395 803
Current advances			**276 937**	189 164
			640 807	584 967
(Directors' valuation of shares held – R1 651 574) (2006: R1 296 176 000)				
Aggregate attributable income and losses after tax of subsidiaries:				
Income	**215 614**	212 428		
Losses	**(16 965)**			
Details of subsidiaries are disclosed on page 76.				

	Group		Company	
	2007 R'000	2006 R'000	**2007 R'000**	2006 R'000
10. INVESTMENT IN ASSOCIATES				
Unlisted				
Shares at cost less impairment	**4 073**	2 793	**2 793**	2 793
Share of post-acquisition reserves included in non-distributable reserves	**18 279**	16 755		
Income from associates in current year	**1 524**	6 892		
In respect of prior year	**16 755**	9 863		
Total carrying value	**22 352**	19 548	**2 793**	2 793
Reconciliation of movements:				
Balance at beginning of the year	**19 548**	18 249	**2 793**	8 386
Additional investment in associate	**1 280**			
Share of profit	**8 384**	7 100		
Dividends received	**(6 860)**	(208)		
Decrease in loan to associate		(5 593)		(5 593)
Balance at end of the year	**22 352**	19 548	**2 793**	2 793
Directors' valuation	**64 054**	63 839		
The summarised financial information of associates is in aggregate as follows:				
Income statement				
Revenue	**251 884**	253 213		
Profit before taxation	**30 212**	20 414		
Taxation	**(10 550)**	(5 953)		
Profit after taxation	**19 662**	14 461		
Balance sheet				
Assets				
Non-current assets	**4 245**	1 144		
Current assets	**94 912**	72 601		
	99 157	73 745		
Equity and liabilities				
Shareholders' equity	**68 272**	39 899		
Current liabilities	**30 885**	33 846		
	99 157	73 745		

	Percentage holding	Number of shares held	Group carrying amount R'000	Company cost R'000
10. INVESTMENT IN ASSOCIATES (continued)				
2007				
Unlisted				
Tenneco Automotive Holdings SA (Pty) Ltd	**25,1%**	**154 712**		
Toyoda Gosei (Pty) Ltd	**20%**	**200**		
Valeo Systems SA (Pty) Ltd	**49%**	**490**	**22 352**	**2 793**
Vizirama (Pty) Ltd	**33%**	**40**		
			22 352	**2 793**
2006				
Unlisted				
Tenneco Automotive Holdings SA (Pty) Ltd	25,1%	154 712		
Valeo Systems SA (Pty) Ltd	49%	490	19 548	2 793
			19 548	2 793

The associate companies operate in the automotive industry. The companies are all incorporated in South Africa.

Details of associates are disclosed on page 76.

	Group		Company	
	2007 R'000	2006 R'000	**2007 R'000**	2006 R'000
11. OTHER NON-CURRENT ASSETS				
Preference shares – unlisted		35 000		25 000
Other		1 250		
		36 250		25 000
12. INVENTORY				
Raw material	**350 423**	253 215		
Work in progress	**29 567**	24 877		
Finished goods	**228 253**	144 915		
	608 243	423 007		
The above inventories are stated net of a provision for obsolescence and slow moving stock of R15 876 000 (2006: R21 085 000).				
The cost of inventories recognised as expense and included in "cost of sales" amounted to R1 812 232 (2006: R1 543 870).				
13. TRADE AND OTHER RECEIVABLES				
Trade receivables	**329 724**	316 399		
Less: Provision for impairment of trade receivables	**(4 130)**	(6 273)		
Trade receivables – net	**325 594**	310 126		
Prepayments	**2 506**	5 595		
Other receivables	**27 486**	29 003		393
	355 586	344 724		393

The fair value of accounts receivable approximates their carrying value.

13. TRADE AND OTHER RECEIVABLES (continued)

Trade receivables can be categorised in the following performance categories:

	Fully performing	Past due & not impaired	Impaired & provided for	Total
2007				
Original equipment	**154 886**	**23 000**	**(162)**	**177 724**
Exports	**27 871**	**10 826**	**(29)**	**38 668**
Aftermarket	**41 878**	**18 833**	**(745)**	**59 966**
Non-automotive	**28 950**	**21 312**	**(1 026)**	**49 236**
	253 585	**73 971**	**(1 962)**	**325 594**
2006				
Original equipment	171 016	14 085	(160)	184 941
Exports	22 742	16 817	(69)	39 490
Aftermarket	37 845	16 498	(552)	53 791
Non-automotive	19 162	14 051	(1 309)	31 904
	250 765	61 451	(2 090)	310 126

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

	2007 R'000	2006 R'000
Rand	**334 481**	307 707
British Pound	**3 483**	10 342
Euro	**10 776**	10 011
US Dollar	**6 846**	16 523
Australian Dollar		141
	355 586	344 724

No interest is applicable to accounts receivable balances

The provision for impairment can be analysed as follows:

2007 Total	Original equipment	Export	After market	Non-automotive	**Provision for impairment**	2006 Original equipment	Export	After market	Non-automotive	Total
6 273	**183**	**4 229**	**552**	**1 309**	At 1 January	325	69	762	1 309	2 465
2 235	**2**	**2 040**	**193**		Provision for receivables impairment		4 160			4 160
(4 378)	**(23)**	**(4 200)**		**(155)**	Unused amounts reversed	(142)		(210)		(352)
4 130	**162**	**2 069**	**745**	**1 154**	At 31 December	183	4 229	552	1 309	6 273

The ageing profile of trade and other receivables are presented below:

2007 Total	Original equipment	Export	After market	Non-automotive	**Ageing of trade receivables**	2006 Original equipment	Export	After market	Non-automotive	Total
320 803	**179 123**	**36 126**	**61 469**	**44 085**	Up to 3 months	183 090	30 099	54 076	29 543	296 808
8 921	**3 936**	**480**	**421**	**4 084**	3 – 6 months	3 200	12 453	1 559	2 379	19 591
329 724	**183 059**	**36 606**	**61 890**	**48 169**		186 290	42 552	55 635	31 922	316 399

The creation and release of provision for impaired receivables have been included in "sales and marketing expenses" in the income statement. Unwind of discount is included in "finance costs" in the income statement. Amounts charged to the allowance account are generally written off, when there is no expectation of recovering additional cash.

The other classes within trade and other receivables do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The group does not hold any collateral as security.

	Group		Company	
	2007 R'000	2006 R'000	**2007 R'000**	2006 R'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	**114 852**	67 810		
Bank overdrafts	**(73 531)**	(29 760)		
	41 321	38 050		
The effective interest rate on short-term bank deposits was 9,94% (2006: 6,50%) and the effective interest rate on bank overdrafts was 13,17% (2006: 11,60%).				
15. SHARE CAPITAL AND PREMIUM				
Authorised				
187 500 000 ordinary shares of 2c each	**3 750**	3 750	**3 750**	3 750
Issued				
152 531 875 (2006: 151 645 250) ordinary shares of 2c each	**3 051**	3 033	**3 051**	3 033
Share premium	**39 825**	37 522	**39 825**	37 522
	42 876	40 555	**42 876**	40 555
The Metair shares have been subdivided 25 for 1 with effect from 5 March 2007. Prior year figures have been adjusted accordingly.				
Share premium				
Balance at the beginning of the year	**37 522**	33 416	**37 522**	33 416
Premium on shares issued during the year	**2 303**	4 106	**2 303**	4 106
Balance at the end of the year	**39 825**	37 522	**39 825**	37 522
Treasury shares				
Balance at the beginning of the year	**(101 508)**	(459)		
Shares disposed/(acquired) by the Metair Share Trust	**100 000**	(100 000)		
Shares acquired by the Metair Share Incentive Trust	**(100 368)**			
Shares acquired by Business Venture Investments No 1217 (Pty) Ltd	**(29 937)**			
Other movements		(1 049)		
Balance at the end of the year	**(131 813)**	(101 508)		
Treasury shares are held as follows: (number of shares)				
Metair Share Trust	**947 875**	10 714 250		
Metair Share Incentive Trust	**10 000 000**			
Business Venture Investments No 1217 (Pty) Ltd	**2 187 773**			
	13 135 648	10 714 250		

15. SHARE CAPITAL AND PREMIUM (continued)

15.1 Metair Share Trust (Equity settled share based payment scheme)

Share options

A share purchase/option scheme exists with 15 213 525 (2006: 15 213 525) ordinary shares reserved for the purpose of the scheme, and under the control of the directors.

Movements in the number of share options outstanding and their related weighted average offer prices are as follows:

	2007 Average offer price per share	**2007** Options R'000	2006 Average offer price per share	2006 Options R'000
At 1 January	**4,12**	**3 825**	3,64	5 600
Forfeited			4,36	(150)
Exercised			6,36	(125)
Exercised and delivered	**2,36**	**(665)**	4,4	(1 500)
At 31 December	**4,49**	**3 160**	4,12	3 825

Options granted and deliverable to participants in the Metair Share Option Scheme are as follows:

2007 Number of shares	2006 Number of shares	Option price	Date granted	Date exercisable and deliverable
92 500	92 500	R1,20	11/06/98	11/06/03
92 500	92 500	R0,72	11/01/99	11/01/04
23 125	23 125	R1,00	07/01/00	07/01/04
101 250	101 250	R1,00	07/01/00	07/01/05
43 125	43 125	R1,40	08/01/01	08/01/05
129 375	160 625	R1,40	08/01/01	08/01/06
43 750	74 375	R2,36	07/01/02	07/01/06
306 250	781 875	R2,36	07/01/02	07/01/07
35 000	35 000	R3,04	10/04/02	10/04/07
1 125 000	1 125 000	R4,34	01/04/03	01/04/08
1 168 500	1 293 000	R6,36	05/04/04	05/04/09

426 875 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 Limited) 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 Limited.

Options expire if not taken up within 10 years from date of the grant. No options previously granted to directors in the group expired during the year. All outstanding options at 31 December 2006 and 2007 were exercisable.

Options under the scheme are granted at the closing price ruling on the JSE Limited on the previous day.

The fair value of options granted determined by using the Black-Scholes valuation model was R1,87 per share. The significant inputs into the model were share price of R6,36 per share at the grant date, standard deviation of expected share price returns of 10%, dividend yield of 10%, option life of five years, and annual risk-free interest rate of 6,3%. The volatility measured as the standard deviation of expected share price returns is based on statistical analysis of daily share prices over the last five years.

886 625 shares (2006: 1 768 125 shares) were issued during the year to the Metair Share Trust. The market value of these shares as at 31 December 2006 was R14,39 per share.

The trust held 947 875 (2006: 10 714 250) shares in Metair Investments Limited at year-end.

	2007	2006
Number of shares held by the Metair Share Trust in respect of share option scheme	**947 875**	714 250
Market value of shares held by the Metair Share Trust in respect of share option scheme	**R13 639 921**	R8 142 450

15. SHARE CAPITAL AND PREMIUM (continued)

15.2 Cash-settled share based payment scheme

The share option scheme in 15.1 has been replaced with a cash settled share appreciation right scheme with effect from 1 January 2005.

Share appreciation rights were granted to executive directors and employees. These represent rights to receive cash equal in value to the appreciation of the Metair share price between the date on which the right are granted and the date on which they are exercised.

The fair value of the rights granted determined by using the Black-Scholes valuation model was R60,8 per right. The significant inputs into the model were weighted average share price of R14,39 (2006: R11,40) at the grant date, volatility of 40% (2006: 40%), dividend yield of 3,8% (2006: 3,7%), option life of five years and annual risk-free rate of 5,9% (2006: 5,7%).

Date granted	Total grants issued	Total grants cancelled	Total grants cashed in	Total outstanding	Weighted average grant price
8 November 2006	2 225 000	(62 500)		2 162 500	10,52
1 December 2005	2 187 500	(125 000)		2 062 500	9,24
1 April 2005	1 261 250	(100 000)	(167 500)	993 750	8,48

Share based payment costs charged for the year was R713 162 (2006: R824 670)

15.3 The Metair Share Incentive Trust

During the financial year a new share incentive scheme was launched. The Metair Share Incentive Trust acquired 10 million shares in Metair Investments Limited for a consideration of R100 million. The financing provided to the Trust was partially guaranteed by Metair. The participants in the share incentive scheme receive share appreciation rights equal in value to the appreciation of the Metair share price, after settlement of the Trust's liabilities.

The qualifying employees have to provide services over the next 3, 4, and 5 years and will be entitled to receive cash or equity. In terms of the Trust deed, 25% vest in three years, 25% in four years and 50% in five years.

The fair value of the rights granted determined by using the Black-Scholes valuation model was R7,32 per right. The significant inputs into the model were weighted average share price of R10 at the grant date, volatility of 30%, dividend yield of 3,7%, option life of 5 years and annual risk-free rate of 8,62%.

Share based payment costs charged for the year was R1 126 167.

15.4 Options exercised by executive directors

	Number of shares	Price per share	Offer price per share	Benefit
AD Plummer				
2006				
* Beneficial payments:				
– Options exercised	135 000	11,08	1,40	1 307
* Non-beneficial payments:				
– Options exercised	115 500	9,60	6,36	374

15. SHARE CAPITAL AND PREMIUM (continued)

15.4 Options exercised by executive directors (continued)

Share options held by directors (beneficial and non-beneficial) in terms of their participation in the Metair Share Trust as at 31 December 2007

Name	Offer date	Offer Number of shares	Price per share	Exercise Number of shares	Price per share	Exercise date	Lapse date
CIJ van der Merwe	**05/04/04**	**100 000**	**R6,36**				**05/04/14**
	01/04/03	**97 500**	**R4,34**	**97 500**	**R4,00**	**26/08/03**	**01/04/13**
Total		**197 500**		**97 500**			
		197 500		**97 500**			

Share options held by directors (beneficial and non-beneficial) in terms of their participation in the Metair Share Trust as at 31 December 2006.

Name	Offer date	Offer Number of shares	Price per share	Exercise Number of shares	Price per share	Exercise date	Lapse date
AD Plummer	05/04/04	115 500	R6,36	115 500	R9,60	09/10/06	05/04/14
		115 500		115 500			
CIJ van der Merwe	05/04/04	100 000	R6,36				05/04/14
	01/04/03	97 500	R4,34	97 500	R4,00	26/08/03	01/04/13
	07/01/02	73 125	R2,36	73 125	R2,36	08/01/02	07/01/12
Total		270 625		170 625			
		386 125		286 125			

15.5 Interest of directors

At 31 December 2007 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 2007								31 December 2006							
	Beneficial				Non-beneficial				Beneficial				Non-beneficial			
	Direct		Indirect		Direct		Indirect		Direct		Indirect		Direct		Indirect	
Director	Number	%	Number	%	Number	%	Number	%	Number	%	Number	%	Number	%	Number	%
Non-executive directors																
GMC Ryan			**7 141 696**	**4,68**												
Independent non-executive directors																
L Soanes	**240 000**	**3,96**							240 000	0,16						
Executive directors																
CT Loock	**100 000**	**0,07**														
Total	**340 000**	**4,03**	**7 141 696**	**4,68**					240 000	0,16						

	Group		Company	
	2007 R'000	2006 R'000	**2007 R'000**	2006 R'000
16. RESERVES				
16.1 Non-distributable reserves				
Non-distributable reserves comprise:				
Interest in distributable and non-distributable reserves of associate companies	**25 139**	16 755		
	25 139	16 755		
Balance at the beginning of the year	**16 755**	12 389		
Transfers from retained earnings	**8 384**	4 366		
Balance at the end of the year	**25 139**	16 755		
Transfer from retained income consists of:				
Share of associated companies' after tax income	**8 384**	6 892		
Other movements		(2 526)		
	8 384	4 366		
16.2 Retained earnings				
Balance at the beginning of the year	**1 039 954**	893 084	**569 934**	505 234
Recognised income attributable to equity holders of the company	**186 646**	202 553	**88 640**	116 259
Dividends paid	**(56 655)**	(51 317)	**(61 012)**	(51 559)
Transfers to non-distributable reserves	**(8 384)**	(4 366)		
Balance at the end of the year	**1 161 561**	1 039 954	**597 562**	569 934
16.3 Share-based payment reserve				
Balance at the beginning of the year	**2 551**	1 831	**2 551**	1 831
Employee share option scheme – value of services provided	**523**	720	**479**	720
Balance at the end of the year	**3 074**	2 551	**3 030**	2 551
17. MINORITY INTEREST				
Balance at the beginning of the year	**79 055**	43 651		
Disposal of 25% interest in subsidiary		17 638		
Employee share option scheme	**43**	43		
Recognised income attributable to minorities	**22 525**	23 461		
Dividend	**(12 328)**	(5 738)		
Balance at the end of the year	**89 295**	79 055		

	Group		Company	
	2007 R'000	2006 R'000	**2007 R'000**	2006 R'000
18. BORROWINGS				
Secured				
– Instalment sale agreement secured over plant with a book value of R6 800 000 (2006: R18 241 000) currently bearing interest at prime minus 2,75% (2006: 2,75%). Repayable in annual instalments of R2 529 000 (2006: R6 902 000) until 2009.	**2 886**	10 300		
– Instalment sale agreement secured over plant with a book value of R2 110 000 (2006: R5 741 000) currently bearing interest at prime minus 2,75% (2006: 2,75%). Repayable in annual instalments of R2 125 000 (2006: R1 958 000) until 2008.	**2 125**	4 083		
– Capitalised finance lease secured over plant with a book value of R12 475 000 (2006: R13 763 000) currently bearing interest at 10,02% (2006: 9,87%). Repayable in monthly instalments of R38 000 (2006: R185 334) until May 2009.	**57**	599		
– Instalment sale agreement secured over plant with a book value of R4 684 000 bearing interest at 8,49%.		1 069		
– Instalment sale agreement secured over plant with a book value of R4 926 000 bearing interest at prime less 2,75%.		2 070		
– Capitalised finance lease secured over plant with a book value of R218 000 currently bearing interest at 10,2%. Repayable in monthly instalments of R3 000 until May 2009.	**684**			
– Instalment sale agreement secured over plant with a book value of R18 396 000 currently bearing interest at 12,40%. Repayable in monthly instalments of R639 912,00 ranging from August 2008 until 2012.	**18 396**			
– Instalment sale agreement secured over plant with a book value of R586 000 currently bearing interest at 10,35%. Repayable in monthly instalments of R2 023,17 until March 2011.	**100**			
– Instalment sale agreement secured over plant with a book value of R3 687 000 currently bearing interest at 13,50%. Repayable in monthly instalments of R40 441,56 until October 2015.	**2 878**			
	27 126	18 121		
Cumulative redeemable preference shares	**100 000**			

– R75 000 000 issued to Rand Merchant Bank bearing cumulative preference dividends at 71,6% of prime repayable in 2010.
– R25 000 000 issued to SA Trust (Pty) Ltd bearing cumulative preference dividends at 7% repayable in 2009.

These shares were issued to financial institutions in order to fund the Metair shares acquired by the Metair Share Incentive Trust. The RMB preference shares were guaranteed by Metair should the Metair share price drop below R10 per share.

	Group		Company	
	2007 R'000	2006 R'000	**2007 R'000**	2006 R'000
18. BORROWINGS (continued)				
The Metair share price on 31 December 2007 was above R10.				
The preference dividends are serviced by the ordinary dividends received by the Metair Share Incentive Trust. The preference shares will be redeemed via the disposal of the Metair shares held by the Trust, in accordance with the Trust Deed				
	127 126	18 121		
Current portion included in current liabilities	**(11 965)**	(13 052)		
Non-current portion included in liabilities	**115 161**	5 069		
Maturity of non-current borrowings (excluding finance lease liabilities):				
Not later than one year	**11 650**	12 510		
Between two and five years	**114 735**	5 012		
	126 385	17 522		
Finance lease liabilities – minimum lease payments:				
Not later than one year	**411**	557		
Later than one year and not later than five years	**528**	59		
	939	616		
Future finance charges on finance leases	**(198)**	(17)		
Present value of finance lease liabilities	**741**	599		
The present value of all finance lease liabilities may be analysed as follows:				
Not later than one year	**311**	542		
Later than one year and not later than five years	**430**	57		
	741	599		
Borrowing facilities				
The group has the following contracted borrowing facilities:				
Floating rate:				
Expiring beyond one year	**254 129**	90 250		
Expiring within one year	**30 000**	206 250		
Fixed rate:				
Expiring beyond one year	**30 000**			

The borrowing powers of the company are unlimited in terms of its Articles of Association.

The carrying amounts of non-current borrowings approximate their fair values.

The carrying amount of the above borrowings are denominated in South African Rands.

	Group		Company	
	2007 R'000	2006 R'000	**2007 R'000**	2006 R'000
19. DEFERRED TAXATION				
Deferred income tax is calculated on all temporary differences under the liability method using a principal tax rate of 29% (2006: 29%). 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:				
Deferred tax assets	**(32 526)**	(10 759)		
Deferred tax liabilities	**110 129**	68 780		
Net deferred tax liability	**77 603**	58 021		
The movement on the deferred income tax account is as follows:				
At beginning of year	**58 021**	49 111		
Income statement charge				
– Current year	**2 732**	9 126		
Tax credited to equity	**5 784**	(216)		
Deferred taxation on acquisition of Automold (Pty) Ltd	**11 066**			
At end of year	**77 603**	58 021		
Deferred income tax assets are recognised only for tax losses carried forward to the extent that realisation of the related tax benefit is probable.				
Deferred tax assets:				
– Deferred tax asset to be recovered after more than 12 months	**23 589**	8 994		
– Deferred tax asset to be recovered within 12 months	**8 937**	1 765		
	32 526	10 759		
Deferred tax liabilities:				
– Deferred tax liability to be recovered after more than 12 months	**(95 083)**	(58 599)		
– Deferred tax liability to be recovered within 12 months	**(15 046)**	(10 181)		
	(110 129)	(68 780)		

19. DEFERRED TAXATION (continued)

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:

Deferred tax liabilities

			2007			
	Pension & post employment benefits	Contingency policy	Plant and equipment allowances	Intangibles	Other	Total
Opening balance	**108**	**159**	**72 097**		**(3 584)**	**68 780**
(Credited)/charged to the income statement	**(4 685)**	**395**	**27 071**		**1 718**	**24 499**
Charged to equity	**5 784**					**5 784**
Deferred taxation on acquisition of subsidiary				**5 105**	**5 961**	**11 066**
Closing balance	**1 328**	**554**	**99 168**	**5 105**	**3 974**	**110 129**

			2006			
	Pension & post employment benefits	Contingency policy	Plant and equipment allowances	Intangibles	Other	Total
Opening balance	(152)	863	58 655		(1 161)	58 205
Charged/(credited) to the income statement	476	(704)	13 442		(2 423)	10 791
Credited to equity	(216)					(216)
Closing balance	108	159	72 097		(3 584)	68 780

Deferred tax assets

		2007			
	Assessed losses set off	Provision for doubtful debts	Warranty claims	Provisions	Total
Opening balance	**(1 446)**	**(426)**	**(3 022)**	**(5 865)**	**(10 759)**
Credited to the income statement	**(14 031)**	**(29)**	**(1 167)**	**(6 540)**	**(21 767)**
Closing balance	**(15 477)**	**(455)**	**(4 189)**	**(12 405)**	**(32 526)**

		2006			
	Assessed losses set off	Provision for doubtful debts	Warranty claims	Provisions	Total
Opening balance	(1 760)	(500)	(2 407)	(4 427)	(9 094)
Charged/(credited) to the income statement	314	74	(615)	(1 438)	(1 665)
Closing balance	(1 446)	(426)	(3 022)	(5 865)	(10 759)

	Group		Company	
	2007	2006	**2007**	2006
	R'000	R'000	**R'000**	R'000
20. TRADE AND OTHER PAYABLES				
Trade creditors	**210 686**	187 512		
Accrual for leave pay	**10 873**	12 223		
Sundry creditors and accruals	**135 504**	99 493	**132**	113
	357 063	299 228	**132**	113

The fair value of trade and other payables approximates their carrying value.

At year end an amount of R30 185 000 (2006: R26 760 000) was overdue.

The carrying amounts of the group's trade and other payables are denominated in the following currencies:

	2007	2006
	R'000	R'000
Yen	**49 405**	34 403
US Dollar	**13 639**	19 175
Euro	**41 215**	18 695
British Pound	**131**	4 217
Australian Dollar	**34**	1 261
Rand	**252 639**	221 477
	357 063	299 228

No interest is payable on these amounts.

21. PROVISIONS FOR LIABILITIES AND CHARGES

Warranty

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

Executive Bonusses

The provision for executive bonusses is payable within a month after approval of the annual financial statements at the board meeting.

		2007		
Group	Executive bonus R'000	Warranty R'000	Other R'000	Total R'000
Balance at beginning of the year	**4 474**	**11 095**		**15 569**
Charged to the income statement				
– Additional provision	**4 972**	**6 617**	**5 268**	**16 857**
Utilised during the year	**(3 756)**	**(1 616)**		**(5 372)**
Balance at end of the year	**5 690**	**16 096**	**5 268**	**27 054**

		2006		
Group	Executive bonus R'000	Warranty R'000	Other R'000	Total R'000
Balance at beginning of the year	2758	9 337	1 059	13 154
Charged to the income statement				
– Additional provision	4 479	2 917	(1 157)	6 239
Utilised during the year	(2 763)	(1 159)	98	(3 824)
Balance at end of the year	4 474	11 095		15 569

	Group		Company	
	2007	2006	**2007**	2006
	R'000	R'000	**R'000**	R'000
22. NOTES TO CASH FLOW STATEMENTS				
22.1 Reconciliation of profit before taxation to cash generated from/(utilised in) operations				
Profit before taxation	**287 185**	324 931	**96 267**	122 266
Adjustment for:				
Depreciation, amortisation and reassessment of useful lives	**73 650**	54 562		
Loss/(profit) on disposal of property, plant and equipment	**1 842**	(94)		
Share-based payment expenses	**566**	763	**720**	720
Pension fund surplus	**569**	(1 640)		
Profit on disposal of interest in subsidiary		(2 442)		
Income from subsidiaries & associates	**(8 384)**	(7 308)	**(95 181)**	(102 537)
Income from investments	**(14 175)**	(13 440)		(20 080)
Finance charges	**17 038**	6 846		
Operating profit/(loss) before working capital changes	**358 291**	362 178	**1 806**	369
Working capital changes:				
Increase in inventory	**(180 608)**	(113 521)		
Decrease/(increase) in accounts receivable	**1 500**	(97 071)	**393**	(393)
Increase/(decrease) in accounts payable	**61 012**	90 677	**19**	(175)
Cash generated from/(utilised in) operations	**240 195**	242 263	**2 218**	(199)
22.2 Taxation paid				
Taxation paid is reconciled to the amount disclosed in the income statement as follows:				
Amounts unpaid at beginning of year	**(9 092)**	(9 687)		
Income statement charge (note 4)	**(89 442)**	(89 262)	**(7 627)**	(6 007)
Amounts unpaid at end of year	**4 832**	9 092		
	(93 702)	(89 857)	**(7 627)**	(6 007)
22.3 Dividends paid				
To shareholders	**(56 655)**	(51 317)	**(61 012)**	(51 559)
To minorities in subsidiaries	**(12 328)**	(5 738)		
	(68 983)	(57 055)	**(61 012)**	(51 559)

23. FINANCIAL INSTRUMENTS

23.1 Financial instruments by category

The accounting policies for financial instruments have been applied to the line items below:

	Loans and receivables	Assets at fair value through profit & Loss	Total
31 December 2007			
Assets as per balance sheet			
Derivative financial instruments		**540**	**540**
Trade and other receivables	**355 586**		**355 586**
Cash and cash equivalents	**114 852**		**114 852**
Total	**470 438**	**540**	**470 978**

	Other financial liabilities	Total
Liabilities as per balance sheet		
Borrowings	**127 126**	**127 126**
Bank overdraft	**73 531**	**73 531**
Trade and other payables	**357 063**	**357 063**
Total	**557 720**	**557 720**

	Loans and receivables	Assets at fair value through profit & Loss	Total
31 December 2006			
Assets as per balance sheet			
Derivative financial assets		775	775
Trade and other receivables	344 724		344 724
Cash and cash equivalents	67 810		67 810
Total	412 534	775	413 309

	Other financial liabilities	Total
Liabilities as per balance sheet		
Borrowings	18 121	18 121
Bank overdraft	29 760	29 760
Trade and other payables	299 335	299 335
Total	347 216	347 216

23. FINANCIAL INSTRUMENTS (continued)

23.2 Financial risk management

The group's activities expose it to a variety of financial risks: market risk (including currence risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the group's financial performance. The board provides written principles for overall risk management, as well as written policies containing specific areas such as foreign exchange risk.

A. Market risk

i. Foreign exchange risk

The group operates internationally and is therefore exposed to exchange risk arising from various currency exposures.
Exposure consist primarily of exposures with respect to Euros, US Dollar and Japanese Yen.
Management has set up a policy requiring group companies to manage their foreign exchange risk.
Metair utilises foreign exchange contracts (FEC's) to hedge exposure to foreign currency risk.
50% of payments for imports are covered by forward exchange contracts as per group policy.
The group also makes use of professional foreign currency management specialists when required.

Losses incurred on certain manufactured items not covered by forward exchange contracts are recovered at a predetermined rate when sold to the end customer in terms of agreements in place with the customer.

Uncovered future foreign exchange exposures at year end can be analysed as follows:

	Reflected in the balance sheet				Purchase orders not yet reflected as liabilities in the balance sheet			
	2007		2006		**2007**		2006	
	Foreign amount '000	Rand equivalent R'000	Foreign amount '000	Rand equivalent R'000	Foreign amount '000	Rand equivalent R'000	Foreign amount '000	Rand equivalent R'000
US Dollars	**(63)**	**(432)**	1 623	11 306	**(2 493)**	**(16 900)**	(3 156)	(21 151)
Euro	**(1 392)**	**(14 025)**	(254)	(2 339)	**(9 812)**	**(98 613)**	(3 902)	(32 209)
Japanese Yen	**(337 683)**	**(20 614)**	(132 690)	(7 821)	**(1 328 768)**	**(80 751)**	(432 016)	(27 099)
Australian Dollars	**79**	**476**	(83)	(460)	**(3)**	**(19)**	(364)	(1 711)
British Pounds	**257**	**3 596**	717	9 783	**(11)**	**(150)**	(267)	(2 940)
Thai Bhat			(35 982)	(6 987)	**(391)**	**(87)**	(2 789)	(544)
Total	**(338 802)**	**(30 999)**	(166 669)	3 482	**(1 341 478)**	**(196 520)**	(442 494)	(85 654)

23. FINANCIAL INSTRUMENTS (continued)

23.2 Financial risk management (continued)

A. Market risk (continued)

At 31 December 2007, if the Rand had weakend/strengthened by 10% against the US Dollar, with all other variables held constant, post-tax profit for the year would have been R43 000 higher/lower, mainly as a result of foreign exchange gains/losses on translating foreign denominated trade receivables and trade payables and mark-to-market valuation of forward exchange contracts.

At 31 December 2007, if the Rand had weakend/strengthened by 10% against the Japanese Yen, with all other variables held constant, post-tax profit for the year would have been R2 061 000 higher/lower, mainly as a result of foreign exchange gains/losses on translating foreign denominated trade receivables and trade payables and mark-to-market valuation of forward exchange contracts.

At 31 December 2007, if the Rand had weakend/strengthened by 10% against the British Pound, with all other variables held constant, post-tax profit for the year would have been R360 000 higher/lower, mainly as a result of foreign exchange gains/losses on translating foreign denominated trade receivables and trade payables and mark-to-market valuation of forward exchange contracts.

ii. Cash flow and fair value interest rate risk

The group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the group to cash flow interest rate risk. Borrowings issued at fixed rates expose the group to fair value interest rate risk. The group's borrowings are denominated in Rand.

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.

Effective interest rates on bank overdrafts are disclosed in note 14. Interest rates on other borrowings are disclosed in note 18.

At 31 December 2007 if interest rates on borrowings had been 1% higher with all other variables held constant, post-tax profit for the year would have been R2 618 000 (2006: R1 739 616) lower.

The exposure of bank overdrafts to interest rate changes and the contractual repricing dates at the balance sheet dates are as follows:

	2007	2006
6 months or less	**32 152**	28 037
6 – 12 months	**41 379**	1 723
1 – 5 years		
Over 5 years		
	73 531	29 760

For other borrowing exposures and related maturity dates refer to note 18.

iii. Price risk

The group is not exposed to equity securities price risk as the group does not have investments classified on the consolidated balance sheet either as available-for-sale or at fair value through profit and loss. The group is not exposed to commodity price risk.

23. FINANCIAL INSTRUMENTS (continued)

23.2 Financial risk management (continued)

B. Credit risk

Credit risk arises for cash and cash equivalents, derivative financial instruments, deposits with banks and outstanding receivables.

The granting of credit is controlled by a formal application process and rigid account limits. Trade debtors consist of a small number of large national and international organisations in the automotive, industrial and mining market sectors. Ongoing credit evaluations are performed on the financial position of these debtors. This calculation takes into account its financial position, past experience and other factors.

It is the group's policy to limit derivative counterparties and cash transactions to high-credit-quality financial institutions.

Potential concentrations of credit risk consist mainly within trade receivables.

Trade debtors are presented net of the provision for impairment.

Credit quality can be analysed as follows:

Trade receivables

	2007	2006
Counterparties without external credit rating:		
Group 1		
Group 2	**308 762**	310 126
Group 3	**16 832**	
	325 594	310 126

Group 1 – new customers (less than 6 months).

Group 2 – existing customers (more than 6 months) with no defaults in the past.

Group 3 – existing customers (more than 6 months) with some defaults in the past. All defaults were fully recovered.

The following balances were held with A1+ rated South African banks:

	2007	2006
Total	**114 852**	67 810

No credit limits were exceeded during the reporting period and management does not expect any losses from non-performance by these counter parties.

C. Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities.

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

The group utilises the credit facilities of various banking institutions and has been able to operate within these facilities. This trend is expected to continue into the foreseeable future to fund growth in the group.

Undrawn borrowing facilities disclosed in note 18 as well as projected profitability levels will provide adequate liquidity levels to support operational cash flows over the next 5 years.

23. FINANCIAL INSTRUMENTS (continued)

23.2 Financial risk management (continued)

C. Liquidity risk (continued)

Analysis of financial liabilities and net settled derivative financial liabilities – maturities

The table below analyses the group's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based sheet on the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

As at 31 December 2007	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	**124 963**	**5 269**	**4 774**	**1 309**
Trade and other payables	**357 063**			
As at 31 December 2006				
Borrowings	89 690	21 058	341	107
Trade and other payables	299 335			

Analysis of derivative financial instruments which will be settled on gross basis into relevant maturity groupings

Details of the outstanding foreign exchange contracts which will be settled on a gross basis follows in note 23.5.

23.3 Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the group is the current bid price.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of the interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the balance sheet date.

The carrying value less impairment provision of trade receivables and payables approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the group for similar financial instruments.

23. FINANCIAL INSTRUMENTS (continued)

23.4 Capital risk management

The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including "current and non-current borrowings" as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as "equity" as shown in the consolidated balance sheet plus net debt.

The gearing ratios at 31 December 2007 and 2006 were as follows:

	2007	2006
Total borrowings (notes 14 and 18)	**200 657**	47 881
Less: cash and cash equivalents (note 14)	**(114 852)**	(67 810)
Net debt	**85 806**	(19 929)
Total equity	**1 190 132**	1 077 362
Total capital	**1 275 938**	1 057 433
Gearing ratio	**7%**	(2%)

23.5 Derivative financial instruments

	Group			
	2007 R'000		2006 R'000	
At 31 December 2007	Assets	Liabilities	Assets	Liabilities
Forward foreign exchange contracts – fair value hedges	**540**		775	(107)
	540		775	(107)

Year end forward exchange contracts can be analysed as follows:

	R amount	Foreign amount	Average forward rate	Currency used	Period to maturity
US Dollar		4 415	653	6,76 USD	22 Jan 2008 – 31 Mar 2008
EURO	26 860	2,670	10,06	EURO	7 Jan 2008 – 30 Apr 2008
Japanese Yen	31 230	402 511	0,08	JPY	31 Jan 2008 – 18 Jun 2008
Australian Dollar	219	37	5,92	AUD	23 Jan 2008

	Group		Company	
	2007 R'000	2006 R'000	**2007 R'000**	2006 R'000
24. CONTINGENT LIABILITIES				
Guarantees in respect of secured loans and overdrafts of subsidiaries	**5 675**	5 675	**5 675**	5 675
Guarantees in respect of subsidiaries' employee loans	**79**	294		
Trade guarantees		1 945		
Lease commitments	**1 679**	1 646		
	7 433	9 560	**5 675**	5 675
Any future dividend declaration out of the distributable reserves of the company will be subject to secondary taxation on companies at 10%.				
25. COMMITMENTS				
Capital commitments	**75 247**	85 483		
Contracted:				
Plant, machinery tools, jigs and dies	**31 512**	54 918		
Authorised by the directors but not yet contracted:				
Plant, machinery tools, jigs and dies	**43 735**	30 565		
Unexpired portion of operating lease contracts	**52 936**	21 560		
Payable within one year	**20 122**	9 420		
Payable later than 1 year and not later than 5 years	**23 717**	9 135		
Payable thereafter	**9 097**	3 005		
	128 183	107 043		
The above commitments will be financed mainly from internal resources as well as from borrowing facilities.				
26. 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.				
Amounts recognised in the balance sheet:				
Post employment medical benefit liability	**(16 758)**	(15 228)		
Defined benefit asset	**21 016**	1 640		
	4 258	13 588		

Post-employment 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 pension schemes.

In addition to the assumptions used for the pension schemes, the main actuarial assumption is a long term increase in health costs of 6% (2006: 5%) per year.

	Group		Company	
	2007	2006	**2007**	2006
	R'000	R'000	**R'000**	R'000
26. RETIREMENT BENEFIT INFORMATION (continued)				
The amounts recognised in the income statement are as follows:				
Current service costs	**451**	399		
Interest costs	**1 400**	1 345		
	1 851	1 744		
Movement in the liability recognised in the balance sheet:				
At beginning of year	**15 228**	14 681		
Total expense per income statement as above	**1 851**	1 744		
Contributions paid	**(739)**	(452)		
Actuarial gain/(loss) recognised in equity	**418**	(745)		
At end of year	**16 758**	15 228		
The amounts recognised in equity are as follows:				
Recognised actuarial gain/(loss)	**418**	(745)		

The effect of a 1% movement in the assumed medical cost trend rate is as follows:

	Increase	Decrease
Effect on the aggregate of the current service cost and interest cost	694	488
Effect on the defined benefit obligation	17 452	16 270

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 85% (2006:92%) 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 April 2006 and the fund was found to be in a sound financial position. All future surpluses are allocated to the employer surplus account. An asset calculated in terms of IAS19: Employee Benefits in respect of the surplus has therefore been recognised. The Metair Pension Fund is governed by the Pension Fund Act which requires actuarial valuations every three years. The next actuarial valuation will be completed by 30 April 2009.

	Group		Company	
	2007	2006	**2007**	2006
	R'000	R'000	**R'000**	R'000
Reconciliation of pension movement				
The amounts recognised in the balance sheet are determined as follows:				
Present value of funded obligations	**(407 047)**	(382 242)		
Fair value of plan assets	**428 063**	383 882		
Asset in the balance sheet	**21 016**	1 640		

	Group		Company	
	2007 R'000	2006 R'000	**2007 R'000**	2006 R'000
26. RETIREMENT BENEFIT INFORMATION (continued)				
The movement in the defined benefit obligation for the year is as follows:				
Beginning of year	**382 242**	286 810		
Current service cost	**20 118**	16 596		
Interest cost	**33 390**	26 397		
Contributions by plan participants	**8 249**	8 535		
Actuarial losses	**6 669**	78 822		
Risk premiums		(1 166)		
Benefits paid	**(43 621)**	(33 752)		
End of year	**407 047**	382 242		
The movement in the fair value of plan assets for the year is as follows:				
Beginning of year	**383 882**	297 694		
Expected return on plan assets	**37 787**	27 761		
Actuarial gains	**26 613**	70 157		
Risk premiums		(1 166)		
Employee and employer contributions	**23 402**	23 188		
Benefits paid	**(43 621)**	(33 752)		
End of year	**428 063**	383 882		
The principal actuarial assumptions used were:				
Discount rate for obligation	**8%**	8%		
Expected return on plan assets	**9%**	9%		
Salary increase	**6%**	6%		
Pension increase	**4%**	4%		
Inflation	**5%**	5%		
27. SUBORDINATION AGREEMENTS				
The company has subordinated loans to the following subsidiaries in favour of and for the benefit of the other creditors for the purpose of banking facilities in lieu of recapitalisation of subsidiaries:				
Metindustrial (Pty) Ltd			**182 000**	182 000
Smiths Plastics (Pty) Ltd			**36 000**	36 000

28. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Warranties

Warranty estimates and assumptions are based on the extrapolation of past claims experience over the warranty period. This is applied to warrantable sales. Specific occurances are used as guides for this assumptions.

Factors that could impact the estimated claim information include the success of the group's productivity and quality initiatives, as well as parts and labour costs.

Impairment

During 2005 the group impaired its investment in Tenneco Automotive Holdings (Pty) Limited, an associate company, due to its continued unprofitability. The impairment calculation was based on the projected negative future earnings and cash flows and is reassessed annually for potential reversal.

28. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Estimated impairment of goodwill

The group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (refer to note 8 for details on estimates used). If the estimated pre-tax discount rate applied to the discounted cash flows for Automold (Pty) Ltd had been 2% higher than management's estimates, the group would still not have recognised an impairment.

29. RELATED PARTIES

Information on emoluments paid to executive and non-executive directors have been presented in note 3.

Information on loans granted to subsidiaries has been presented in note 9. Dividend income from subsidiaries has been presented in note 3. Director's shareholding have been presented in note 15.

The group entered into the following transaction with its equity partners in Smiths Manufacturing (Pty) Ltd and Hesto Harnesses (Pty) Ltd

	2007 R'000	2006 R'000
Purchases of goods and services:		
Denso Corporation	**41 378**	10 678
Yazaki Corporation and its subsidiaries	**135 204**	73 177
	176 582	83 855
Outstanding balance at year-end:		
Denso Corporation		
Yazaki Corporation and its subsidiaries	**25 007**	23 008
	25 007	23 008

30. BUSINESS COMBINATIONS

On 1 November 2007, the company acquired 100% of the share capital of Automould (Pty) Ltd, a plastics injection moulding company. The acquired business contributed revenues of R14 468 000 and net profit of R 183 000 to the company for the period from November 2007 to December 2007. If the acquisition of Automould had occurred on 1 January 2007, total revenue for would have been R 83 300 000 higher and profit before tax would have been R1 636 000 lower.
These amounts have been calculated using the company's accounting policies and by adjusting the results of the subsidiary to reflect the additional depreciation and amortisation and interest that would have been charged.

Details of net assets acquired and goodwill are as follows:

Purchase consideration:	
– Cash paid	42 501
– Direct costs relating to the acquisition	273
Total purchase consideration	42 774
Fair value of net assets acquired	25 476
Goodwill	17 298

The goodwill is attributable to the workforce of the acquired business and the significant synergies expected to arise after the company's acquisition of Automould (Pty) Ltd.

The assets and liabilities of Automould as at 31 October 2007 arising from the acquisition are as follows:

	Fair value	Acquiree's carrying amount
Property, plant and equipment	33 828	33 828
Brands	11 802	
Customer relationships	5 802	
Inventories	4 628	4 628
Trade and other receivables	12 127	12 127
Trade and other payables	(10 130)	(10 130)
Borrowings	(21 914)	(21 914)
Deferred tax liabilities	(10 667)	(5 562)
Net assets acquired	25 476	12 977
Purchase consideration settled in cash	42 774	42 774
Cash and cash equivalents in subsidiary acquired		
Cash outflow on acquisition	42 774	42 774

INVESTMENT IN SUBSIDIARIES AND ASSOCIATES
as at 31 December 2007

Incorporated in South Africa	Type	Issued share capital 2007 R'000	Issued share capital 2006 R'000	% Direct (indirect) interest 2007 %	% Direct (indirect) interest 2006 %	Cost of shares 2007 R'000	Cost of shares 2006 R'000
SUBSIDIARIES							
MOTOR COMPONENT MANUFACTURING							
Smiths Manufacturing (Pty) Ltd	ordinary			**75**	75	**4 500**	4 500
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	**1 200**	1 200	**100**	100	**20 000**	20 000
Hesto Harnesses (Pty) Ltd	ordinary	**1**	1	**75**	100	**1**	1
Smiths Plastics (Pty) Ltd	ordinary			**100**	100	**28 194**	28 194
Smiths Electric Motors (Pty) Ltd	ordinary			**100**	100		
Unitrade 745 (Pty) Ltd	ordinary			**100**	100		
Kimitar Investments (Pty) Ltd	ordinary			**(100)**	(100)		
First National Battery Industrial (Pty) Ltd	ordinary			**(75)**	(75)		
Tlangi Investments (Pty) Ltd	ordinary			**(50)**	(50)		
Automold (Pty) Ltd	ordinary	**2**		**100**		**43 000**	
MANAGEMENT SERVICES AND OTHER							
Metair Management Services (Pty) Ltd	ordinary			**100**	100		
Business Venture Investments No 1217 (Pty) Ltd	ordinary			**100**			
PROPERTIES							
SMSA Property (Pty) Ltd	ordinary	**3 000**	3 000	**(100)**	(100)		
ILM Investments (Pty) Ltd	ordinary	**1**	1	**(100)**	(100)		
Honeypenny (Pty) Ltd	ordinary			**(100)**		**6 833**	
Climate Control Properties (Pty) Ltd	ordinary			**(100)**	(100)		
						102 528	52 695
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)		
Toyoda Gosei (Pty) Ltd				**20**	20	**1 250**	
Vizirama (Pty) Ltd				**33**			

	2007 R'000	2006 R'000
Indebtedness by subsidiaries to the holding company:		
Metindustrial (Pty) Ltd	**180 096**	180 096
Smiths Motors (Pty) Ltd	**3 789**	3 789
Metair Management Services (Pty) Ltd	**246 583**	189 164
Hella SA (Pty) Ltd	**15 247**	4 247
Smiths Plastics (Pty) Ltd	**109 013**	52 013
Metair Share Incentive Trust	**31**	
Business Venture Investments No 1217 (Pty) Ltd	**29 947**	
Metair Share Trust	**375**	100 412
	585 081	529 721

NOTICE TO SHAREHOLDERS AND SHAREHOLDERS DIARY

METAIR INVESTMENTS LIMITED
(Incorporated in the Republic of South Africa)
(Registration Number 1948/031013/06)
JSE code: MTA ISIN: ZAE 000090692
("Metair" or "the company")

NOTICE TO SHAREHOLDERS
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 Monday, 5 May 2008, at 14h00 for the following purposes:

Ordinary business
1. To consider and approve the annual financial statements for the year ended 31 December 2007.
2. To re-elect Mr OME Pooe as director, who retires in terms of the articles of association, but, being eligible, has offered himself for re-election (note 1 below).
3. To re-elect Prince B Molotlegi as director, who retires in terms of the articles of association, but, being eligible, has offered himself for re-election (note 1 below).

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

Ordinary resolution number 1
To resolve that the unissued ordinary share capital of the company be placed under the control of the directors of the company who are hereby authorised, subject to sections 221 and 222 of the Companies Act, 1973 and the Listings Requirements of the JSE Limited, to allot and issue such shares on such terms and conditions and at such times as the directors may at their discretion deem fit until the next annual general meeting.

Special Resolution Number 1
GENERAL AUTHORITY TO REPURCHASE THE COMPANY'S SECURITIES
"Resolved, as a special resolution, that the mandate given to the company in terms of its Articles of Association (or one of its wholly-owned subsidiaries) providing authorisation, by way of a general approval, to acquire the company's own securities, upon such terms and conditions and in such amounts as the directors may from time to time decide, but subject to the provisions of the Companies Act, 1973 (Act 61 of 1973), as amended, ("the Act") and the Listings Requirements of the JSE Limited ("the JSE"), be extended, subject to the following terms and conditions:
– Repurchases by the company in aggregate in any one financial year may not exceed 20% of the company's issued share capital as at the date of passing of this special resolution or 10% of the company's issued share capital in the case of an aquisition of shares in the company by a subsidiary of the company;
– Any repurchase of securities must be effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the company and the counter-party;
– This general authority be valid until the company's next annual general meeting, provided that it shall not extend beyond fifteen months from the date of passing of this special resolution (whichever period is shorter);
– Repurchases may not be made at a price greater than 10% above the weighted average of the market value of the securities for the five business days immediately preceding the date on which the transaction was effected;
– At any point in time, the company may only appoint one agent to effect any repurchase;
– Repurchases may not be undertaken if they will impact negatively on the shareholder spread as required by the JSE;
– An announcement be published as soon as the company has cumulatively repurchased 3% of the initial number (the number of that class of shares in issue at the time that the general authority is granted) of the relevant class of securities and for each 3% in aggregate of the initial number of that class acquired thereafter, containing full details of such repurchases;
– Repurchases may not be made by the company and/or its subsidiaries during a prohibited period as defined by the Listings Requirements of the JSE unless a repurchase programme is in place where the dates and quantities of securities to be traded during the relevant period are fixed and full details of the programme have been disclosed in an announcement over SENS prior to the commencement of the prohibited period; and
– The company may not enter the market to proceed with the repurchase of its ordinary shares until the company's sponsor has confirmed the adequacy of the company's working capital for the purpose of undertaking a repurchase of securities in writing to the JSE.

The directors are of the opinion that, after considering the effect of the maximum repurchase permitted and for a period of 12 months after the date of the annual general meeting:
– The company and the group will be able, in the ordinary course of business, to pay their debts;
– The assets of the company and the group will be in excess of the liabilities of the company and the group, the assets and liabilities being recognised and measured in accordance with the accounting policies used in the latest audited annual group financial statements;
– The share capital and reserves are adequate for the ordinary business purposes of the company and the group;
– The working capital of the company and the group will be adequate for ordinary business purposes."

The effect of the special resolution and the reason therefore is to extend the general authority given to the directors in terms of the Act and the JSE Listings Requirements for the acquisition by the company and/or its subsidiaries of the company's securities, which authority shall be used at the directors' discretion during the course of the periods authorised.

In terms of the Listings Requirements of the JSE Limited, the following disclosures are required with reference to the general authority (ie: in respect of repurchases by the company's of its own securities) set out in special resolution number 1, some of which are set out elsewhere in the Annual Report of which this notice forms part ("this Annual Report").

Directors and management – refer to page 4.
Major shareholders of the company – refer to page 23.
Directors' interest in the company's securities – refer to page 24.
Share capital – refer to page 55.

Litigation statement
The directors are not aware of any legal or arbitration proceedings, pending or threatened against the group, which may have or have had, in the 12 months preceding the date of this notice, a material effect on the group's financial position.

Directors' responsibility statement
The directors, whose names are given on page 4 of this Annual Report, collectively and individually, accept full responsibility for the accuracy of the information pertaining to the above special resolution number 1 and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that the aforementioned special resolution contains all the information required by the JSE Limited.

Material change
Other than the facts and developments reported on in this Annual Report, there have been no material changes in the affairs, financial or trading position of the group since the signature date of this Annual Report and the posting date hereof.

Voting rights
Duly completed proxy forms must be received by the company at its registered office or by the Transfer Secretaries (Computershare Investor Services (Pty) Limited, 70 Marshall Street, Johannesburg, 2001/P O Box 61051, Marshalltown, 2107) by no later than 30 April 2008 at 14h00. The attached form of proxy must only be completed by certificated shareholders and "own name" dematerialised shareholders.

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

By order of the board.

SM Vermaak
Secretary

31 March 2008

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

NOTE

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

   Mr OME Pooe
   Mpueleng is Royal Bafokeng Holdings Limited's public affairs executive. He began his career as a lawyer with Bell Dewar and Hall and was later appointed director responsible for advising clients on all aspects of employment law. He joined AngloGold Ltd in 1999 as Legal Counsel advising on corporate commercial agreements.

   Prince B Molotlegi
   Bothata has in the last decade achieved significant management and marketing experience. The latter combined with his Hilton College schooling and accredited tertiary education, have aided in the assembly of his current modest business portfolio.

   Positions held include Marketing Manager of Xtrata Alloys and head of the Bafokeng Administration. In April 2005, Merchant West Chartered Finance was founded and Bothata appointed to its board of directors. He also served on the Board of Impala Platinum Limited

FORM OF PROXY

Annual general meeting of shareholders

METAIR INVESTMENTS LIMITED
(Incorporated in the Republic of South Africa)
(Registration Number 1948/031013/06)
JSE code: MTA ISIN: ZAE 000090692
("Metair" or "the company")

Important note concerning this form of proxy:

This form of proxy is only for the use by those shareholders of Metair who have not yet dematerialised their shares in Metair or who **have dematerialised their shares in Metair and such dematerialised shares are recorded in the electronic sub-register of Metair Investments Limited in the shareholder's own name ("entitled shareholders").**

If either of the above situations is not applicable to you, you must not use this form. In such event, you must notify your duly appointed Central Securities Depository Participant ("CSDP") or broker, as the case may be, in the manner stipulated in the agreement governing your relationship with your CSDP or broker, of your instructions as regards voting your shares at the annual general meeting.

A shareholder entitled to attend and vote at the meeting may appoint one or more proxies of his/her own choice to attend, speak, and, on a poll, vote in his/her stead at the annual general meeting of the company to be held at 14h00 on Monday, 5 May 2008 at Wesco House, 10 Anerley Road, Parktown, Johannesburg. A proxy need not be a shareholder of the company.

I, ____
(name in block letters)

of (address) ____

____

being holder/s of ordinary shares in the company, do hereby appoint:

1. ______________________________ or failing him/her
2. ______________________________ or failing him/her,
3. the chairman of the annual general meeting as my/our proxy to attend, speak and, on a poll, vote on my/our behalf at the annual general meeting which will be held for the purpose of considering and, if deemed fit, passing, with or without modification, the ordinary and special resolutions to be proposed thereat and at any adjournment thereof, and to vote for or against the resolutions or abstain from voting, in accordance with the following instructions:

Voting instruction:

Please indicate with an "X" in the appropriate spaces how votes are to be cast	In favour	Against	Abstain
Ordinary business:			
1. Adoption of financial statements			
2. Re-election of Mr OME Pooe as a director			
3. Re-election of Prince B Molotlegi as a director			
4. Special business:			
Ordinary resolution number 1 Placing of unissued shares under the control of the directors			
Special resolution number 1 General authority to repurchase the company's securities			

Signed at ________________ on ________________ 2007.

Signature ____

Assisted by me (where applicable)

This form of proxy should be lodged at the registered office of the company (Wesco House, 10 Anerley Road, Parktown, Johannesburg) or at the Transfer Secretaries (Computershare Investor Services (Pty) Ltd, 70 Marshall Street, Johannesburg, 2001 P O Box 61051, Marshalltown, 2107) by no later than 30 April 2008 at 14h00.

Please read the notes on the reverse side hereof.

Notes:

1. A shareholder may insert the name of a proxy or the names of two alternative proxies of the shareholder's choice in the space(s) provided, with or without deleting "the chairman of the general meeting", but any such deletion must be initialled by the member. The person whose name stands first on the form of proxy and who is present at the general meeting will be entitled to act as proxy to the exclusion of those whose names follow.
2. Please insert an "x" in the relevant spaces according to how you wish your votes to be cast. However, if you wish to cast your votes in respect of a lesser number of shares than you own in the company, insert the number of ordinary shares held in respect of which you desire to vote. Failure to comply with the above will be deemed to authorise the proxy to vote or to abstain from voting at the annual general meeting as he/she deems fit in respect of all the member's votes exercisable thereat. A shareholder or his/her proxy is not obliged to use all the votes exercisable by the shareholder or by his/her proxy, but the total of the votes cast and in respect whereof abstention is recorded may not exceed the total of the votes exercisable by the shareholder or by his/her proxy.
3. Forms of proxy must be lodged with or posted to the transfer secretaries, Computershare Investor Services (Pty) Ltd, Ground Floor, 70 Marshall Street, Johannesburg, 2001 (P O Box 61051, Marshalltown, 2107) so as to be received by not later than 14h00 on 30 April 2008.
4. The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the annual general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof.
5. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy unless previously recorded by the company's transfer secretaries or waived by the chairman of the annual general meeting.
6. Any alternation or correction made to this form of proxy must be initialled by the signatory(ies).
7. A minor must be assisted by his/her parent or guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by the transfer secretaries of the company.
8. The chairman of the annual general meeting may reject or accept a form of proxy which is completed and/or received, other than in accordance with these instructions and notes, provided that he/she is satisfied as to the manner in which the shareholder concerned wishes to vote.