METAIR INVESTMENTS LIMITED

ANNUALREPORT 2008

COVER IMAGE:

A 3-D rendering of a prototype vehicle serves two purposes for this report. Firstly, our stakeholders get a bird's-eye view of the range of components that Metair companies produce. Secondly, the image underscores the transparency that accompanies this year's reporting. Bad news does not translate well in difficult times, but an honest appraisal of challenges and lessons learnt lays a firm foundation for the better times that will surely follow.

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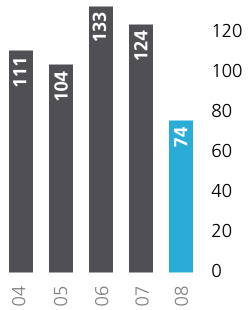
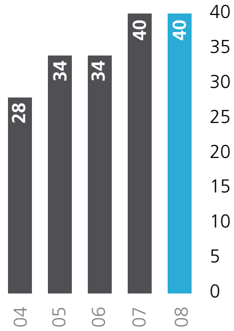
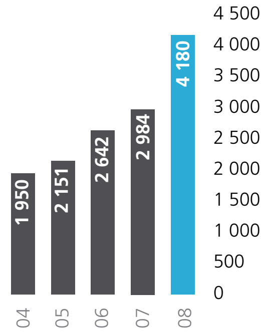


Headline earnings per share
Cents



Dividends per share
Cents



Revenue
R million

HIGHLIGHTS

FOR THE YEAR ENDED 31 DECEMBER 2008

	2008 R'000	2007 R'000	2006 R'000	2005 R'000	2004 R'000
Revenue	**4 180 398**	2 984 293	2 641 911	2 151 020	1 949 547
Profit before taxation	**74 777**	287 185	324 931	241 995	233 759
Impairment of assets	**122 590**				
Interest paid	**43 725**	9 856	6 846	10 104	11 953
Preference dividend	**7 660**	7 182			
(Loss)/profit attributable to ordinary shareholders	**(13 080)**	174 509	203 240	158 799	161 143
Total equity	**1 113 664**	1 190 132	1 077 362	986 910	834 550
Interest-bearing debt	**99 251**	27 126	18 121	69 081	84 751
Cumulative redeemable preference shares	**100 000**	100 000			
Property, plant and equipment	**714 001**	702 417	614 087	502 118	439 476
Current assets	**1 290 793**	1 079 221	836 316	792 889	736 278
Total assets	**2 133 401**	1 906 625	1 533 247	1 369 026	1 251 649
Number of shares in issue	**152 532**	152 532	151 645	149 875	148 725
Weighted average number of shares in issue	**141 707**	142 085	151 250	149 600	148 725
Net asset value per share (cents)*	**720**	775	660	631	561
Basic earnings per share (cents)	**(9)**	123	134	106	109
Headline earnings per share (cents)	**74**	124	133	104	111
Dividend per share (cents) declared and paid**	**40**	40	34	34	28
Dividend cover (times) (calculated on headline earnings)**	**1,8**	3,1	3,9	3,1	4,0
Net profit as a % of average total shareholders' funds	**0,3**	17,2	21,3	17,4	20,9
Profit before interest and tax as a % of ordinary shareholders equity (ROE)	**10,9**	26,3	31,9	25,2	27,6
Total shareholders' funds as a % of total assets	**52,2**	62,4	70,3	72,1	66,7
Interest cover (times)	**2**	17	47	26	21

Notes:

The 2004 year has been restated in accordance with IFRS.

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

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

** In respect of the preceding year.

PROFILE

AND TURNOVER BY SECTOR

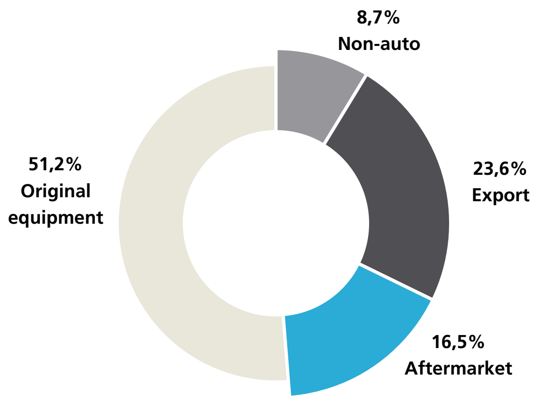
METAIR IS INVOLVED IN THE MANUFACTURE AND SUPPLY OF MOTOR VEHICLE COMPONENTS, FROM FRONT-END MODULES TO REAR BRAKE LIGHTS

The six 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 (OEMs), but the group also supplies components for the replacement market and a proportion of output is exported.

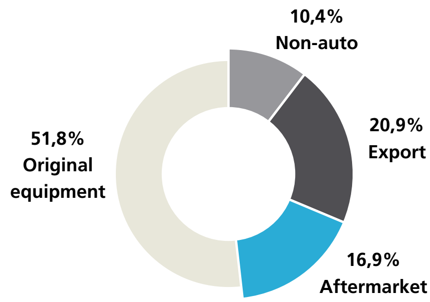
Products manufactured include heating and cooling systems, shock absorbers, springs, lead acid batteries, lighting and signalling devices, plastic mouldings, wiring harnesses, front-end modules and brake pads.

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 to maintain a competitive edge despite increasing demands from customers to reduce costs.

TURNOVER BY SECTOR	**2008 R'000**	2007 R'000
Original equipment	**2 138 407**	1 546 980
Export	**988 437**	622 516
Aftermarket local	**689 688**	503 557
Non-auto local	**363 866**	311 240
	4 180 398	2 984 293



TURNOVER BY SECTOR
2008

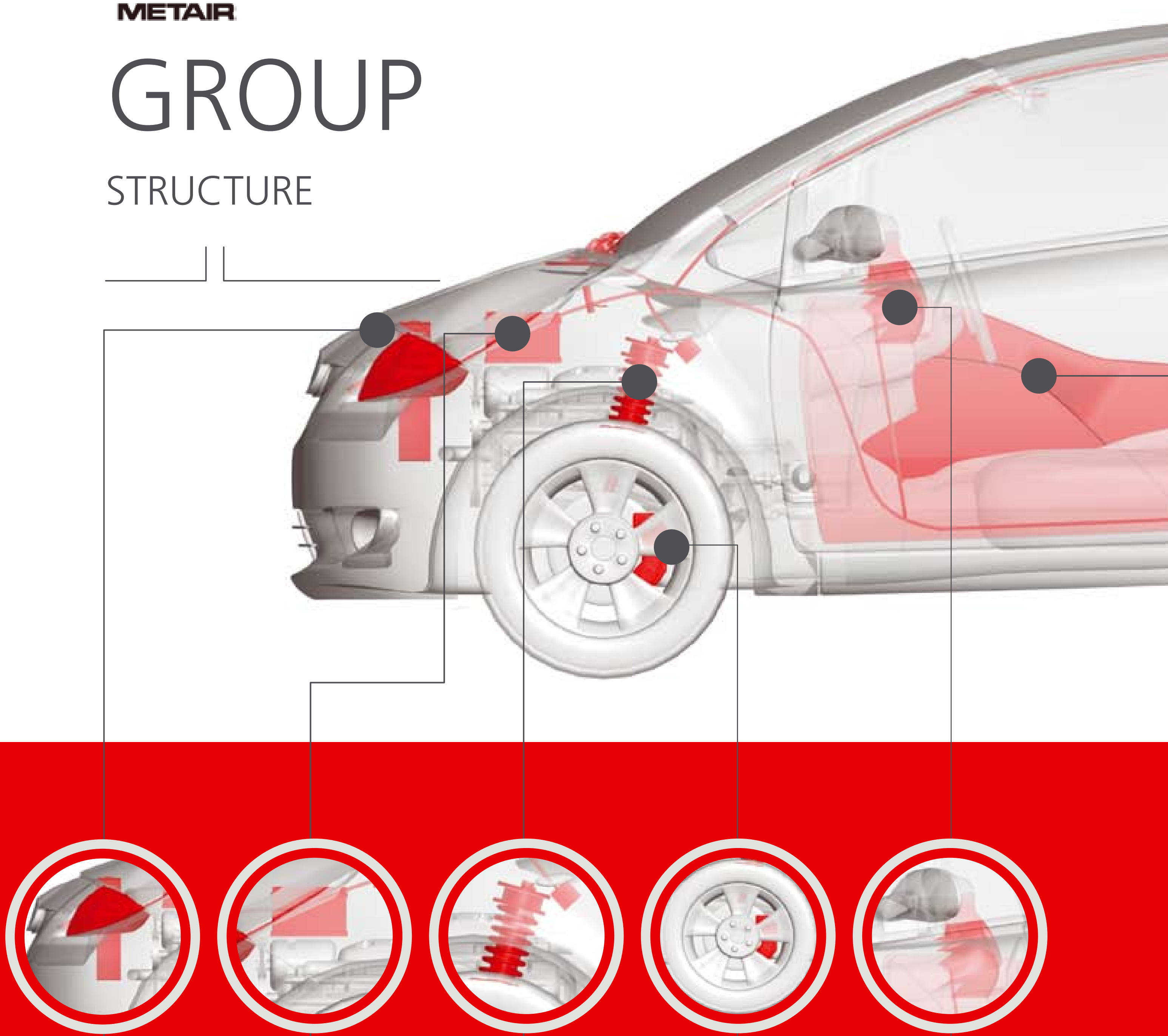


TURNOVER BY SECTOR
2007

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

GROUP

STRUCTURE



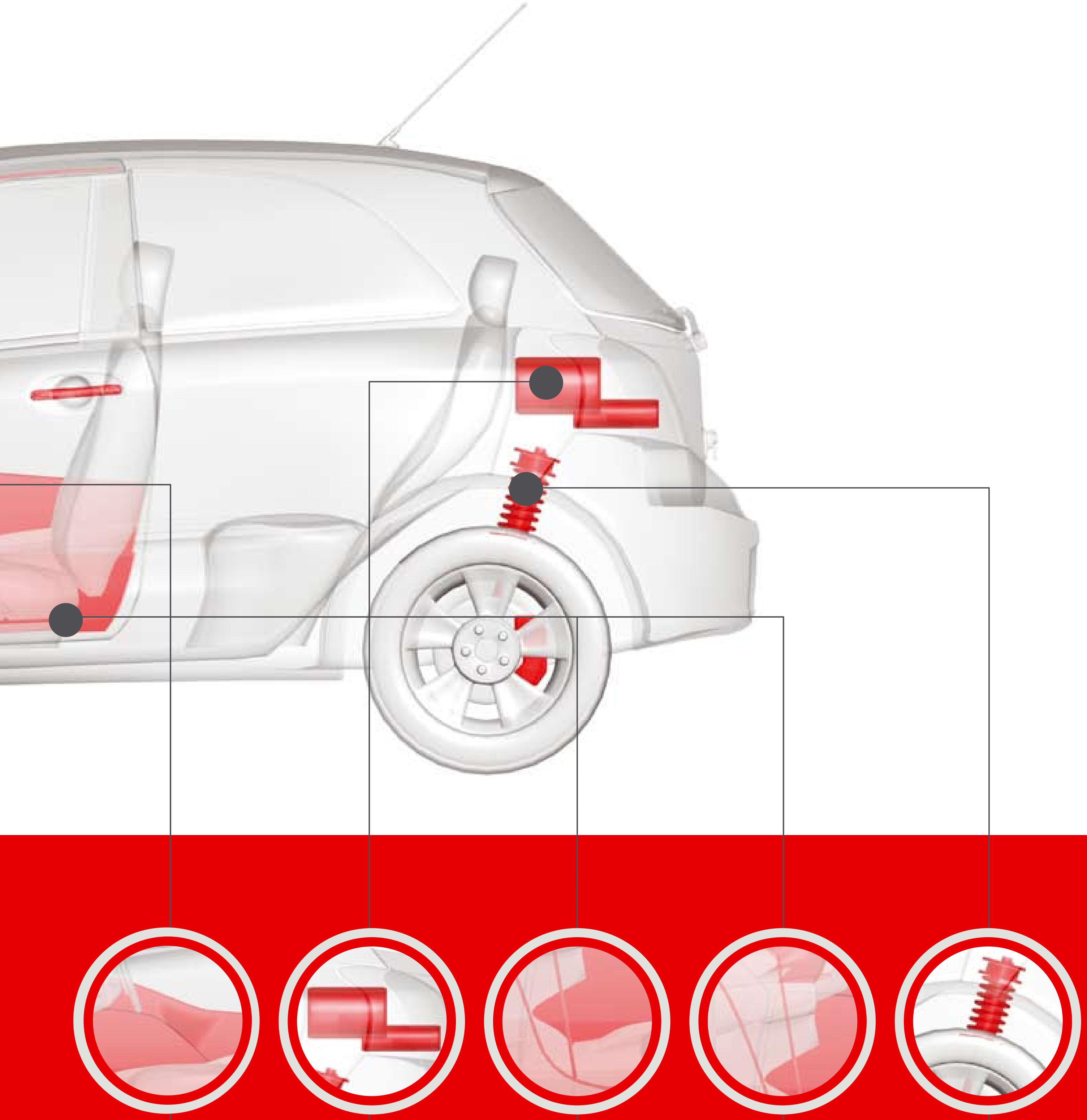
Valeo Systems
South Africa (Pty) Ltd
49%
Front-end modules

Metindustrial (Pty) Ltd
First National
Battery Division
100%
Batteries
(includes non-automotive)

Metindustrial (Pty) Ltd
Supreme Spring Division
100%

Alfred Teves Brake
Systems (Pty) Ltd
75%
Brakes
Calipers
Brake pads

Smiths Manufacturing
(Pty) Ltd
75%
Radiators
Heaters
Air-conditioners
Condensers
Cooling fans
Hoses and pipes



Smiths Plastics (Pty) Ltd
100%
Plastic injection mouldings

Hella South Africa (Pty) Ltd
100%
Headlights
Plastic injection mouldings
Lamps
Wheel trims
Horns

Hesto Harnesses (Pty) Ltd
74,9%
Wiring harnesses

Unitrade (Pty) Ltd
100%
Automotive cable

Tenneco Automotive Holdings SA (Pty) Ltd
25,1%
Shock absorbers
Strust
Track control arms

DIRECTORS

AND OFFICERS OF THE COMPANY

1

2

3

4

5

6

7

1
OME POOE (50)
Non-executive chairman
B Proc, Management Development Program, Certificate in Advanced Corporate and Securities Law

2
CT LOOCK (44)
Managing director
B Eng (Industrial)

3
BM JACOBS (41)
Finance director
B Comm, B Acc, CA (SA)

4
A JOFFE (40)
Non-executive director
B Comm (Hons), GDA CA (SA)

5
RS BROADLEY (76)
Independent non-executive director
Advanced Technical Certificate (Engineering)

6
GMC RYAN (60)
Non-executive director
B Comm, CTA, CA (SA)
MBA

7
AD PLUMMER (61)*
Non-executive director
FCA (England and Wales)

* British

8

9

10

11

12

8
LM NDALA (35)
Non-executive director
CA (SA)

9
L SOANES (72)*
Independent
Non-executive director
National Certificate of Engineering

10
B MOLOTLEGI (36)
Non-executive director

11
A GALIEL (39)
Independent
non-executive director
CA (SA), CFA

12
SM VERMAAK (43)
Company secretary
B Comm (Fin M) AIRMSA

* British

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

CHAIRMAN

AND MANAGING DIRECTOR'S REPORT

Mpueleng Pooe
Chairman

Theo Loock
Managing Director

METAIR'S 60TH ANNIVERSARY YEAR MET WITH MIXED FORTUNES: POSITIVE INDUSTRY DEVELOPMENTS IN THE FIRST HALF OF 2008 EVAPORATED UNDER THE GLOBAL ECONOMIC MELTDOWN IN THE SECOND HALF

CHAIRMAN'S REPORT

The period under review held much promise for the South African automotive industry as it entered the final phase of an exciting investment programme that saw the launch of four new locally produced, high-volume export vehicles. The target of raising local vehicle production to more than 600 000 units was finally within our sight.

On the positive side, the government reaffirmed its commitment to the automotive industry, as one of the recognised cornerstones of the Accelerated and Shared Growth Initiative for South Africa (Asgi-SA), through the announcement of the Automotive Production and Development Programme (APDP) in September 2008.

The APDP, with its three-pronged tariff-based export architecture, was very well received and will provide the necessary stimulus for growth and an incentive to add new vehicle models from 2009 to 2020. The Automotive Investment Allowance takes effect from July 2009 and the remainder of the programme starts in 2013.

The new assistance programme sees the introduction of a local assembly allowance, a production incentive and an automotive investment allowance. This programme is WTO (World Trade Organisation)-compliant and will benefit both local vehicle assemblers and component manufacturers. It will also secure the future presence of the Original Equipment Manufacturers (OEMs) in South Africa.

The APDP shifts the emphasis from an export-based support structure to a local value-added support structure and should be beneficial in the long run for the local component manufacturing industry.

This positive development was, however, somewhat overshadowed by the global financial crisis which cast its pall towards the end of 2008.

As the automotive industry is the primary indicator of world economic well-being, it was the worst affected by the financial crisis and the first in the manufacturing industry to experience a dramatic decline in consumer demand.

Light vehicle sales mirror consumer confidence and it was inevitable that a lack of disposable income and more stringent financing requirements would impact on sales, particularly in mature markets. This negative consumer wave had a ripple effect right back to OEMs who saw suppliers curtail their orders, resulting in a downturn in production volumes.

We could not have anticipated the extent to which this decline would eventually affect the entire industry. While US markets contracted earlier in the year, car sales were relatively buoyant elsewhere. The sheer speed and force with which the downturn infected the global automotive industry caught everyone unawares.

We recognise the severity of the challenge that lies ahead and remain determined to react positively to the structural reset in the industry. This reset will encompass the lowering of the base with a gradual yet steady rebuild cycle to reach previous highs, especially in the South African market. In the short term, however, we will not see a return to previous peaks and could see further reductions in production volumes.

In the two to three years ahead of us we will look to improve efficiencies and introduce innovations. We will double our efforts to strengthen relationships with all our key stakeholders and to enhance our brand internally and externally. We will also remain vigilant for any consolidation opportunities that may present themselves. We have the people and the resolve to ensure that our business survives the current turbulence.

OME Pooe
Chairman
19 March 2009

MANAGING DIRECTOR'S REPORT

No one will dispute that 2008 was a momentous year – for the industry in general and for Metair in particular. Metair celebrated its 60th anniversary as a listed company under rather challenging conditions. The period under review proved to be very fluid, with performance in the first half mostly influenced by conditions in the South African market, local customers' strategies and Rand volatility. Performance in the second half of the year was affected by conditions and events in the global market, especially from October 2008 when the full impact of the financial crisis resulted in a sharp downturn in world economic activity. The Rand continued to be volatile during the second half and devalued by approximately 32% against the Yen in the last quarter.

Metair operates predominantly in the automotive sector, with its six direct subsidiaries and two associate companies manufacturing products that are used in the assembly of passenger vehicles and light commercial vehicles. These are supplied to the seven Original Equipment Manufacturers (OEMs) that have assembly plants in South Africa.

The automotive sector was most severely affected by events in the global financial markets and the ensuing economic crisis. Worldwide demand for vehicles declined by more than 25% in the last quarter as consumer confidence dropped and the availability of, and access to, affordable credit was greatly curtailed.

RESULTS

The first half of the year saw new export models successfully introduced into international markets, especially Europe. Manufacturing efficiencies improved as production volumes increased according to customers' planned production ramp-up. While local demand softened as the National Credit Act started to take effect and fuel prices reached historical highs, the export market grew by more than 50%. The major challenge during this period was the devaluation of the Rand that led to a decline in gross margins as pricing arrangements with our major customer only allowed for the recovery of foreign exchange losses retrospectively.

The third quarter saw volume ramp-ups for the export market continue and an extraordinary price adjustment from our major customer in an effort to correct the foreign exchange rate under-recovery for the first half of the year. Some progress was made during August and September to claim back part of the foreign exchange rate losses, but this was abruptly halted in October as the Rand devalued by approximately 32% against the Yen. The group foreign exchange rate exposure is mostly against the Yen and accounts for 70% of the basket of import currencies.

Fourth quarter volumes declined in reaction to the world financial crisis that saw export volumes and local demand weaken dramatically. Turnover in the second half increased by only 3,4% compared to the first half. The third quarter foreign exchange rate recovery was eradicated in the fourth quarter and the structural devaluation of the Rand against the Yen resulted in an increase in the under-recovery on imported components and raw materials at year-end.

Although our major customer has agreed to an interim price adjustment as from 1 January 2009 to reconsider the structural change in the devaluation of the Rand against all major trading currencies, this adjustment did not cater for the recovery of foreign currency losses for the period under review.

The group's business model does not offer the latitude to take foreign exchange rate risks and expect customers' pricing models to deliver on this principle. We are currently in sensitive negotiations with our customers on their proposed future pricing policies. The challenge remains to get formal agreements in place that are more responsive to Rand volatility and which eliminate or reduce the risks of under-recovery in a trading period.

Worldwide decline in vehicle demand has also triggered the need for impairment testing in all subsidiary companies and for all of the group's investments. This requires that we comment on headline earnings as well as earnings.

Headline earnings per share for the full year was 74 cents per share compared to 124 cents per share achieved in the previous financial year. This represents a 40% decline in headline earnings.

Earnings per share after impairments for the full year was a loss of 9 cents per share compared to a profit of 123 cents per share in the previous period, reflecting a 107% decline.

Impairment entries were related to the following investments and or assets:

ATE (Alfred Teves Brake Systems (Pty) Ltd): Although the purchase of ATE was at an initial 20% discount to Net Asset Value, the final purchase price allocation at the time of purchase resulted in creating an intangible goodwill asset. The goodwill of R16 million was written off at acquisition.

Smiths Plastics (Pty) Ltd: Impairment at Smiths Plastics on property, plant and equipment amounts to R61 million.

MANAGING DIRECTOR'S REPORT

CONTINUED

Hella South Africa (Pty) Ltd: Impairment at Hella on property, plant and equipment amounts to R39 million.

Automould (Pty) Ltd, a subsidiary of Smiths Plastics (Pty) Ltd, reflected a goodwill impairment of R7 million.

Turnover for the period grew by 40% to R4,180 million compared to R2,984 million in 2007. Included in the turnover is the full year's effect of trade for Automould that was purchased in October 2007 and nine months of trading from Aristons and SPE that was purchased in March 2008 and combined into Kimitar. Second-half trade also includes three months of trading from ATE that was purchased in October 2008. Elimination of trade from the recent acquisitions limited turnover growth to 34%.

A loss after tax attributable to ordinary shareholders of R13 million (compared to a profit of R175 million in 2007) was recorded. Operating profit declined to R94 million from R282 million.

Profit before tax declined to R75 million compared to R287 million. The primary reason for this decline was impairment charges of R123 million and an increase in net interest charges of R34 million. The main drivers behind the increased interest charged were increased investment in plant and equipment as well as strategic acquisitions.

Cash generated from operations was R369 million compared to R240 million in 2007. Cash outflow from investing activities required to support planned volume ramp-ups by customers resulted in an increase of cash out flow of R251 million (2007: R123 million).

Sales of components to OEMs increased by 38,2% and constituted 51% of turnover (2007: 52%). Export sales increased to R988 million. Export sales included an estimate for the year in respect of those components supplied to OEMs for incorporation into their export programmes.

Aftermarket sales increased to R690 million compared to R504 million in 2007. Non-automotive business is mostly through First National Battery into retail, mining, telecommunications, utility, industrial and standby power sectors and grew to R364 million (2007: R311 million).

Administrative and distribution expenses increased by 30%, primarily due to the effect of recent acquisitions.

The tax rate was 96% in 2008. Of the tax charge of R72 million, secondary tax on companies contributed R7 million. Excluding the impairment charges of R123 million and secondary tax on companies, the effective tax rate was 33%.

The balance sheet reflects an increase in net book value of property, plant and equipment of R12 million (from R702 million to R714 million). This was primarily 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 ATE and Kimitar offset by impairment charges of R100 million relating to property, plant and equipment.

Current assets (inventory and debtors excluding cash) increased by R203 million due to increased stock holding arising from lower production, a weakening exchange rate, as well as an increase in commodity prices.

The balance sheet remains strong with a debt to total capital ratio of 15% (2007: 7%).

GROUP STRUCTURE

During the period under review Aziza Galiel was appointed as independent non-executive director and as a member of the Audit Committee.

Callie van der Merwe retired as financial director for the group on 30 November 2008 and Brian Jacobs was appointed as his replacement on 1 December 2008.

Jonathan Best was appointed on 24 February 2009 as independent non-executive director and is a member of the Audit Committee.

CORPORATE ACTIVITY

Upon receipt of Competition Commission approval at the end of February 2008, Smiths Plastics acquired the assets and business of Ariston and SPE from Control Instruments on 1 March 2008.

Similarly, Supreme Springs purchased 100% of the shares and loan accounts of ATE from the PIC (Public Investment Commission) as from 1 October 2008 after approval from the Competition Commission.

All suspensive conditions in regard to the sale agreements have been met and the purchase considerations have been paid in full during this period with no future purchase price obligations.

The group will continue to pursue strategic acquisition

MANAGING DIRECTOR'S REPORT

CONTINUED

opportunities that offer good returns bearing in mind the cash position and funding requirements at the time.

REVIEW OF THE OPERATIONS

The group subsidiary companies report on their operations separately in this report and the operations can be summarised in the table below.

Excluding the effect of impairment charges, the main loss-making operating subsidiaries are Smiths Plastics (Pty) Ltd, Hella SA (Pty) Ltd, Alfred Teves Brake Systems (Pty) Ltd and Unitrade 745 (Pty) Ltd.

While turnover increased by 40%, operating margins came under severe pressure mainly in the OEM side of the business. Hesto Harnesses (Pty) Ltd experienced a very difficult year as it operated under severe cash flow constraints due to substantial foreign exchange currency under-recovery, increase in interest charges and pricing pressure from OEMs.

PROSPECTS

Metair is of the opinion that the projected decline in the production of vehicles in South Africa – to a very conservative internal projection of 375 000 vehicles for 2009 – signals a review of required production levels. This decline of 28% from the production levels achieved in 2008 requires all subsidiaries to redefine their businesses and restructure to these lower levels.

The group believes that the industry requires GDP growth of between 3,5-4% to maintain vehicle sales. GDP growth above 4% will stimulate vehicle demand with a multiplier effect that is determined by interest rates, availability of credit, fuel prices and general economic conditions, especially trends in employment levels. A GDP growth rate below 3,5% will lead to a decline in vehicle demand with a negative multiplier effect, based on the elements listed above.

One of the main reasons for the projected 28% decline in production levels for 2009 is the anticipated negative GDP growth rates linked to the major export markets of the local OEMs, such as America and Europe.

The only deviation from the projected growth levels linked to the GDP projections is the impact of new models introduced by certain of the OEMs.

The table opposite reflects Metair's current view on the projected five-year production volumes from 2009 structural

<table>
<tr><th colspan="2">Subsidiary Element</th><th>FNB</th><th>Supreme</th><th>ATE</th><th>Smiths Manufacturing</th><th>Smiths Plastics</th><th>Hella</th><th>Hesto</th></tr>
<tr><td colspan="2">Company Size</td><td>Large +</td><td>Small √</td><td>Small</td><td>Large</td><td>Medium*</td><td>Small</td><td>Medium</td></tr>
<tr><td rowspan="2">Ownership</td><td>Metair</td><td>100%</td><td>100%</td><td>100%</td><td>75%</td><td>100%</td><td>100%</td><td>74,9%</td></tr>
<tr><td>Other</td><td></td><td></td><td></td><td>25% Denso</td><td></td><td></td><td>25,1% Yazaki</td></tr>
<tr><td colspan="2">Local Content</td><td>66%+</td><td>90%+</td><td>15%</td><td>< 50%</td><td>80%+</td><td>70%</td><td><50%</td></tr>
<tr><td colspan="2">Market diversification</td><td>Yes</td><td>Limited</td><td>No</td><td>Limited</td><td>Limited</td><td>No</td><td>No</td></tr>
<tr><td colspan="2">Product diversification</td><td>Yes</td><td>Yes</td><td>Yes</td><td>Limited</td><td>No</td><td>No</td><td>No</td></tr>
<tr><td colspan="2">Customer diversification</td><td>Yes</td><td>Yes</td><td>Yes</td><td>Limited</td><td>No</td><td>Limited</td><td>Limited</td></tr>
<tr><td colspan="2">Aftermarket</td><td>Yes</td><td>Yes</td><td>Yes</td><td>Yes</td><td>No</td><td>Limited</td><td>No</td></tr>
<tr><td colspan="2">Currency exposure</td><td>Limited</td><td>Low</td><td>High</td><td>High</td><td>Low</td><td>High</td><td>High</td></tr>
<tr><td colspan="2">Major currency</td><td>USD</td><td>Euro</td><td>Euro</td><td>Yen</td><td>Euro</td><td>Yen</td><td>Yen</td></tr>
<tr><td colspan="2">Capital Intensity</td><td>High</td><td>Medium</td><td>Medium</td><td>Medium</td><td>High</td><td>High</td><td>Low</td></tr>
<tr><td colspan="2">Capex Budget 2009</td><td>R80 million</td><td>R14 million</td><td>R7 million</td><td>R8 million</td><td></td><td>R8 million</td><td>R7 million</td></tr>
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+ Large = turnover >R750 million
* Medium = turnover between R300 – R750 million
√ Small = turnover < R300 million

MANAGING DIRECTOR'S REPORT

CONTINUED

	Actual	Forecast				
	2008	2009	2010 +	2011	2012 *	2013
Passenger Vehicles	321 124	231 445	236 093	239 114	217 577	230 072
Light Commercial Vehicles	205 955	143 320	155 403	158 597	228 778	230 359
Total	**527 079**	**374 765**	**391 496**	**397 711**	**446 355**	**460 431**
Year on Year		-28%	4,5%	1,6%	12,2%	3,2%
Assumed GDP Growth		1%-2%	2,5%-3%	3,5%-4%	3,5%-4%	3,5%-4,5%

+ Forecasted recovery of particular export markets.

* Introduction of new high-volume light commercial vehicle.

reset base. The group's major customer declines at much higher rates than the average for the industry as the target export markets all project negative GDP growth targets (and more than a 30% decline in vehicle demand) in those markets.

Metair group subsidiary companies with high capital investments, a large dependence on individual customers, and that have turnover less than R750 million, will be challenged to be profitable under these circumstances and will require major restructuring.

Metair expects all of its subsidiaries to be cash self-sustainable, with funding requirements secured at the subsidiary level. The first half of the year is going to be extremely difficult as the finished goods vehicle pipeline is overstocked and customers are all planning shutdowns and shortened weeks to work the stock out the system. Credit availability has tightened, with the result that subsidiary companies may provide security to maintain or increase credit facilities. In the past all credit facilities were unsecured.

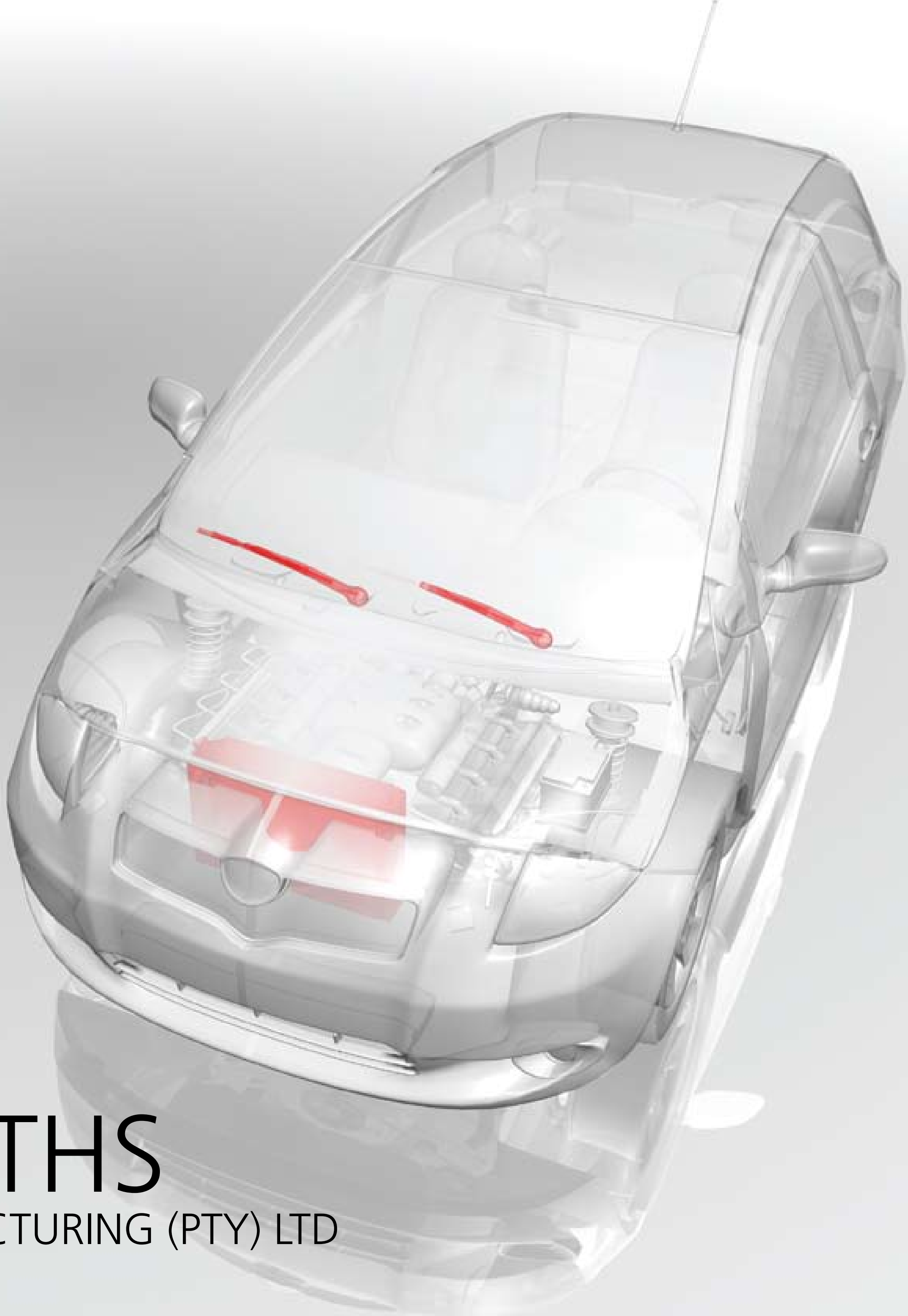
Volume drop for the year is skewed towards the first half of the year. The group will therefore struggle to reduce its current internal overstocking position in the first half. Capital expenditure for the year will be focused on First National Battery and Supreme Springs and will mostly be incurred in the first half of the year. Capital expenditure relates mainly to investment to support the aftermarket business and raw material beneficiation. Barring any further volume cut-backs from customers below the projected Metair volumes, real working capital and inventory reduction will only start taking effect in the third or fourth quarter.

Under these circumstances, relationships with customers will be tested and will require major attention for the group to remain competitive. The devaluation of the Rand offers some protection under these circumstances but the situation still requires a realistic approach from customers.

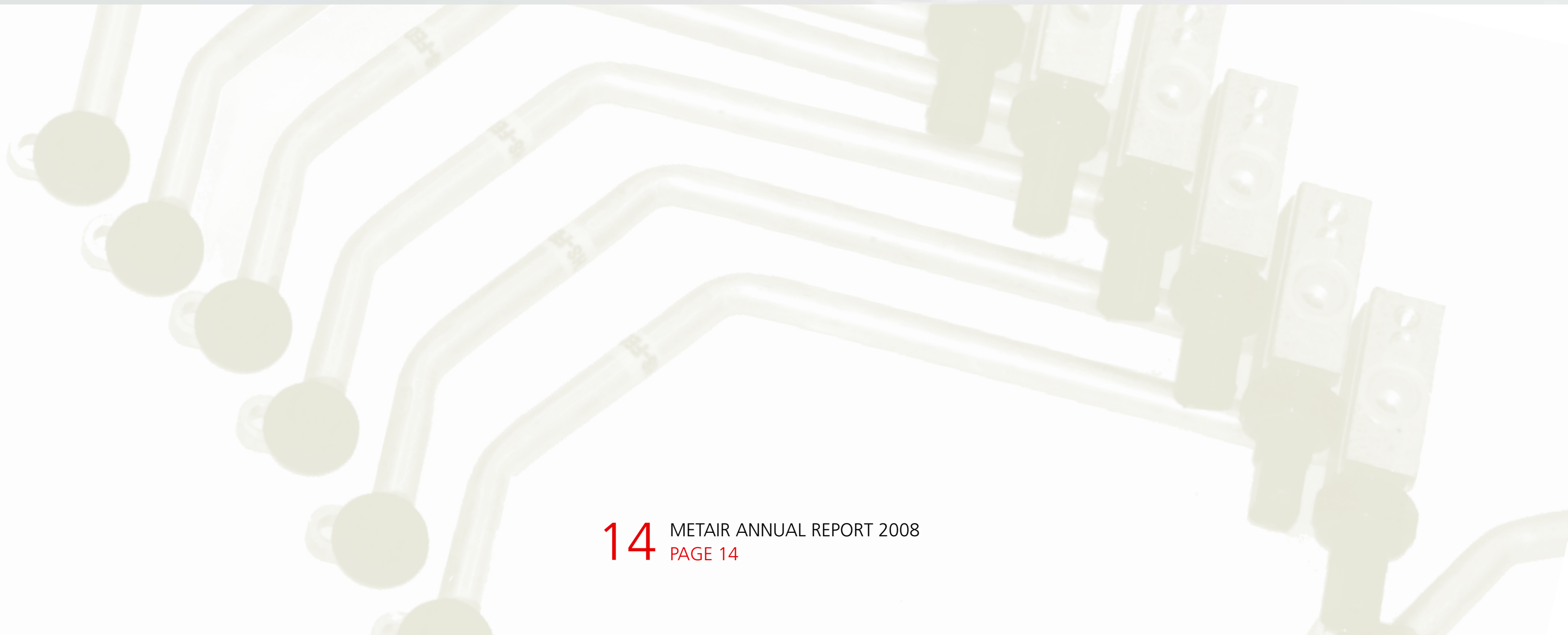
Metair recognises the severity of a declining demand for vehicles but remains positive that with its focus on cash generation and preservation it will be able to survive these difficult times. It remains realistic, though, to the extent that it could well be necessary to re-evaluate all business models and practices and that some businesses may even require responsible exit strategies.

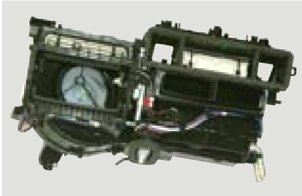
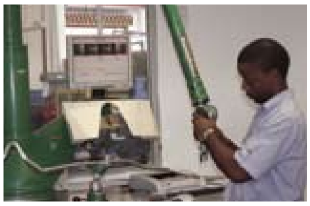
Metair believes it to be prudent not to declare a dividend under current trading conditions and will review the dividend declaration on an ongoing basis at both interim and year-end periods.

CT Loock
Managing director
19 March 2009



SMITHS
MANUFACTURING (PTY) LTD




OVERVIEW

Smiths Manufacturing, a subsidiary of Metair, is an automotive component manufacturing company situated in Durban, KwaZulu-Natal. The core nature of our business from 1985 to 1995 was the supply of heat exchanger and air-conditioning components to Original Equipment Vehicle Assemblers (OEMs) in South Africa. International technology partners provided designs for components, via licence agreements and Smiths industrialised these using manufacturing techniques developed in-house.

Since Toyota has always been a strategic partner and our largest customer, Smiths and Denso (business partners for over 25 years) have been jointly supporting Toyota locally. Based on MIDP changes and globalisation of the automotive industry, Denso purchased just over 25% of Smiths Manufacturing from Metair in 2005.

Subsequent to the joint venture agreement with Denso, we expanded our product range to include manufacture/assembly of air-cleaners and wiper systems. We also supply Denso-manufactured components such as alternators, starters and electronic control units (ECUs).

Although Smiths predominantly supplies components to OEMs in South Africa (around 84%), we also supply a wide variety of components to South Africa's aftermarket (about 6%) via the OEMs' Original Equipment Spares programmes (OES), and also through independent distribution agencies. We export (around 8%) a wide range of crash parts to the USA and Europe and manufacture the air-conditioning and heating systems for the Land Rover Defender produced in the UK.

KEY CHALLENGES AND FOCUS AREAS

In 2008, Smiths management embarked on an extensive drive to reset the company strategic direction. This included interaction with all stakeholders and a detailed evaluation of both macro and micro economic factors affecting the local automotive industry and Smiths. Through this drive, our vision "to be acknowledged as Africa's preferred Supplier of Automotive Components" was born. Integral to our strategy is the realisation that future growth of the South African automotive industry lies in the growth of the African automotive industry. We therefore need to position ourselves and take advantage of opportunities in Africa created by both our customers and Denso.

This vision is underpinned by a detailed three-pillar strategy.

Our first pillar focuses on growth. We aim to expand the business by maximising opportunities that grow all three legs of our business. This will result in a better balance between OE and non-OE business. The focus areas are:

– Expanding automotive and non-automotive business opportunities, utilising our core competencies: assembly, brazing and pipe manipulation.
– Diversifying current product range into new products for the automotive industry which Denso currently produces.
– Being involved in, and part of, Denso's Africa strategy.

The second pillar focuses on profitable competitiveness. Our target is to be a competitive South African-based company, able to fund growth aspirations from profitability and achieve stakeholder value. Our focus is on:

– Innovating Manufacturing. Since manufacturing is the hub of our business, this is a key activity. Our international partners supply design, development and specifications to us and a major portion of the proposed capital expenditure will be channelled towards manufacturing innovations.
– Strategic Vertical Integration.
– Strategic Localisations.
– Focus on cost reductions and competitive sourcing.

The third pillar focuses on people development. We aim to develop a culture of innovation, learning/development, ownership and pride. We are focusing on:

– Effective communication.
– Skills development.
– Creating a complete human resources development strategy.
– The launch of our company spirit, "Innovating Together".
– Employment Equity.

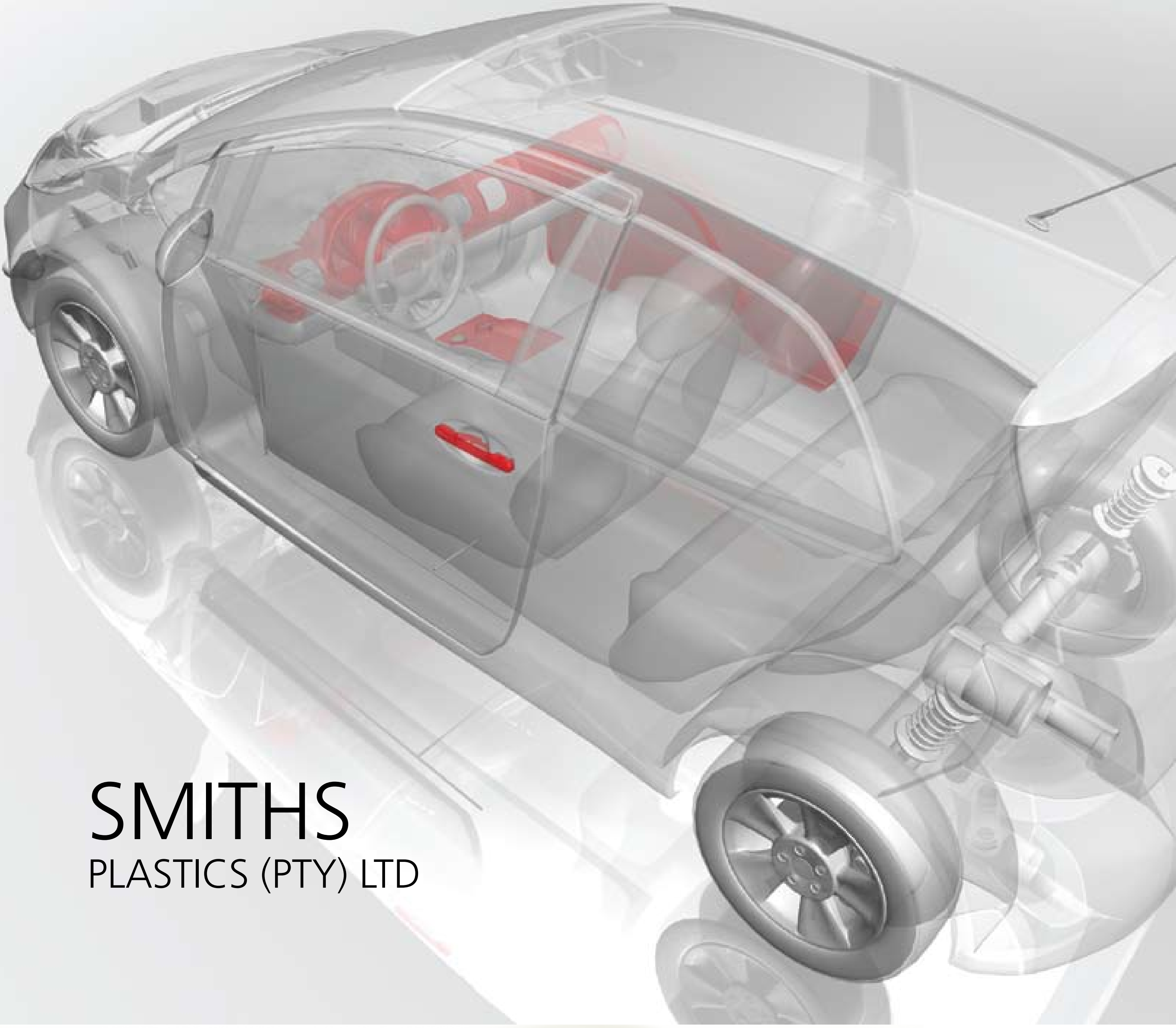
The active BBBEE Committee and several sub-committees in the company are focusing on achieving our target of Level 4. Currently Smiths is a Level 6 BBBEE supplier. Our socio-economic expenditure in 2008 will focus on uplifting those communities from where the majority of our workforce is sourced.

OUTLOOK

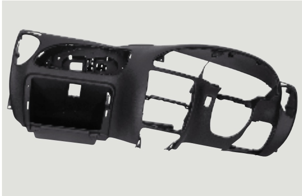
Last year showed some growth over 2007 based on contracts achieved. However, growth was well below expectations set in 2007 due to declining sales in the automotive industry in the latter half of 2008. Medium-term projections show this decline in sales will continue, globally and in South Africa, and as such the focus in 2009 will be on managing cash within our business.

We remain positive regarding proposed amendments to the Motor Industry Development Programme (MIDP), namely the Automotive Production Development Programme (APDP). We believe that value-added incentives and direct investment support will strategically drive further localisation and competitiveness within the industry and, particularly in the component manufacturing sector.

In summary, our focus is on cash management, cost reduction, restructuring, innovating all aspects of manufacturing activities and investigating growth avenues. These business elements will be underscored by a drive to create a culture of innovation, learning and development, ownership and pride.



SMITHS
PLASTICS (PTY) LTD



OVERVIEW

Smiths Plastics was conceptualised when Smiths Manufacturing purchased Injex (Pty) Ltd with the objective of supplying plastics casings and components to the Heat Exchange and Aircon Assembly divisions. Smiths Plastics had existed as an internal manufacturing division until the late 1990s when the company began to supply plastic components and assemblies to the South African motor plants.

In 2001 Smiths Plastics embarked on the largest Original Equipment Manufacturer (OEM) project in the company's history. During the launch of the previous model Corolla, Smiths Plastics successfully introduced 70 moulding tools and expanded its facility to meet this new model launch. From 2001 to date, Smiths Plastics further expanded the business from 12 moulding machines in the late-1990s to 76 machines at present. In line with the growth strategy of the organisation, Smiths Plastics broke away from Smiths Manufacturing and became an autonomous Metair company in 2004.

OPPORTUNITIES AND PROJECTS

The acquisitions of Automould, Ariston and SPE Plastics injection moulding companies increased the national coverage of Smiths Plastics to include East London and Port Elizabeth, bringing location and cost benefits to customers.

Smiths Plastics' core business is the manufacture of injection-moulded components and it has the facilities and the skills to produce components from specialised engineering polymers. The skills available to produce advanced technology plastic injection-moulded components are limited within South Africa, giving Smiths Plastics a competitive advantage. This edge is further enhanced by a culture of continuous learning and skills development and significant advances have been made in apprentice training and technical skills development. This success has been recognised by Merseta, with Smiths Plastics recognised as the "Top Training Company" in 2008, which includes a multimillion Rand skills development grant for 2009.

Smiths Plastics practises well-established environmental conservation, resource minimisation and waste recycling. Continued adherence to environmental policies and a responsible approach to manufacturing have been achieved through Underwriters Laboratories ISO 14001.

KEY CHALLENGES AND FOCUS AREAS

Robust progress was made in the first quarter of 2008 to stabilise supply and quality. The ramp-up in the new Corolla model progressed well and the outlook in the first quarter of 2008 was optimistic. The protracted weekend overtime that customers worked to recover lost production volumes placed a significant cost burden on Smiths Plastics as it supported its customers by also working overtime.

The second quarter of 2008 proved to be more difficult as Eskom implemented its load-shedding programme. The production hours lost and the start-up time required to bring the mould plant and plating plants back into production after each load-shedding event, caused substantive productivity losses.

The remainder of 2008 saw the effects of the automotive industry slowdown. Smiths Plastics initiated retrenchments to curtail operating costs, reworked plans for production capacity at the reduced volumes and downscaled the operations to reduce overheads. Retrenchment programmes did little to disrupt the supply to customers or affect manufacturing performance. This bears testimony to the robust human resources and production planning capability of the organisation.

The economic downturn in 2008 resulted in Smiths Plastics having 23% excess capacity. This has been earmarked for specific localisation projects with various OEMs. Excess moulding machines will be distributed within the Metair group to reduce capital expenditure requirements. Smiths Plastics intends downscaling the organisation while maintaining high levels of operating and labour efficiencies.

The acquisition of Automould, Ariston and SPE brought significant benefits. The leadership in each of the new acquisitions is strong and has resulted in each company improving its reputation within the industry. The directors of the Plastics group intend running the companies as individual organisations, focusing on improving efficiency and customer service. This objective has been rewarded with new supply contracts for new vehicle models and domestic goods.

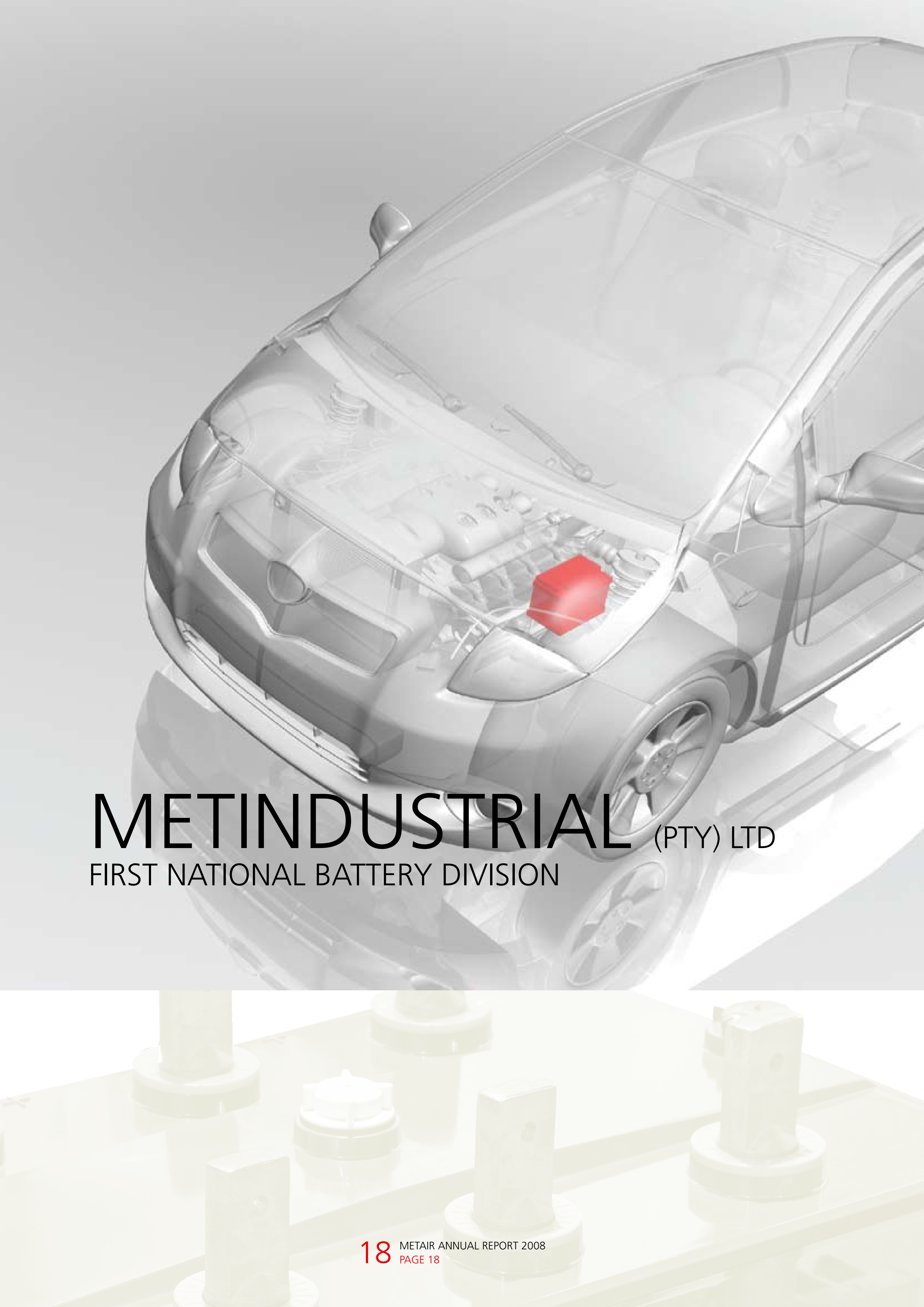
Pertinent issues that Smiths Plastics faced in 2008 were the under-recovery of costs based on overtime, load-shedding, forex under-recovery and the downturn in the automotive market.

OUTLOOK

The first half of 2009 will remain difficult with regards to maintaining operational stability during turbulent market and political conditions. Smiths Plastics will face further retrenchments as the full effect is felt of the declining demand in both local and overseas markets.

Indications are that the slowdown in local and export automotive markets is set to continue for some time. Our strategy is to reduce the variable and overhead costs to achieve efficient manufacturing operations at the reduced volumes. An immediate and serious focus will be the liquidity of the subsidiaries in order to maintain fiscal sustainability.

The Smiths Plastics group has faced many difficult challenges over the past 18 months. Success in creating equilibrium within the organisation and the seamless integration of the new acquisitions in the group, are testimony to the commitment and dedication of the management and staff to the ongoing stability of Smiths Plastics.

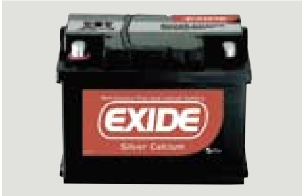


METINDUSTRIAL (PTY) LTD

FIRST NATIONAL BATTERY DIVISION

FIRST NATIONAL BATTERY

THROUGH CARING WE LEAD



OVERVIEW

First National Battery (FNB) is the leading manufacturer of lead acid batteries in South Africa and produced nearly two million automotive batteries in 2008. The majority of these batteries were sold in the replacement market. FNB has approximately 120 franchised Battery Centre outlets in southern Africa and this successful chain continues to play a significant role in the distribution and sales of our aftermarket automotive batteries.

FNB also manufactures a wide range of non–automotive batteries for use in electric fork trucks, mining applications and standby power.

- Battery fork trucks are used in material handling applications in warehouses and factories.
- In underground mines, virtually all horizontal transport of ore is performed by battery locomotives. FNB is also the dominant South African manufacturer of miners' caplamps.
- Standby power batteries are used in electric power stations as a power source to start, control and stop power generation and distribution. FNB's products have been approved for use in nuclear and conventional power stations and are used in Africa, Europe and Asia. These batteries are also used to store backup power for shopping malls, office blocks, computer installations and telecom applications.

OPPORTUNITIES AND PROJECTS

The company is strongly vertically integrated and produces approximately 50% of its lead alloy requirement at its Benoni lead smelter. This is a recycling operation where spent batteries are recycled in an environmentally sound IS14000 listed facility. The smelter is being expanded and this will ensure the long-term availability of the necessary lead alloys for internal use. In addition to lead alloys, there is also a need for imported virgin lead in certain battery manufacturing applications.

We do the moulding of plastic components in-house. The Fort Jackson plastics factory produces about 20 million plastic components per annum for our own use.

FNB has no Technical Agreements and has developed a substantial in-house technical capability. All batteries supplied to OEMs meet these clients' international quality and performance standards, and were developed in-house.

Good progress has been made with our ABET, Student Development, Learnership and Apprentice programmes, with financial support from the CHIETA. This has led to the appointment of a number of newly qualified employees during the year. These programmes will be maintained into the future.

KEY CHALLENGES AND FOCUS AREAS

Turnover increased by 39% on the back of increased volumes and high lead prices in 2007 and the beginning of 2008. Maintaining gross margins has been difficult with high inflation and weakening exchange rates. The LME price of lead at the start of the year continued from the highs of 2007 but gradually reduced over the year.

All market sectors reflected turnover increases for the year with the exception of mining where the effects of the global economic slowdown and Eskom's reduction in power supply to mines first had their impact. Volumes in the Standby market spiked dramatically when Eskom started load-shedding.

Management of working capital received a great deal of attention during the year. A degree of success was achieved in reducing and controlling inventories as well as with debt collection. The latter area remains a concern and more stringent controls over the granting of credit and the management of collections will be required as the effects of the poor economic conditions reflect more and more in the liquidity of customers, influencing their ability and willingness to meet their financial obligations.

In order to meet the demand for automotive product, the Board approved a number of specific capital investment projects which commenced in 2008 and will be completed during 2009. These investments will ensure the production capacity is able to meet the demands of the future as well as keep pace with global technology advancements.

OUTLOOK

The factors that are most likely to impact on our business are listed below.

We expect a sharply reduced demand from our existing automotive OE customers for the next two to three years. The upside is the strong possibility of winning new and additional supply contracts with OE customers. However, this will not make up the shortfall compared to 2008 volumes.

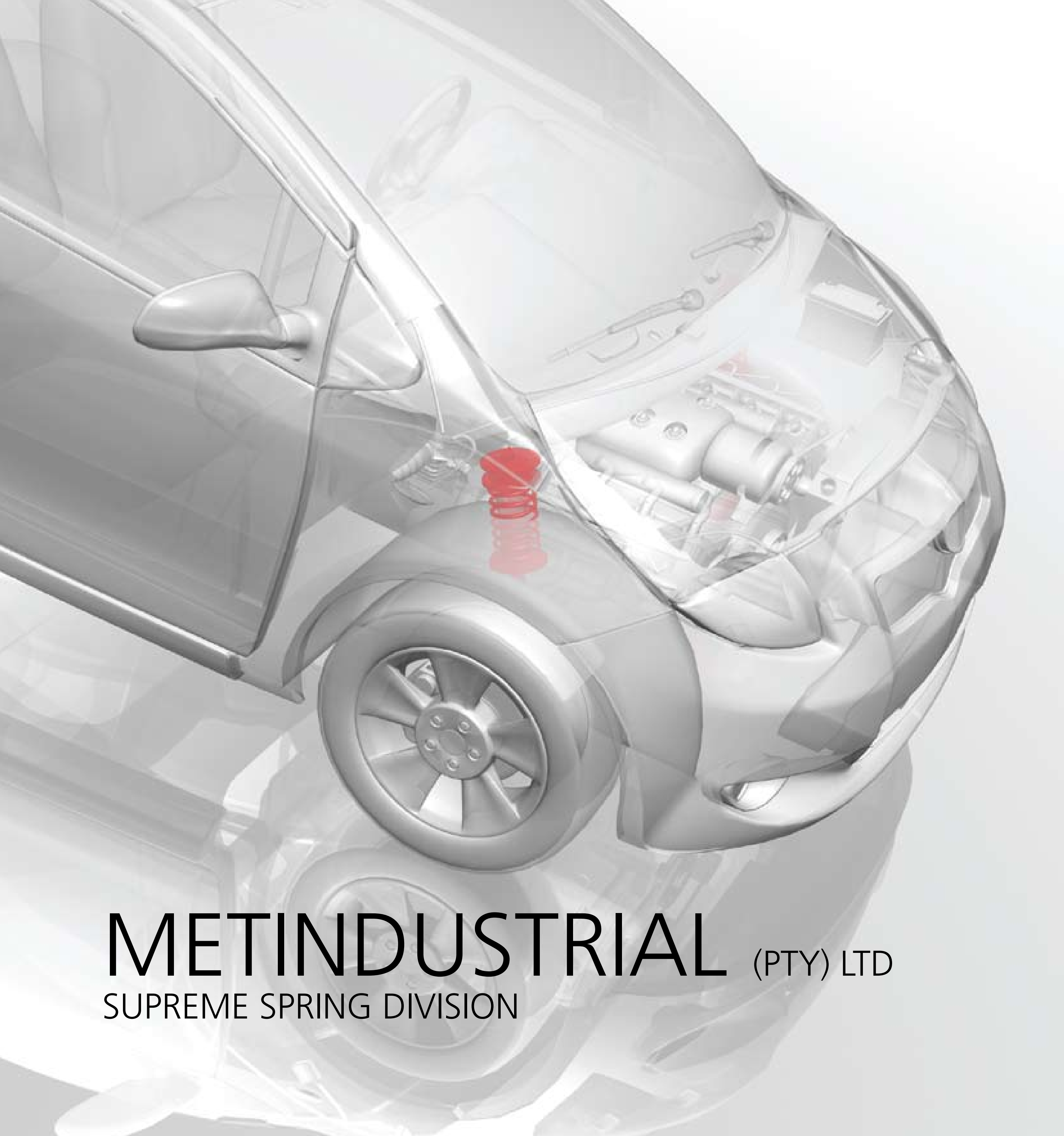
The size of the vehicle-park has increased by about one million vehicles in the last four years (16%).

Historically most battery imports were done by small independents. The weakening of the Rand and difficulty in raising finance has put significant pressure on some of these importers. The automotive battery replacement market is therefore likely to experience strong growth, which should phase in over the next two to three years.

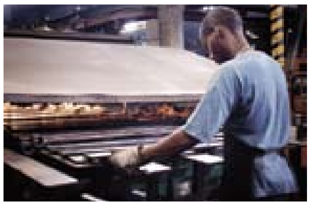
The mining industry is facing difficult times and battery volumes are likely to be down during this phase of the commodity cycle.

South Africa needs new electrical power-generating capacity. This infrastructural investment will take place and FNB is likely to benefit.

Given the above, we are optimistic that FNB will remain a major contributor to Metair's future success.



METINDUSTRIAL (PTY) LTD
SUPREME SPRING DIVISION

OVERVIEW

The automotive industry experienced a number of challenges in 2008 and these had a direct impact on Supreme Spring during the year. January 2008 saw Eskom suddenly and unexpectedly introduce load-shedding which disrupted production in not only Supreme but also in the wider industry. The local market had already softened due to rising interest rates and fuel price increases and the interruptions to electrical supply exacerbated the downturn.

By mid-year the electrical supply had stabilised, but by this time the impact of six steel price increases in seven months had placed severe pressure on the industry's margins. This, in conjunction with an approximately 30% weakening of the Rand, further depressed the market. The last quarter proved to be the most problematic with the international economic crisis severely affecting local industry. These issues resulted in the 2008 vehicle market reducing by 21% over 2007, with an even more severe effect on the export of vehicles from South Africa.

While volumes declined, Supreme's turnover increased by 11% largely as a result of the increasing steel prices impacting on selling prices. Profitability, however, declined over the previous year.

OPPORTUNITIES AND PROJECTS

Supreme has developed the facilities and technical expertise to offer a full range of suspension springs to the automotive market and capacity is available in most areas to accommodate future growth. As a result a number of new developments for the local market were initiated in 2008, including the VW Polo coil springs and stabiliser bars, Mercedes Benz C Class front coil springs, Renault Logan coil springs, Opel Corsa coil springs, BMW 3 series coil springs and stabiliser bars, and the Ford Ranger pickup coil springs and stabiliser bars. These products will have some impact on turnover in 2009 but the major impact will only be from 2010 onwards.

In addition, the development of two new export projects for the Mitsubishi Fuso medium truck range and the Mercedes Benz Atego medium truck are under way. These are also expected to be realised in 2010. There has also been emphasis on the expansion of the replacement market product range for the European market.

The new projects and product developments will require additional capacity for stabiliser bars in 2010 and beyond, and a new facility for these products at a cost of R22 million was installed during the course of 2008. The commissioning of the plant is expected in February 2009.

KEY CHALLENGES AND FOCUS AREAS

The economic downturn, combined with the number of new projects and product developments, has meant that a careful balance has had to be drawn between cost containment and future growth opportunities. This continues to be a challenge for management.

The business has had to be structured around a lower demand in 2009 to preserve profitability. We will continue to focus on training and developing people and skills, reducing scrap, improving efficiencies, and pursuing continuous improvement

OUTLOOK

Supreme remains in a strong strategic position in the local market which has high barriers of entry for potential competitors. The development of local cold-forming steel remains a priority and various options are being explored. Supreme has also proved to be competitive in export markets and this provides ongoing opportunities.

While 2008 was a challenging year and 2009 is expected to be even more so, Supreme is well positioned to take advantage of a recovery in local and international markets.

Metindustrial's acquisition of ATE Brake Systems has provided a further challenge to Supreme's management as this company is being managed by Supreme and requires close attention. There are, however, many synergies between the organisations and this should deliver benefit in the future.

HELLA

SOUTH AFRICA (PTY) LTD

OVERVIEW

Hella (South Africa) (Pty) Ltd has been in existence for more than 51 years, first operating in South Africa in 1957.

The first penetration into the Original Equipment Manufacturer (OEM) market was in the early 1960s, when the relationship with Hella KGaA Hueck & Co in Germany began. The plant moved to its current location in Uitenhage in 1967 where glass lens lights and horns were manufactured.

In 1971 an additional technical licence agreement was signed with Koito Manufacturing Co Ltd in Japan to support further OEM expansion. This multi-licence strategy is still in place today and is essential to be able to supply many of the OEMs in South Africa and spread the substantial investment in facilities required to produce high-technology lighting systems.

In 2001 new technology lighting systems were introduced, which utilised injection-moulded polycarbonate lenses with specialised reflectors.

Hella's core competence now lies in these new technology lighting systems, which require knowledge and skills in high-tech injection moulding, surface treatment, spraying and assembly of lighting components.

Hella has a well-established environmental, resource utilisation and recycling programme, which has been audited and certified under ISO 14001.

OPPORTUNITIES AND PROJECTS

The knowledge gained in the automotive lighting industry has also been used to design and develop an energy-efficient streetlight which started production in 2008, with the first shipments being sent to India and Egypt. We anticipate local municipalities using this light once the Demand Side Management Funding, controlled by the Central Energy Fund (CEF), is released.

In 2008 the aftermarket distribution network was restructured. This is due to the Hella Group in Germany establishing an independent distribution network to grow its aftermarket business in South Africa. Hella (SA) will continue to manufacture aftermarket products but will now supply these products to a new company, Hella Automotive South Africa.

This new Hella Group subsidiary and its aftermarket infrastructure will not affect the original equipment supply of automotive parts manufactured by the existing Hella (SA) and will have no negative impact on our business relationship with Hella Germany.

The restructuring serves to streamline our business and administration processes and allows us to focus our operational and production activities to answer the needs of our OE customers for series as well as spare parts in South Africa.

The direct market involvement of the Hella Group in South Africa now requires a name change of Hella (South Africa) (Pty) Ltd. The company will be known as Lumotech (Pty) Ltd, effective 1 March 2009.

KEY CHALLENGES AND FOCUS AREAS

The technical and operational challenges faced by the organisation late in 2007 resulted in a very difficult start to 2008. The introduction and ramp-up in volumes of the Toyota products placed severe pressure on resources and facilities. The plant was required to work seven days a week to cope with demand, which resulted in additional operating costs.

Many programmes were undertaken to increase capacity, change facilities and processes and, in some cases, introduce new manufacturing technology to raise production to the required level of delivery and quality. Internal reject rates improved and this further relieved capacity constraints.

Production delivery and quality were brought under control in the second quarter and the outlook was optimistic.

However, the second half of 2008 was characterised by reduced demand from the OEMs, resulting in severe cutbacks in orders. Additionally, customers' reluctance to accept increases in base materials, forex and overheads has made 2008 a difficult trading period.

To counteract these issues Hella embarked on a cost-saving drive, which also necessitated a reduction in headcount. The first phase of this reduction was implemented in October when temporary workers' contracts were not renewed. An additional retrenchment phase was implemented in December to prepare for the lower volume forecasts received from the OEMs.

Additional component localisation and material cost-savings programmes are also being pursued with some good successes. These programmes will show significant savings during 2009.

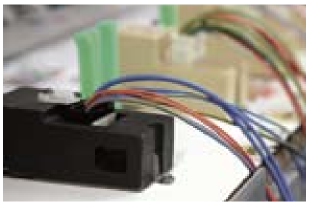
Stock reduction remains a key focus area and additional programmes are being developed to allow more analysis of the planning process and ordering patterns going forward.

OUTLOOK

The year ahead will be another challenging one due to the ongoing economic slowdown, which has severely affected the automotive sector. Both export and local markets have seen major cutbacks and this reduced demand is being managed by improving productivity and operating efficiency.

Hella (SA) has a positive strategic outlook with positive forecasts for additional future business. New localisation projects planned for 2010 and 2011 are under negotiation with various OEMs and long-term plans are in place to prepare the team members and facilities for this growth. However, current economic challenges need to be overcome and the new management team is fully committed and focused to achieve this.

HESTO
HARNESSES (PTY) LTD



OVERVIEW

Hesto Harnesses was established in Natal in 1989 to supply wiring harnesses to Toyota. Initially a division of Hella, Hesto built wiring harnesses to print for Toyota, Hella and Smiths Manufacturing. When South Africa started competing in the global arena, Hesto entered into more formal agreements with licensors and customers and, in 1996, it became a self-sufficient, wholly-owned subsidiary of Metair.

OPPORTUNITIES AND PROJECTS

The wiring harness is an assembly of cables and components that connects all the electrical devices and switches in a vehicle. As it is seldom visible, most people are unaware of the wiring harness or that it is one of the largest components in a vehicle. The initial design is a collaboration between the electrical systems designer and the car manufacturer in the country of design origin. Yazaki is the main source designer for Toyota and Hesto has entered into a number of Technical Aid agreements with Yazaki to produce product for Toyota South Africa.

It made sense that Yazaki, in 2006, with encouragement from Toyota, took 25% equity in Hesto. Yazaki is the world's biggest Electric Wiring System designer and manufacturer and has design centres and factories in over 70 locations worldwide.

As the electronics in vehicles become more numerous and complex, so does the wiring harness and the components from which the harness is assembled. These are increasingly imported, especially from Japan, Thailand and Europe. In Toyota's new Corolla, even the cable had to be imported because of Toyota's commitment to reducing pollution from PVC. Localising component production is more difficult, especially where the vehicle is exported and the wiring harness has to be interchangeable with product from other international sources.

Hesto is a major contributor to the local Stanger community and contributes towards local welfare groups and the IT department of the local school. Company policy is to train, develop and promote management and staff from within and to encourage team and individual development.

KEY CHALLENGES AND FOCUS AREAS

The ramp-up of Toyota's Corolla at the end of 2007 uncovered capacity constraints in the crimping area and it became apparent that Hesto would have difficulty meeting increasing demand in 2008. Six additional crimping machines were purchased and, to maintain production until the machines arrived, finished harnesses and crimped cable were flown in from Yazaki factories in Thailand, Indonesia and Japan.

Subsequent to this, an independent Planning and Control Department was established to ensure that future needs are predicted in good time. Yazaki facilitated the systems, implementation and training, which is a further indication of the supportive relationship we enjoy with Yazaki.

Hesto continued to work closely with Toyota on numerous joint projects to improve quality and productivity using Toyota Production Systems. This is part of the ongoing relationship that not only benefits efficiency but empowers and develops individual team members.

From March 2008 onwards production efficiency and stability improved, as evidenced by reduced labour costs and total adherence to the customers' build schedule. The increased complexity and the greater number of derivatives made this achievement all the more relevant.

The second half of the year saw vehicle sales declining with the global financial crisis heralding the start of a global downturn. The effect on overall sales volume in 2008 was limited as the full extent of the downturn will only be felt in 2009.

While reducing volumes had some effect on profitability, this was insignificant in comparison to the effect of the massive depreciation of the currency and Hesto's inability to recover imported material costs from the customer.

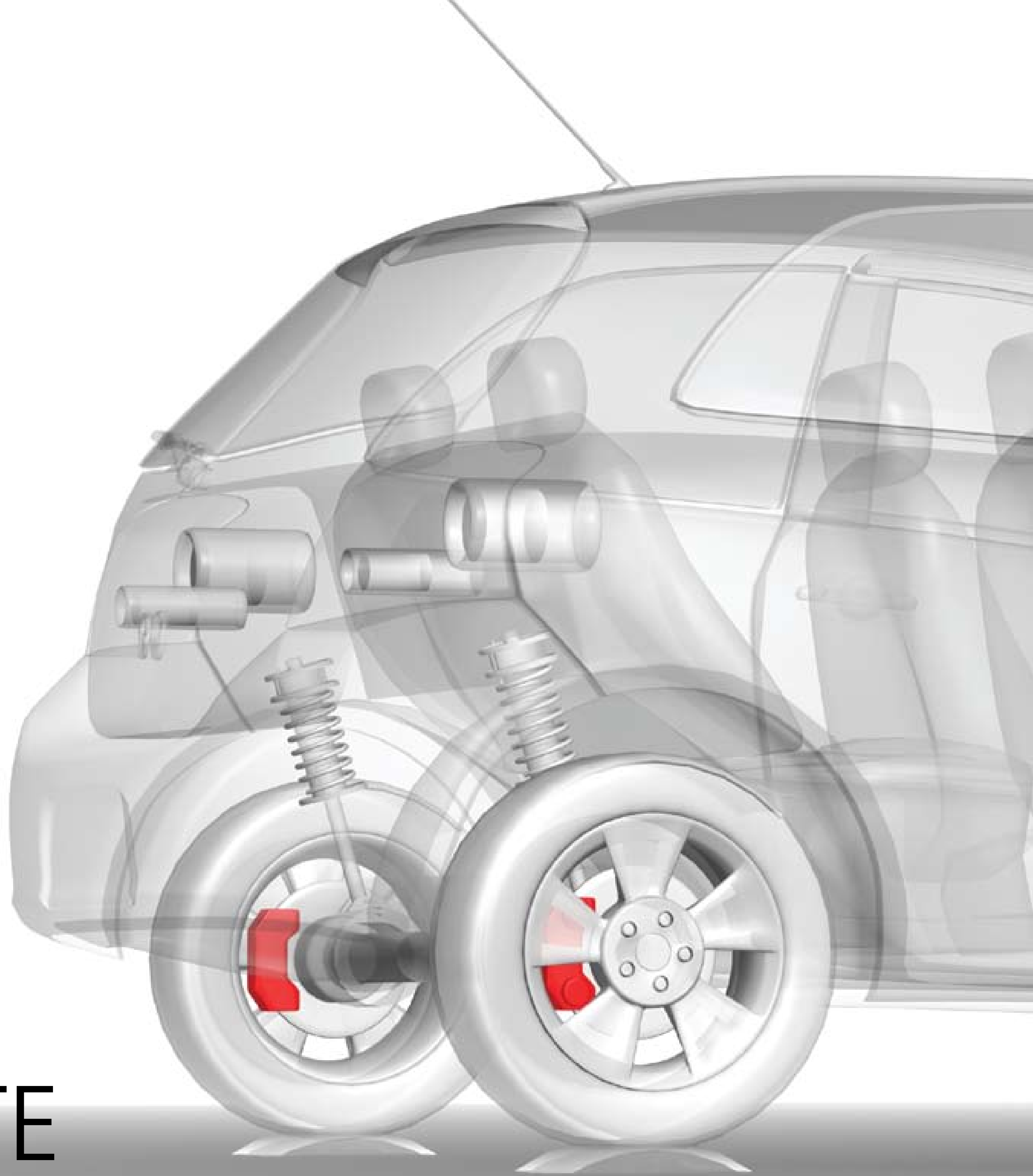
Hesto's imported material content is approximately 50% of selling price and its exposure is predominantly in Japanese Yen. The Rand/Yen exchange rate plummeted twice in 2008. The price to the customer is fixed periodically, while the cost of the component parts varies daily. Thus, in extreme periods, as occurred in 2008, the price recovered from the customer can be much lower than that paid for the part.

OUTLOOK

Due to the substantial cutback in volumes reported elsewhere, Hesto is in the process of downsizing to suit the current market needs. As Hesto is labour-intensive, rightsizing is achieved by adjusting headcount. There is no dominant fixed cost.

Hesto is still dependent on Toyota and therefore on the Hilux and Corolla models, which are due for replacement in three to four years. Improved quality and greater cost-competitiveness must be the main focus points for Hesto in order to win this business.

Reducing dependence on imported material will also be a priority and plans are already in place to manufacture halogen-free cable and corrugated sleeving in South Africa. It is also our intention to promote local production of other components during the design stage of the replacement vehicles as local content makes the product more attractive to local car manufacturers.



ATE

ALFRED TEVES BRAKE SYSTEMS (PTY) LTD

OVERVIEW

The acquisition of ATE was concluded with effect from 1 October 2008, after a protracted and complex negotiation. The acquisition formed part of a broader Metair strategy to increase penetration in not only the under-body original equipment automotive market but also to increase replacement market business.

ATE Brake Systems manufactures brake and calipers, brake boosters, brake hoses, brake pads and other associated braking system components with close technical cooperation from Continental Automotive in Germany.

KEY CHALLENGES AND FOCUS AREAS

From the outset it was apparent that the company was burdened with debt and had struggled in the original equipment market because of under-capitalisation and poor management decisions. The original equipment business is in a loss-making position.

However, the replacement market business, which deals predominantly in brake pads and discs, is a well-managed and profitable business with growing market share.

The first priority after acquisition was to formulate a stable and competent structure, sharing resources with Supreme Spring. We believe this has been achieved.

The second priority was to stabilise production output and service levels to the Original Equipment Manufacturers (OEMs). During 2008 the company had realised three major new OE contracts for BMW 3 series brake calipers, the Mercedes Benz C class brake calipers and the machining of Toyota Corolla brake calipers. The company had been technically ill-prepared for three major new contracts and, in addition, has a severe lack of funds and resources to cope with the substantial increase in working capital. Thus, the reduction in demand in the last quarter of 2008 had a beneficial impact on the stabilisation efforts, although ATE's customers are less affected by the downturn than the general market.

OE service levels have stabilised, but there remain concerns in terms of capacity, quality and efficiency that need to be addressed.

The replacement market position and sales continue to strengthen.

OUTLOOK

The first priority for 2009 will be to achieve a cash-neutral position in the company and this will require focus on working capital management and cost containment. Major efforts are being made to address efficiency issues with training and skills development. There are, however, pricing issues with certain OEMs that will have to be addressed as well.

A major focus area for 2009 will be to build on the growth in the replacement market and to further develop the strong ATE brand. Sales in the replacement market are targeted to increase by 10%.

We are pursuing a number of opportunities for future growth in the OE market. These include brake boosters for Mercedes Benz and Volkswagen, as well as calipers for Volkswagen. In the replacement market a range of brake shoes is being introduced in April 2009 and the market potential is significant. We are also exploring other replacement market opportunities in export markets.

The acquisition of ATE was concluded at a very challenging time in the automotive industry but the future growth opportunities and market potential are such that the company should be in a position to contribute to the Metair group in the future.

FINANCIAL REVIEW

The measurement of financial performance plays an important role throughout the Metair group. 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. The group's current conservative gearing will be maintained with the emphasis on cash generation through working capital reduction.

PERFORMANCE MEASURE

The key measurement of performance used by the group is ROA (return on total assets) at subsidiary level and ROE (return on equity) at group level.

ROE measures earnings before interest and tax (EBIT) as a percentage of ordinary shareholders equity.

ROA measures 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 was at 19,5% for the period under review. The current year ROE of 10,9% (2007: 26,3%) has been severely impacted by the effect of the impairment charges.

TAXATION

The effective group tax rate was 96% (2007: 32%). The primary reason for the effective group tax rate being so high is due to the impairment charges having no tax effect.

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 under IAS19 on an annual basis on 31 December. Statutory actuarial valuations are done every three years and the latest actuarial valuation, dated 30 April 2006, confirmed that the fund was in a sound financial position.

The next actuarial valuation is set to be performed as at 30 April 2009.

The group has embarked on a consultation process with members of the defined benefit pension fund in respect of converting this fund to be fully paid up.

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

Further detail is presented in note 25 to the financial statements.

ANALYSIS OF SHAREHOLDERS

AN ANALYSIS OF SHAREHOLDERS AT 31 DECEMBER 2008 SHOWED THE FOLLOWING:

SHAREHOLDER SPREAD	No of shareholdings	%	No of shares	%
1 – 1 000 shares	155	15,93	84 499	0,06
1 001 – 10 000 shares	430	44,19	1 848 973	1,21
10 001 – 100 000 shares	282	28,98	9 655 114	6,33
100 001 – 1 000 000 s hares	88	9,04	28 710 533	18,82
1 000 001 shares and over	18	1,85	112 232 756	73,58
Totals	**973**	**100,00**	**152 531 875**	**100,00**
DISTRIBUTION OF SHAREHOLDERS				
Banks	9	0,92	672 448	0,44
Close corporations	18	1,85	265 777	0,17
Empowerment	1	0,10	37 911 325	24,85
Endowment funds	3	0,31	268 905	0,18
Individuals	610	62,69	7 054 237	4,62
Insurance companies	13	1,34	9 827 825	6,44
Investment companies	6	0,62	25 953 902	17,02
Medical schemes	4	0,41	1 016 943	0,67
Mutual funds	45	4,62	28 302 623	18,56
Nominees and trusts	145	14,90	3 672 116	2,41
Other corporations	12	1,23	181 278	0,12
Private companies	33	3,39	1 975 819	1,30
Public companies	6	0,62	463 523	0,30
Retirement funds	66	6,78	23 187 748	15,20
Share trusts	2	0,21	11 777 406	7,72
Totals	**973**	**100,00**	**152 531 875**	**100,00**
PUBLIC/NON-PUBLIC SHAREHOLDERS				
Non-public shareholders	**9**	**0,92**	**76 758 254**	**50,32**
Directors and associates of the company	4	0,41	10 209 178	6,69
Share trusts and treasury stock	3	0,31	12 602 679	8,26
Strategic holdings	2	0,21	53 946 397	35,37
Public shareholders	**964**	**99,08**	**75 773 621**	**49,68**
Totals	**973**	**100,00**	**152 531 875**	**100,00**
SHAREHOLDERS HOLDING 5% OR MORE				
Royal Bafokeng Metair Trust			37 911 325	24,85
Coronation Capital Ltd			25 904 250	16,98
Metair Share Trusts			11 777 406	7,72
Investec			10 187 443	6,68
Investment Solutions			10 110 260	6,63
Old Mutual			9 242 838	6,06
Totals			**105,133,522**	**68,92**

ANALYSIS OF SHAREHOLDERS

AN ANALYSIS OF SHAREHOLDERS AT 31 DECEMBER 2008 SHOWED THE FOLLOWING:

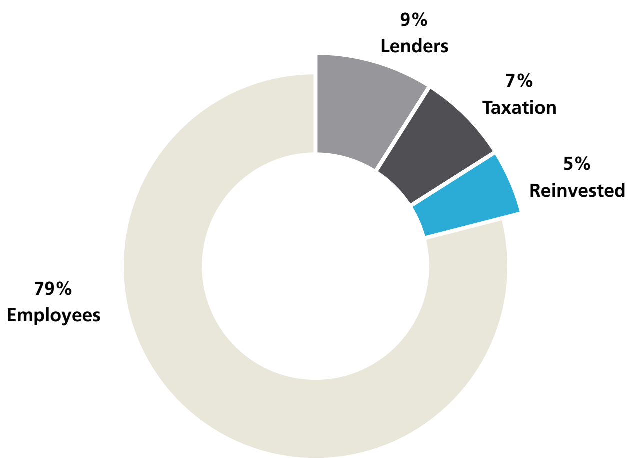
DIRECTORS	No of Shares	%
Ryan GMC	**9 869 178**	**6,47**
Coronation Capital Ltd	5 698 935	3,74
Royal Bafokeng Metair Trust	4 170 243	2,73
Soanes L	**240 000**	**0,16**
Soanes L	240 000	0,16
Loock CT	**100 000**	**0,07**
Loock CT	100 000	0,07
Totals	**10 209 178**	**6,69**
METAIR AND ASSOCIATES (SHARE TRUSTS AND TREASURY STOCK)		
The Metair Share Incentive Trust	10 000 000	6,56
Metair Share Trust	1 777 406	1,16
Business Venture Investments No.121	825 273	0,54
Totals	**12 602 679**	**8,26**
EMPOWERMENT		
Royal Bafokeng Metair Trust	37 911 325	24,85
Totals	**37 911 325**	**24,85**
STRATEGIC HOLDINGS (MORE THAN 10%)		
Coronation Capital Ltd	25 904 250	16,98
Totals	**25 904 250**	**16,98**
SHAREHOLDERS HOLDING 5% OR MORE		
Investment Solutions	**10 110 260**	**6,63**
Investment Solutions Funds – Specialist	5 000 000	3,28
Investment Solutions Funds – Local	2 913 728	1,91
Investment Solutions Funds	1 135 000	0,74
Investment Solutions – Specialist Equity	368 620	0,24
Investment Solutions – Aggressive Value Equity	338 520	0,22
Investment Solutions – Incubator Pure Equity	251 229	0,16
Investment Solutions Funds – Institutional Equity	92 300	0,06
Investment Solution Real Return Focus Fund	10 863	0,01
Investec	**10 187 443**	**6,68**
Investec Value Fund	5 775 211	3,79
Investec Emerging Companies Fund	1 572 500	1,03
Investec Special Focus Fund	1 536 300	1,01
Investec Institutional Equity	963 924	0,63
Investec Alternative Investment Trust	338 187	0,22
Fedhealth Medical Scheme	700	0,00
Investec Securities (Broker Proprietary)	621	0,00
Old Mutual	**9 242 838**	**6,06**
Old Mutual Life Assurance Company SA	8 226 316	5,39
SYmmETRY Portfolio 1	668 323	0,44
SYmmETRY Satellite Equity Fund	347 474	0,23
Old Mutual Life Assurance Company SA	725	0,00
Totals	**29 540 541**	**19,37**

VALUE ADDED STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2008

	%	Group 2008 R'000	2007 R'000
WEALTH CREATED			
Revenue		**4 180 398**	2 984 293
Less: Net cost of products and services		**(3 137 204)**	(1 984 189)
Value added		**1 043 194**	1 000 104
Add: Income from investments		**31 823**	22 559
Wealth created		**1 075 017**	1 022 663
WEALTH DISTRIBUTION	**%**		
Employees			
Salaries, wages and other benefits	79	**846 958**	653 107
Providers of capital	9	**99 518**	63 840
Interest on borrowings	4	**43 725**	7 185
Dividends to shareholders	5	**55 793**	56 655
Government taxation and levies	7	**71 859**	92 175
Retained in the group	5	**56 682**	213 541
To provide for the maintenance of capital	5	**56 682**	75 186
To provide for expansion			138 355
	100	**1 075 017**	1 022 663
Total number of employees		**7 188**	6 506

Distribution of value added %



CORPORATE GOVERNANCE

The directors of the company and its subsidiaries subscribe to the principles 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 comply with its recommendations unless otherwise indicated.

BOARD OF DIRECTORS

The Board functions in accordance with a formal charter in addition to its responsibilities and duties as provided in the company's Articles of Association.

The Board comprises 11 directors (including one alternate non-executive director), of whom two are executive directors (one being the managing director), five are non-executive directors (one being the chairman) and three are independent non-executive directors. Details of directors in office are detailed on page 6-7. 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 meeting attendance is set out below:

	11 Jan 2008	13 Mar 2008	13 Jun 2008	22 Aug 2008	30 Oct 2008
OME Pooe	P	P	P	A	P
CT Loock	P	P	P	P	P
CIJ van der Merwe *	P	P	P	P	P
BM Jacobs **					
A Joffe	P	P	P	P	P
B Molotlegi	P	P	A	P	A
L Ndala (alternate)	A	P	P	P	P
AD Plummer	P	P	P	P	P
GMC Ryan	P	P	P	P	P
RS Broadley	P	P	P	P	P
L Soanes	P	P	P	P	P
A Galiel ***				P	A

* Retired 30 November 2008 ** Appointed 1 December 2008
*** Appointed 21 July 2008 P = Present A = Apologies

A Board self-evaluation process was conducted during the year on the Board as a whole. This process was coordinated by the company secretary and results were discussed at the Board meeting in January 2009. The Board's attention was drawn to a limited number of issues which need attention. This process will be coordinated and repeated annually to assess progress.

Board members are required to regularly declare any interest that they might have in transactions with the group.

SUBSIDIARY AND DIVISIONAL BOARDS

In line with the decentralised nature of the group's operations, many subsidiary and divisional boards manage the day-to-day affairs within their areas of responsibility, subject to Board-approved authority limits. The company Board ratifies appointments to the boards of major subsidiaries.

FINANCIAL

The directors are responsible for the preparation, integrity, and fair presentaion of the financial statements of Metair Investments Ltd and its subsidiaries. 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 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 (PwC), who were given unrestricted access to all financial records and related data, including minutes of all meetings of shareholders, the Board of Directors and committees of the Board. The directors believe that all representations made to the independent auditors during their audit are valid and appropriate.

The audit report of PricewaterhouseCoopers Incorporated is presented on page 36.

GROUP RISK ASSESSMENT

Risk management is the responsibility of the Board with the reporting and monitoring function delegated to the Board Audit Committee.

The group's risks have been identified and rated using a well structured and tested methodology and are reviewed at each Audit Committee meeting. Further efforts to quantify risks arising

CORPORATE GOVERNANCE

CONTINUED

from the current volatile environment will be made in 2009.

BOARD AUDIT COMMITTEE

The committee comprises one non-executive director, namely Mr AD Plummer (Audit Committee chairman) and one independent non-executive director, namely Ms A Galiel. 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 was not duly constituted as Mr AD Plummer would only become fully independent in April 2010 – three financial years since his retirement as an executive director.

In February 2009 the Board appointed Mr J Best as independent non-executive director and member of the Board Audit Committee. After this appointment the committee is fully compliant.

Certain directors and the external auditors are invited to attend meetings.

The committee functions under written terms of reference and performs an annual self-evaluation of its effectiveness.

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. The committee reviewed the interim and annual financial statements and trading statements before submission to the Board for approval.

It nominates, for approval by the Board, a registered auditor who complies with independence requirements and determines the fee structure for audit fees. In this respect the committee can confirm that it is satisfied that PwC met the test of independence.

The committee also determines a policy for the provision of non-audit services.

For the purpose of determining the effectiveness of management systems and internal controls during the course of the year, the committee reviewed the internal and external audit scope, plans and the resultant findings to determine the effectiveness of management systems and internal controls.

An increased incidence of thefts of raw materials due to significantly higher commodity prices, was reported, and corrective action was taken by management.

Random internal audits were conducted at the Metair subsidiaries during the year and audit reports were presented to the committee. The internal audit function did not identify any significant breakdowns in internal control that were known to have had a material impact on the group's performance during the past year. The committee believes that further strengthening of the group internal audit structure is necessary and, accordingly, several recommendations, including an outsourcing model, are being considered.

Committee members interviewed candidates for the position of group finance director and confirmed that the appointee had sufficient knowledge of IFRS and JSE reporting requirements.

Meetings were held during the year in March, August and November 2008, and all members attended. The chairman reported to the Board after each meeting. The next meeting will be held in March 2009.

BOARD REMUNERATION COMMITTEE

The committee comprises 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;
- 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;
- 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

CORPORATE GOVERNANCE

CONTINUED

of Directors and its committees and in monitoring a process to assess Board effectiveness; and
– review the trends and appropriateness of remuneration of directors of subsidiary companies.

Two meetings were held during the year in July and November 2008, which were attended by all members of the committee. The next meetings will be held in July and November 2009.

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 responsiblities.

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 2008), 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; and
– addressed barriers such as skills shortage among 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

Metair has achieved a score of 19,81 points for the ownership element on the generic Broad Based Black Economic Empowerment scorecard. The transfer of these points to the subsidiaries brought all subsidiary companies into compliance during the period. Subsidiary companies have put plans in place to target a Level 4 contribution level by 2014 with a focus on employment equity, preferential procurement, skills development and corporate social investment. This is in line with customer requirements of a targeted contributor Level 4 for participation in the new projects.

CORPORATE SOCIAL INVESTMENT

Metair's corporate social investment this year was the installation of a computer centre at Serutube Primary School in Rustenburg and a donation of a vehicle to the Black Tie Ensemble.

SPONSOR

Barnard Jacobs Mellet Corporate Finance (Pty) Ltd acts as sponsor to the company in compliance with the Listings Requirements of the JSE Ltd.

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 Ltd (section 3.84).

CORPORATE GOVERNANCE

CONTINUED

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

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

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

The following reports and statements in respect of the year ended 31 December 2008 are presented by the Board of directors in compliance with the requirements of the Companies Act, 1973.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF METAIR INVESTMENTS LIMITED

We have audited the annual financial statements and group annual financial statements of Metair Investments Ltd which comprise the directors' report, the balance sheet and the consolidated balance sheet as at 31 December 2008, the income statement and the consolidated income statement, the statement of recognised income and expense and the consolidated statement of recognised income and expense, 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 37 to 91.

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.

AUDITORS' 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 auditors' 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 controls. 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 2008, 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 Inc
Director: Leon de Wet
Registered Auditor
Johannesburg
19 March 2009

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 2008, 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
19 March 2009

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2008

The directors have pleasure in submitting their report for the year ended 31 December 2008.

GENERAL REVIEW

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

The financial statements on pages 48 to 91 set out fully the financial position, results of operations and cash flows of the group for the financial year.

FINANCIAL RESULTS

The consolidated net loss for the year attributable to equity holders of the company was R13,080 million (2007: R174,509 million profit).

Included in the current year loss are impairment charges relating to goodwill, property, plant and equipment under International Accounting Standards 36 (IAS36) – Impairment of Assets.

DIVIDENDS

The following dividends were declared:

	2008	2007
Ordinary shares	**R'000**	R'000
Declared and paid with respect to 2007		
40 cents per share	**55 793**	
Declared and paid with respect to 2006		
40 cents per share		56 655

No dividend was declared in respect of the 2008 financial year.

SHARE CAPITAL

No 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 certain assets of PI Shurlock Engineering	R19 500 000
– Arising on acquisition of Alfred Teves Brake Systems (Pty) Ltd (ATE)	R28 750 000
– Additions	R176 860 000
– Disposals	(R 8 719 000)
– Impairments	(R 99 522 000)

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

– Arising on acquisition of ATE	R15 742 000
– Other additions	R2 759 000
– Impairments of goodwill at ATE	(R15 742 000)
– Impairment of goodwill at Automould (Pty) Ltd	(R7 326 000)

DIRECTORS

The composition of the Board of Directors is set out on page 6-7.

SECRETARY

S M 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 14 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 90.

HOLDING COMPANY

The company has no holding company.

AUDITORS

PricewaterhouseCoopers Incorporated are the current appointed auditors 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 37 to 91 which are signed on their behalf by:

OME Pooe
Chairman

CT Loock
Managing director

Johannesburg
19 March 2009

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 27 on page 86.

a) Standards, amendments and interpretations effective in 2008

– IFRIC 14, "IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction" (effective from 1 January 2008).
IFRIC 14 provides general guidance on how to assess 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 when there is a statutory or contractual minimum funding requirement.

b) Standards, amendments and interpretations effective in 2008 but not relevant to the group

– IFRIC 12, "Service Concession Arrangements" (effective from 1 January 2008).
– IFRIC 13, "Customer Loyalty Programmes" (effective from 1 July 2008).

c) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the group

– IFRS 8, "Operating segments" (effective from 1 January 2009). IFRS 8 requires an entity to adopt the "management approach" to reporting on the financial performance of its operating segments.
The standard sets out requirements for disclosure of information about an entity's operating segments and also about the entity's products and services, the geographical areas in which it operates, and its major customers. The disclosure should enable users of its financial statements to evaluate the nature and financial effects of the business activities in which it engages and the economic environments in which it operates. The group is in the process of assessing the impact of the standard on its financial statements. The standard is expected to result in additional disclosure.

– IAS 23, "Borrowing costs" (effective from 1 January 2009). The main change from the previous version of IAS 23 is the removal of the option of immediately recognising as an expense the borrowing costs that relate to assets that take a substantial period of time to become ready for use or sale. The standard is applicable to the group. In the past, borrowing costs on qualifying assets were expensed. Application of the standard will result in these costs being capitalised.

– IAS 1, "Presentation of financial statements – revised" (effective from 1 January 2009).
IAS 1 requires information in financial statements to be aggregated on the basis of shared characteristics and to introduce a statement of comprehensive income. This will enable readers to analyse changes in a company's equity resulting from transactions with owners in their capacity as owners separately from "non-owner" changes. The revisions include changes in the titles of some of the financial statements to reflect their function more

clearly. The new titles are not mandatory for use in financial statements. The standard is applicable to the group and is expected to result in additional disclosure.

– IAS 27, "Consolidated and separate financial statements – revised" (effective from 1 July 2009).
IAS 27 (revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control. These transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is remeasured to fair value and a gain or loss is recognised in profit or loss. The standard is applicable to the group and will apply to future transactions.

– IFRS 3, "Business combinations – revised" (effective from 1 July 2009).
The new standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with some contingent payments subsequently remeasured at fair value through income. Goodwill may be calculated based on the parent's share of net assets or it may include goodwill related to the minority interest. All transaction costs will be expensed. The standard will be applicable to the group and the group will apply IFRS 3 (R) to all new business combinations entered into after 1 July 2009.

– Amendment to IFRS 2, "Amendment to IFRS 2 Share-Based Payment: Vesting Conditions and Cancellations" (effective from 1 January 2009).
The amendment deals with two matters. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. It also specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment. This standard is applicable to the group and will apply to its future share-based payments.

– Amendments to IFRS 1 and IAS 27, "Amendments to IFRS 1 First-Time Adoption of International Financial Reporting Standards and IAS 27 Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate" (effective 1 January 2009). The amendment allows first-time adopters to use a deemed cost of either fair value or the carrying amount under previous accounting practice to measure the initial cost of investments in subsidiaries, jointly controlled entities and associates in the separate financial statements. The amendment also removed the definition of the cost method from IAS 27 and replaced it with a requirement to present dividends as income in the separate financial statements of the investor. The amendment to IFRS 1 is not applicable to the group as it is not a first-time adopter of IFRS. The amendment may be applicable to the group if dividends are declared between group companies, as the amendment to IAS 27 provides guidance on the accounting for such dividends.

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

– Amendment to IAS 32 and IAS 1, "Amendment to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of financial statements – Puttable Financial Instruments and Obligations Arising on Liquidation" (effective from 1 January 2009).
– IFRIC 15, "Agreements for the Construction of Real Estate" (effective from 1 January 2009).
– IFRIC 16, "Hedges of a Net Investment in a Foreign Operation" (effective from 1 October 2008).
– Amendments to IAS 39, "Amendments to IAS 39 Financial Instruments: Recognition and Measurement Exposures Qualifying for Hedge Accounting" (effective 1 July 2009).

BASIS OF CONSOLIDATION

SUBSIDIARIES

The group financial statements incorporate the financial statements of Metair Investments Ltd 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 the acquisition over the fair value of the group's

ACCOUNTING POLICIES

CONTINUED

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 deconsolidated 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

ACCOUNTING POLICIES

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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 licences 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 licences 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 Automould (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 Automould (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 the useful life of the asset of 25 years.

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.

PROPERTY, PLANT AND EQUIPMENT

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 as follows:

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 operating income and expenses" 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

ACCOUNTING POLICIES

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basis to estimated residual value at rates considered appropriate to reduce book values over the shorter of the duration of the lease agreements or useful life. 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).

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable willing parties, less the costs of disposal.

Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash generating unit to which the asset belongs.

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.

ACCOUNTING POLICIES

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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 an 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 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

ACCOUNTING POLICIES

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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:
– hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or
– hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge).

The fair values of various derivative instruments used for hedging purposes are disclosed in note 22. 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 – "Financial Instruments: Recognition and Measurement". 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, 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 operating income and expenses".

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

ACCOUNTING POLICIES

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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. Refer note 22.

Loans and receivables

Trade and other 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 "trade and other receivables" in the balance sheet (note 12), "short-term loans – subsidiaries" (note 9) and cash and cash equivalents (note 13).

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 and 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.

TRADE RECEIVABLES

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for impairment. A provision for impairment of trade receivables is established 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. 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.

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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 expenses when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Other post-employment obligations

Some group companies provided post-employment healthcare benefits to their retirees until 31 December 1996. Employees who joined the group after 1 January 1997 do not receive this benefit. The entitlement to post-retirement healthcare 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

ACCOUNTING POLICIES

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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 and 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 2008

		GROUP		COMPANY	
		2008	2007	**2008**	2007
	Notes	**R'000**	R'000	**R'000**	R'000
Revenue	1	**4 180 398**	2 984 293		
Cost of sales		**(3 496 203)**	(2 391 410)		
Gross profit		**684 195**	592 883		
Other operating income	3	**45 139**	33 030	**94 306**	95 181
Distribution costs		**(102 201)**	(77 412)		
Administrative expenses		**(340 620)**	(264 030)		
Impairment of assets	7, 8, 9	**(122 590)**		**(151 689)**	
Other operating expenses		**(69 584)**	(2 807)	**(446)**	(496)
Operating profit		**94 339**	281 664	**(57 829)**	94 685
Interest income	2	**14 767**	14 175		1 582
Interest expense	2	**(51 385)**	(17 038)		
Share of results of associates	10	**17 056**	8 384		
Profit before taxation	3	**74 777**	287 185	**(57 829)**	96 267
Taxation	4	**(71 859)**	(92 175)	**(6 101)**	(7 627)
Profit for the year		**2 918**	195 010	**(63 930)**	88 640
Attributable to:					
Equity holders of the company		**(13 080)**	174 509	**(63 930)**	88 640
Minority interest		**15 998**	20 501		
		2 918	195 010	**(63 930)**	88 640
Earnings per share					
Basic earnings per share (cents)	5	**(9)**	123		
Diluted earnings per share					
Basic earnings per share (cents)	5	**(9)**	120		
Dividend per share (cents)	6	**40**	40		
Number of shares in issue ('000)		**152 532**	152 532		

BALANCE SHEETS

AS AT 31 DECEMBER 2008

		GROUP		COMPANY	
		2008	2007	2008	2007
	Notes	R'000	R'000	R'000	R'000
ASSETS					
Non-Current Assets		**842 608**	827 404	**459 778**	366 663
Property, plant and equipment	7	**714 001**	702 417		
Intangible assets	8	**40 254**	49 093		
Interest in subsidiaries	9			**455 940**	363 870
Investment in associates	10	**40 423**	22 352	**3 838**	2 793
Defined benefit asset	25		21 016		
Deferred taxation	18	**47 930**	32 526		
Current Assets		**1 290 793**	1 079 221	**59 224**	276 937
Inventory	11	**769 013**	608 243		
Trade and other receivables	12	**398 181**	355 586	**9 015**	
Short-term loans - subsidiaries	9			**50 209**	276 937
Derivative financial assets	22.5	**274**	540		
Cash and cash equivalents	13	**123 325**	114 852		
Total Assets		**2 133 401**	1 906 625	**519 002**	643 600
EQUITY AND LIABILITIES					
Capital and Reserves		**1 020 074**	1 100 837	**518 840**	643 468
Share capital and premium	14	**42 876**	42 876	**42 876**	42 876
Treasury shares	14	**(124 532)**	(131 813)		
Share-based payment reserve	15	**3 389**	3 074	**3 345**	3 030
Non-distributable reserves	15	**36 585**	25 139		
Retained earnings	15	**1 061 756**	1 161 561	**472 619**	597 562
Ordinary shareholders equity		**1 020 074**	1 100 837	**518 840**	643 468
Minority interest	16	**93 590**	89 295		
Total Equity		**1 113 664**	1 190 132	**518 840**	643 468
Non-Current Liabilities		**298 545**	242 048		
Borrowings	17	**178 434**	115 161		
Post-employment medical benefits	25	**17 810**	16 758		
Defined benefit liability	25	**11 085**			
Deferred taxation	18	**91 216**	110 129		
Current Liabilities		**721 192**	474 445	**162**	132
Trade and other payables	19	**538 279**	357 063	**162**	132
Borrowings	17	**20 817**	11 965		
Taxation		**5 552**	4 832		
Provisions for liabilities and charges	20	**51 418**	27 054		
Dividends payable		**151**			
Bank overdrafts	13	**104 975**	73 531		
Total Liabilities		**1 019 737**	716 493	**162**	132
Total Equity and Liabilities		**2 133 401**	1 906 625	**519 002**	643 600

STATEMENTS OF RECOGNISED INCOME AND EXPENSE

FOR THE YEAR ENDED 31 DECEMBER 2008

		GROUP		COMPANY	
		2008	2007	**2008**	2007
	Notes	**R'000**	R'000	**R'000**	R'000
Actuarial (losses)/gains recognised directly in equity		**(21 822)**	14 161		
Gross	25	**(30 308)**	19 945		
Deferred tax	18	**8 486**	(5 784)		
Net (expense)/income recognised directly in equity		**(21 822)**	14 161		
Profit/(loss) for the year		**2 918**	195 010	**(63 930)**	88 640
Total recognised (expense)/income for the year		**(18 904)**	209 171	**(63 930)**	88 640
Attributable to:					
Equity holders of the company		**(32 566)**	186 646	**(63 930)**	88 640
Minority interest		**13 662**	22 525		
		(18 904)	209 171	**(63 930)**	88 640

CASH FLOW STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

	Notes	GROUP 2008 R'000	GROUP 2007 R'000	COMPANY 2008 R'000	COMPANY 2007 R'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash generated from/(utilised in) operations	21.1	**368 806**	240 195	**(9 116)**	2 218
Finance charges		**(51 385)**	(17 038)		
Taxation paid	21.2	**(96 970)**	(93 702)	**(6 101)**	(7 627)
Dividends paid	21.3	**(65 089)**	(68 983)	**(61 013)**	(61 013)
Dividend income from associate			6 860		
Net cash inflow/(outflow) from operating activities		**155 362**	67 332	**(76 230)**	(66 422)
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisition of property, plant and equipment		**(176 860)**	(129 691)		
Acquisition of intangible assets		**(2 759)**	(2 169)		
Decrease in other non-current assets			36 250		25 000
Acquisition of subsidiary	29.2	**(54 164)**	(42 774)		
Acquisition of business	29.1	**(41 992)**			
Increase in interest in associate		**(1 015)**	(1 280)	**(1 045)**	
Decrease in interest in subsidiaries excluding impairment				**(17 031)**	
Investment income		**14 767**	14 175	**94 306**	95 181
Proceeds on disposal of property, plant and equipment		**11 048**	2 321		
Net cash (outflow)/inflow from investing activities		**(250 975)**	(123 168)	**76 230**	120 181
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issue of ordinary shares			2 321		2 321
Long-term loans raised from institutions in respect of:					
The Metair Share Trust			100 000		
Long-term loans raised		**78 805**			
Long-term loans repaid		**(22 296)**	(11 822)		(56 080)
Short-term loans (repaid)/raised		**8 852**	(1 087)		
Decrease/(increase) in treasury shares		**7 281**	(30 305)		
Net cash inflow/(outflow) from financing activities		**72 642**	59 107		(53 759)
Net (decrease)/increase in cash and cash equivalents		**(22 971)**	3 271		
Cash and cash equivalents at beginning of the year		**41 321**	38 050		
Cash and cash equivalents at end of the year	13	**18 350**	41 321		

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	GROUP		COMPANY	
	2008	2007	**2008**	2007
	R'000	R'000	**R'000**	R'000
1. REVENUE				
Group revenue comprises the total value of net sales of subsidiaries' products, predominantly in the automotive industry	**4 180 398**	2 984 293		
2. NET FINANCE				
Interest income:				
On bank deposits	**14 767**	12 593		
Dividend on redeemable preference shares (unlisted)		1 582		1 582
	14 767	14 175		1 582
Interest expense:				
Bank borrowings	**(38 609)**	(8 278)		
Finance leases	**(5 116)**	(763)		
Preference share dividends	**(7 660)**	(7 182)		
Other		(815)		
	(51 385)	(17 038)		
Net finance (expense)/income	**(36 618)**	(2 863)		1 582
3. PROFIT BEFORE TAXATION				
Profit before taxation is stated after taking into account the following:				
Other operating income				
– Dividends from subsidiaries (unlisted)			**94 306**	88 321
– Dividends from associates (unlisted)		2 371		6 860
– Management and committee fees received		1 907		
– Government grants	**7 171**	8 544		
– Cash discounts received	**5 184**	6 635		
– Profit on tooling and scrap sales	**20 623**	2 636		
– Bad debts recovered		4 160		
– Rent received	**882**			
– Other financial assets at fair value through profit or loss				
– Fair value losses		(411)		
– Fair value gains	**274**	2 372		
– Rebates refunds and allowances	**5 326**			
– Other	**5 679**	4 816		
	45 139	33 030	**94 306**	95 181
Expenses by nature				
Auditors' remuneration				
– Audit fees	**4 158**	3 757		
– Expenses	**20**	13		
– Other non-audit services	**621**	541		
Commission paid	**2 379**			
Impairment of investment in subsidiaries			**151 689**	

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

CONTINUED

	GROUP		COMPANY	
	2008	2007	**2008**	2007
	R'000	R'000	**R'000**	R'000
3. PROFIT BEFORE TAXATION (continued)				
Depreciation and amortisation (Notes 7 and 8)	**109 557**	73 650		
Impairment of assets (Notes 7 and 8)	**122 590**			
(Profit)/loss on disposal of property, plant and equipment	**(2 329)**	1 842		
Operating lease charges				
– Property	**12 884**	11 207		
– Plant and equipment	**7 174**	9 418		
Bad debt write off	**18 792**			
Managerial and technical service fees paid to outside parties	**5 736**	6 273		
Foreign exchange losses/(gains)	**30 771**	(2 657)		
Distribution costs	**102 201**	77 412		
Changes in inventories of finished goods	**(9 978)**	83 338		
Raw materials, consumables used and other overheads	**2 879 664**	1 817 758	**131**	17
Employee benefit expense	**846 958**	653 107	**315**	479
Total cost of sales, distribution costs and other operating and admin expenses	**4 131 198**	2 735 659	**152 135**	496
Employee benefit expense				
– Wages and salaries	**751 465**	587 577		
– Share-based payment expenses	**11 005**	2 318	**315**	479
– Termination benefits	**1 112**			
– Social security costs	**27 986**	17 511		
– Pension costs				
– Defined contribution plans	**31 953**	28 746		
– Defined benefit plans	**19 872**	14 535		
– Pension fund liability cost	**2 067**	569		
– Other post-employment benefits	**1 498**	1 851		
	846 958	653 107	**315**	479
Number of persons employed by the group at the end of the year:				
Hourly	**5 758**	5 186		
Monthly	**1 430**	1 320		
	7 188	6 506		
Directors' emoluments				
– Executive directors				
– Salaries and allowances			**3 496**	3 063
– Other benefits			**1 449**	1 626
			4 945	4 689
– Paid by subsidiary companies			**(4 945)**	(4 689)
– Non-executive directors			**230**	211
– Fees			**1 011**	636
– Paid by subsidiary company			**(781)**	(425)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

CONTINUED

3. PROFIT BEFORE TAXATION (continued)

	COMPANY					
				2008		
Directors' emoluments (continued)	RS Broadley	L Soanes	AD Plummer	CT Loock	CIJ vd Merwe***	BM Jacobs****
	R'000	R'000	R'000	R'000	R'000	R'000
– Executive directors						
– Salaries and allowances				**2 107**	**1 275**	**116**
– Performance bonuses				**693**	**325**	
– Pension and provident fund contributions				**226**	**135**	**12**
– Company contributions				**31**	**25**	
– Gain on the exercise of share options					**164**	
				3 057	**1 924**	**128**
– Paid by subsidiary companies				**(3 057)**	**(1 924)**	**(128)**
– Non-executive directors	**2**	**2**	**214**			
– Fees	**120**	**110**	**214**			
– Paid by subsidiary company	**(118)**	**(108)**				
	B Molotlegi	**GMC Ryan**	**A Joffe***	**OME Pooe****	**LM Ndala****	**A Galiel*******
	R'000	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**
– Non-executive directors	**2**	**2**	**2**	**2**	**2**	**2**
– Fees	**90**	**110**	**110**	**90**	**53**	**114**
– Paid by subsidiary company	**(88)**	**(108)**	**(108)**	**(88)**	**(51)**	**(112)**
				2007		
	E Bradley	RS Broadley	L Soanes	AD Plummer	CT Loock	CIJ vd Merwe
	R'000	R'000	R'000	R'000	R'000	R'000
– Executive directors						
– Salaries and allowances					1 869	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
					2 873	1 816
– Paid by subsidiary companies					(2 873)	(1 816)
– Non-executive directors	2	2	2	195		
– Fees	20	80	75	195		
– Paid by subsidiary company	(18)	(78)	(73)			

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

CONTINUED

3. PROFIT BEFORE TAXATION (continued)

	COMPANY				
	2007				
	B Molotlegi	GMC Ryan	A Joffe*	OME Pooe**	LM Ndala**
	R'000	R'000	R'000	R'000	R'000
– Non-executive directors	2	2	2	2	2
– Fees	45	78	75	45	23
– Paid by subsidiary company	(43)	(76)	(73)	(43)	(21)

* Paid to Coronation Capital Ltd

** Paid to Royal Bafokeng Management Services (Pty) Ltd

*** Retired November 2008

**** Appointed December 2008

***** Appointed July 2008

	GROUP		COMPANY	
	2008	2007	**2008**	2007
	R'000	R'000	**R'000**	R'000
4. TAXATION				
South African normal taxation	**64 811**	82 198		
Current:				
– this year	**90 430**	78 780		
– prior years	**212**	686		
Deferred:				
– this year	**(23 332)**	2 732		
– rate change	**(2 499)**			
Secondary taxation on companies	**7 048**	9 977	**6 101**	7 627
	71 859	92 175	**6 101**	7 627
	%	%	**%**	%
Reconciliation of taxation rate:				
Standard rate	**28**	29	**28**	29
Effect of change in tax rate	**(3)**			
Secondary taxation on companies	**9**	4	**11**	8
Exempt income and non-deductible expenses*	**62**	(1)	**(28)**	(29)
Effective rate	**96**	32	**11**	8
Calculated deferred tax on losses of subsidiaries	**31 345**	15 477		
Utilised to offset deferred taxation	**(17 010)**	(15 477)		
Assessable tax losses available for offset against future taxable income	**14 335**			

* Primarily impairment charges

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

CONTINUED

	GROUP	
	2008	2007
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.	**(9)**	123
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.	**74**	124
5.1 Diluted earnings per share		
Basic earnings per share (cents)		120
Headline earnings per share (cents)		121
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	**Earnings 2008 R'000**	**Per share 2008 cents**	Earnings 2007 R'000	Per share 2007 cents
Earnings per share				
Net (loss)/profit attributable to ordinary shareholders	**(13 080)**	**(9)**	174 509	123
(Profit)/loss on disposal of property, plant and equipment	**(2 329)**	**(2)**	1 842	1
Impairment charges	**122 590**	**86**		
Tax effect	**(2 051)**	**(1)**		
Headline earnings	**105 130**	**74**	176 351	124
Weighted average number of shares in issue ('000)	**141 707**		142 085	
Diluted earnings per share				
Net (loss)/profit attributable to ordinary shareholders			174 509	114
Interest income on proceeds			768	1
Interest expense for The Metair Share Incentive Trust			7 182	5
Net (loss)/profit adjusted for dilutive share options ('000)			182 459	120
Number of shares used for diluted earnings calculation ('000)			153 682	

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

CONTINUED

	GROUP			
	Earnings 2008 R'000	**Per share 2008 cents**	Earnings 2007 R'000	Per share 2007 cents
5.1 EARNINGS PER SHARE (continued)				
Diluted headline earnings per share				
Headline earnings			176 351	115
Interest income on proceeds			768	1
Interest expense for The Metair Share Incentive Trust			7 182	5
Headline earnings adjusted for dilutive share options ('000)			184 301	121
Number of shares used for diluted earnings per share calculation ('000)			153 682	
Weighted average number of shares in issue ('000)			142 085	
Adjustment for dilutive share options ('000)			1 597	
Treasury shares held by The Metair Share Incentive Trust			10 000	
			153 682	

No diluted earnings per share is reflected for 2008 as share options and potential ordinary shares issued or convertible in terms of the various share incentive schemes are anti-dilutive.

	GROUP		COMPANY	
	2008 R'000	2007 R'000	**2008 R'000**	2007 R'000
6. DIVIDENDS				
Declared and paid:				
40 cents per share (2007: 40 cents per share)	**55 793**	56 655	**61 013**	61 013
	55 793	56 655	**61 013**	61 013

No dividend was declared in respect of the 2008 financial year.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

CONTINUED

		Land and buildings R'000	Plant and equipment R'000	Capitalised leased assets R'000	Total R'000
7.	**PROPERTY, PLANT AND EQUIPMENT**				
	2008				
	Group				
	At cost	**201 036**	**1 014 436**	**42 189**	**1 257 661**
	Less: Accumulated depreciation	**(10 881)**	**(411 414)**	**(21 843)**	**(444 138)**
	Impairment		**(99 522)**		**(99 522)**
		190 155	**503 500**	**20 346**	**714 001**
	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
	1 January 2007				
	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
	Reconciliation of movement:				
	Group				
	Year ended 31 December 2008				
	Opening net book value	**171 294**	**515 821**	**15 302**	**702 417**
	Additions	**21 605**	**196 132**	**7 373**	**225 110**
	Disposals	**(965)**	**(7 754)**		**(8 719)**
	Depreciation	**(1 779)**	**(101 177)**	**(2 329)**	**(105 285)**
	Impairment charge		**(99 522)**		**(99 522)**
	Closing net book value	**190 155**	**503 500**	**20 346**	**714 001**
	Year ended 31 December 2007				
	Opening net book value	155 204	444 438	14 445	614 087
	Additions	18 498	142 134	2 886	163 518
	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

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 17.

The following items include work in progress:

Land and buildings: R361 000

Plant and equipment: R21 774 000

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

CONTINUED

	Land and buildings R'000	Plant and equipment R'000	Capitalised leased assets R'000	Total R'000
7. PROPERTY, PLANT AND EQUIPMENT (continued)				
Impairment losses are recognised in operating expenses in the income statement.				
Reversal of impairment is included in other income.				
Year ended 31 December 2008				
Opening net book value	**171 294**	**515 821**	**15 302**	**702 417**
Additions	**21 605**	**196 132**	**7 373**	**225 110**
Disposals	**(965)**	**(7 754)**		**(8 719)**
Depreciation	**(1 779)**	**(101 177)**	**(2 329)**	**(105 285)**
Impairment charge		**(99 522)**		**(99 522)**
Closing net book value	**190 155**	**503 500**	**20 346**	**714 001**

Due to the current economic downturn and its impact on the motor manufacturing industry, management assessed the recoverable amount of all cash-generating units.

As a result, an impairment charge of R99 522 000 was charged to the Hella and Smiths Plastics cash-generating units. The Smiths Plastics cash-generating unit's recoverable amount was determined by applying the value-in-use method. The Hella cash-generating unit's recoverable amount was determined by applying the fair value less costs to sale method on the following basis:

– The fair value for land and buildings was determined by reference to an active market in terms of a recent valuation performed by an independent valuator.
– The fair value of plant and machinery was determined by reference to estimated recoverable amounts based on management estimates.

Further detail on the assumptions used in the impairment assessment is included in note 27 – Critical accounting estimates and judgements.

Cash-generating units tested for impairment also include goodwill. These cash-generating units were impaired and impairments were allocated to goodwill. Refer note 8.

There has not been any change in aggregation of assets for identifying the cash-generating unit since the previous estimate of the cash-generating unit's recoverable amount.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

CONTINUED

	Goodwill R'000	Trademarks R'000	Licences R'000	Brand R'000	Customer Relationship R'000	Other R'000	Total R'000
8. INTANGIBLE ASSETS							
2008							
Group							
At cost	**33 539**	**1 000**	**18 776**	**11 802**	**5 802**	**1 809**	**72 728**
Less: Accumulated amortisation		**(217)**	**(7 668)**	**(321)**	**(393)**	**(807)**	**(9 406)**
Impairment	**(23 068)**						**(23 068)**
	10 471	**783**	**11 108**	**11 481**	**5 409**	**1 002**	**40 254**
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
1 January 2007							
Group							
At cost		1 000	20 958				21 958
Less: Accumulated amortisation		(50)	(7 261)				(7 311)
		950	13 697				14 647
Reconciliation of movement:							
Group							
Year ended 31 December 2008							
Opening net book value	**17 298**	**893**	**13 298**	**11 802**	**5 802**		**49 093**
Additions	**499**		**451**			**1 809**	**2 759**
Acquisition of subsidiary	**15 742**						**15 742**
Amortisation		**(110)**	**(2 641)**	**(321)**	**(393)**	**(807)**	**(4 272)**
Impairment charge	**(23 068)**						**(23 068)**
Closing net book value	**10 471**	**783**	**11 108**	**11 481**	**5 409**	**1 002**	**40 254**
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

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

The goodwill allocated is presented below:

	2008 R'000	2007 R'000
Automould (Pty) Ltd	**9 972**	17 298
Other	**499**	
Total	**10 471**	17 298

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

CONTINUED

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:

	Automould	**ATE**
Growth rate	5%	3,5%
Discount rate – pre-tax	25%	25,7%
– post-tax	18%	18,5%

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.

	Automould R'000	**ATE R'000**
The above value-in-use calculation resulted in the folllowing impairment charges:	7 326	15 742
Had the discount rate applied been 1% higher, the impairment would have been higher by:	1 943	
Had the growth rate applied been 1% lower, the impairment would have been higher by:	3 107	

There has not been any change in the aggregation of assets for identifying the CGU since the previous estimate of the CGU's recoverable amount.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

CONTINUED

	GROUP		COMPANY	
	2008	2007	**2008**	2007
	R'000	R'000	**R'000**	R'000
9. INTEREST IN SUBSIDIARIES				
Unlisted				
Shares at cost less amounts written off			**52 695**	52 695
Non-current advances to subsidiary companies			**551 589**	308 145
Share-based payment costs			**3 345**	3 030
Provision for impairment			**(151 689)**	
			455 940	363 870
Current advances			**50 209**	276 937
			506 149	640 807
The Group has issued letters of support to various banks whereby Metair has undertaken not to sell subsidiaries or reduce loan balances due to Metair while various subsidiaries are indebted to the bank. These non-current loans have no fixed terms of repayment. Current advances are interest-free and payable on demand. The investment in subsidiary companies were assessed for impairment due to specific impairment indicators brought on by current market conditions. The recoverability of investments and advances were assessed by comparing these values to the net asset values of subsidiaries. The provision for impairment relates to non-current advances to subsidiary companies. (Directors' valuation of shares held – R1 061 412 000) (2007: R1 651 574 000)				
Aggregate attributable income and losses after tax of subsidiaries:				
Income	**164 174**	215 614		
Losses	**(177 912)**	(16 965)		
Details of subsidiaries are disclosed on page 90.				
10. INVESTMENT IN ASSOCIATES				
Unlisted				
– Shares at cost less impairment	**3 838**	4 073	**3 838**	2 793
– Share of post-acquisition reserves included in non-distributable reserves	**36 585**	18 279		
Income from associates in current year	**17 056**	1 524		
In respect of prior year	**19 529**	16 755		
Total carrying value	**40 423**	22 352	**3 838**	2 793
Reconciliation of movements:				
Balance at beginning of the year	**22 352**	19 548	**2 793**	2 793
Additional investment in associate	**1 015**	1 280	**1 045**	
Share of profit	**17 056**	8 384		
Dividends received		(6 860)		
Investment in associates	**40 423**	22 352	**3 838**	2 793
Directors' valuation	**91 795**	64 054		

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

CONTINUED

	GROUP		COMPANY	
	2008	2007	**2008**	2007
	R'000	R'000	**R'000**	R'000
10. INVESTMENT IN ASSOCIATES (continued)				
The summarised financial information of material associates is in aggregate as follows:				
Income statement				
Revenue	**275 815**	251 884		
Profit before taxation	**48 395**	30 212		
Taxation	**(13 586)**	(10 550)		
Profit after taxation	**34 809**	19 662		
Balance sheet				
Assets				
Non-current assets	**1 053**	4 245		
Current assets	**103 478**	94 912		
	104 531	99 157		
Equity and liabilities				
Shareholders' equity	**80 364**	68 272		
Current liabilities	**24 167**	30 885		
	104 531	99 157		

	Percentage holding	Number of shares held	Group carrying amount R'000	Company cost R'000
2008				
Unlisted				
Tenneco Automotive Holdings SA (Pty) Ltd	**25,1%**	**154 712**		
Toyoda Gosei (Pty) Ltd	**20%**	**200**		
Valeo Systems SA (Pty) Ltd	**49%**	**490**	**39 378**	**2 793**
Vizirama (Pty) Ltd	**33%**	**40**	**1 045**	**1 045**
			40 423	**3 838**
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

The associate companies operate in the automotive industry with the exception of Vizirama (Pty) Ltd. The companies are all incorporated in South Africa.

Details of associates are disclosed on page 90.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

CONTINUED

	GROUP		COMPANY	
	2008	2007	**2008**	2007
	R'000	R'000	**R'000**	R'000
11. INVENTORY				
Raw material	**514 935**	350 423		
Work in progress	**35 803**	29 567		
Finished goods	**218 275**	228 253		
	769 013	608 243		

The above inventories are stated net of a provision for obsolescence and slow-moving stock of R26 338 000 (2007: R15 876 000).
The cost of inventories recognised as expense and included in "cost of sales" amounted to R2 528 883 (2007: R1 812 232).

	GROUP		COMPANY	
12. TRADE AND OTHER RECEIVABLES				
Trade receivables	**388 367**	329 724	**9 015**	
Less: Provision for impairment of trade receivables	**(24 427)**	(4 130)		
	363 940	325 594	**9 015**	
Prepayments	**8 797**	2 506		
Other receivables	**25 444**	27 486		
	398 181	355 586	**9 015**	

The fair value of accounts receivable approximates their carrying value.

Trade receivables can be categorised in the following categories:

	Fully performing	Past due and not impaired	Impaired and provided for	Total
2008				
Original equipment	**130 070**	**29 853**	**550**	**160 473**
Exports	**33 465**	**16 351**	**20 731**	**70 547**
Aftermarket	**62 639**	**33 968**	**623**	**97 230**
Non-automotive	**30 315**	**27 279**	**2 523**	**60 117**
	256 489	**107 451**	**24 427**	**388 367**
2007				
Original equipment	154 886	22 838	162	177 886
Exports	27 871	10 797	2 069	40 737
Aftermarket	41 878	18 088	745	60 711
Non-automotive	28 950	20 286	1 154	50 390
	253 585	72 009	4 130	329 724

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

	2008	2007
	R'000	R'000
Rand	**350 022**	334 481
British Pound	**1 040**	3 483
Euro	**9 330**	10 776
US Dollar	**37 789**	6 846
	398 181	355 586

No interest is applicable to accounts receivable balances.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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12. TRADE AND OTHER RECEIVABLES (continued)

The provision for impairment can be analysed as follows:

2008						2007				
Total	**Original equipment**	**Export**	**After-market**	**Non-automotive**	**Provision for impairment**	**Original equipment**	**Export**	**After-market**	**Non-automotive**	**Total**
4 130	**162**	**2 069**	**745**	**1 154**	At 1 January	183	4 229	552	1 309	6 273
24 671	**2 446**	**20 702**	**154**	**1 369**	Provision for receivables impairment	2	2 040	193		2 235
(4 374)	**(2 058)**	**(2 040)**	**(276)**		Unused amounts reversed	(23)	(4 200)		(155)	(4 378)
24 427	**550**	**20 731**	**623**	**2 523**	At 31 December	162	2 069	745	1 154	4 130

The ageing profile of trade receivables is presented below:

2008						2007				
Total	**Original equipment**	**Export**	**After-market**	**Non-automotive**	**Ageing of trade receivables**	**Original equipment**	**Export**	**After-market**	**Non-automotive**	**Total**
355 369	**149 650**	**57 634**	**93 078**	**55 007**	Up to 3 months	173 950	40 257	60 290	46 306	320 803
23 077	**1 948**	**12 904**	**3 924**	**4 301**	3-6 months	3 936	480	421	4 084	8 921
9 921	**8 875**	**9**	**228**	**809**	Over 6 months					
388 367	**160 473**	**70 547**	**97 230**	**60 117**		177 886	40 737	60 711	50 390	329 724

The creation and release of provision for impaired receivables have been included in "other operating 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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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		GROUP		COMPANY	
		2008	2007	**2008**	2007
		R'000	R'000	**R'000**	R'000
13.	**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	**123 325**	114 852		
	Bank overdrafts	**(104 975)**	(73 531)		
		18 350	41 321		
	The effective interest rate on short-term bank deposits was 8,93% (2007 : 9,94%) and the effective interest rate on bank overdrafts was 13,73% (2007 : 13,17%).				
14.	**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 (2007: 152 531 875) ordinary shares of 2c each	**3 051**	3 051	**3 051**	3 051
	Share premium	**39 825**	39 825	**39 825**	39 825
		42 876	42 876	**42 876**	42 876
	Share premium				
	Balance at the beginning of the year	**39 825**	37 522	**39 825**	37 522
	Premium on shares issued during the year		2 303		2 303
	Balance at the end of the year	**39 825**	39 825	**39 825**	39 825
	Treasury shares				
	Balance at the beginning of the year	**(131 813)**	(101 508)		
	Shares (acquired)/disposed by the Metair Share Trust	**(11 348)**	100 000		
	Shares acquired by The Metair Share Incentive Trust		(100 368)		
	Shares disposed/(acquired) by Business Venture Investments No 1217 (Pty) Ltd	**18 629**	(29 937)		
	Balance at the end of the year	**(124 532)**	(131 813)		
	Treasury shares are held as follows:				
	(number of shares)				
	Metair Share Trust	**1 777 406**	947 875		
	The Metair Share Incentive Trust	**10 000 000**	10 000 000		
	Business Venture Investments No 1217 (Pty) Ltd	**825 273**	2 187 773		
		12 602 679	13 135 648		

14.1 Metair Share Trust (Equity settled share-based payment scheme)

Share options

A share purchase option scheme exists with 15 419 850 (2007: 15 213 525) ordinary shares reserved for the purpose of the scheme, and under the control of the directors.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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14. SHARE CAPITAL AND PREMIUM

14.1 Metair Share Trust (Equity settled share based payment scheme) (continued)

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

	2008		2007	
	Average offer price per share	Options (thousands)	Average offer price per share	Options (thousands)
At 1 January	**4,49**	**3 140**	4,12	3 825
Forfeited	**1,20**	**(92)**		
Delivered	**4,34**	**(88)**		
Exercised and delivered	**4,83**	**(445)**	2,36	(685)
At 31 December	**4,49**	**2 515**	4,49	3 140

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

2008 Number of shares	2007 Number of shares	Option price	Date granted	Date exercisable
	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	129 375	R1,40	08/01/01	08/01/06
43 750	43 750	R2,36	07/01/02	07/01/06
306 250	306 250	R2,36	07/01/02	07/01/07
35 000	35 000	R3,04	10/04/02	10/04/07
699 525	1 125 000	R4,34	01/04/03	01/04/08
1 041 000	1 148 500	R6,36	05/04/04	05/04/09

532 969 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 Ltd) but not later than 10 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 Ltd.

Options expire if not taken up within 10 years from date of the grant. 92 500 options previously granted to directors in the group expired during the year. All outstanding options at 31 December 2008 and 2007 were exercisable.

Options under the scheme are granted at the closing price ruling on the JSE Ltd 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 a 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 an 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.

1 362 500 shares (2007: 886 625 shares) were transferred/(issued) during the year to the Metair Share Trust. The market value of these shares as at 31 December 2008 was R5,80 per share.

The trust held 1 777 406 (2007: 947 875) shares in Metair Investments Ltd at year-end.

Share-based payment costs charged for the year were R315 000 (2007: R479 000).

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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14. SHARE CAPITAL AND PREMIUM (continued)

14.1 Metair Share Trust (Equity settled share-based payment scheme) (continued)

	2008	2007
Number of shares held by the Metair Share Trust in respect of share option scheme	**1 777 406**	947 875
Market value of shares held by the Metair Share Trust in respect of share option scheme	**R10 308 955**	R13 639 921

14.2 Cash-settled share-based payment scheme

The share option scheme in 14.1 above 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 rights 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 R62,73 per right.

The significant inputs into the model were a weighted average share price of R5,80 (2007: R14,39) at the grant date, volatility of 40% (2007: 40%), dividend yield of 6,9% (2007: 3,8%), option life of five years and an annual risk-free rate of 5,2% (2007: 5,9%).

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)	(387 500)	1 775 000	10,52
1 December 2005	2 187 500	(125 000)	(387 500)	1 675 000	9,24
1 April 2005	1 261 250	(127 500)	(380 000)	753 750	8,48

Share-based payment costs charged for the year were R547 355 (2007: R713 162).

14.3 The Metair Share Incentive Trust

During 2007 a new share incentive scheme was launched. The Metair Share Incentive Trust acquired 10 million shares in Metair Investments Ltd for a consideration of R100 million. The financing provided to the Trust was 75% 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 three, four, and five 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 R8,42 (2007: R7,32) per right. The significant inputs into the model were a weighted average share price of R10 at the grant date, volatility of 30% (2007: 30%), dividend yield of 2,8% (2007: 3,7%), option life of five years and an annual risk-free rate of 7,21% (2007: 8,62%).

Share-based payment costs charged for the year were R10 143 470 (2007: R1 126 167).

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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14. SHARE CAPITAL AND PREMIUM (continued)

14.4 Options exercised by executive directors

CIJ van der Merwe* 2008	Number of shares	Price per share	Offer price per share	Benefit R'000
Non-beneficial payments:				
– Options exercised	**100 000**	**8,00**	**6,36**	**164**

* Retired November 2008

Share options held by directors (beneficial and non-beneficial) in terms of their participation in the Metair Share Trust as at 31 December 2008:

Nil.

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

	OFFER			EXERCISE			
Name	Offer date	Number of shares	Price per share	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			

14.5 Interest of directors

At 31 December 2008 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 2008								31 December 2007							
	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			**9 869 178**	**6,47**							7 141 686	4,68				
Independent non-executive directors																
L Soanes	**240 000**	**0,16**							240 000	0,16						
Executive directors																
CT Loock	**100 000**	**0,07**							100 000	0,07						
Total	**340 000**	**0,23**	**9 869 178**	**6,47**					340 000	0,23	7 141 686	4,68				

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		GROUP		COMPANY	
		2008	2007	**2008**	2007
		R'000	R'000	**R'000**	R'000
15.	**RESERVES**				
15.1	**Non-distributable reserves**				
	Non-distributable reserves comprise:				
	Interest in distributable and non-distributable reserves of associate companies	**36 585**	25 139		
		36 585	25 139		
	Balance at the beginning of the year	**25 139**	16 755		
	Transfers from retained earnings	**11 446**	8 384		
	Balance at the end of the year	**36 585**	25 139		
	Transfer from/(to) retained earnings consists of:				
	Share of associated companies' after-tax income	**17 056**	8 384		
	Other movements	**(5 610)**			
		11 446	8 384		
15.2	**Retained earnings**				
	Balance at the beginning of the year	**1 161 561**	1 039 954	**597 562**	569 935
	Recognised (expense)/income attributable to equity holders of the company	**(32 566)**	186 646	**(63 930)**	88 640
	Dividends paid	**(55 793)**	(56 655)	**(61 013)**	(61 013)
	Transfers to non-distributable reserves	**(11 446)**	(8 384)		
	Balance at the end of the year	**1 061 756**	1 161 561	**472 619**	597 562
15.3	**Share-based payment reserve**				
	Balance at the beginning of the year	**3 074**	2 551	**3 030**	2 551
	Employee share option scheme – value of services provided	**315**	523	**315**	479
	Balance at the end of the year	**3 389**	3 074	**3 345**	3 030
16.	**MINORITY INTEREST**				
	Balance at the beginning of the year	**89 295**	79 055		
	Employee share option scheme	**80**	43		
	Recognised income attributable to minorities	**13 662**	22 525		
	Dividend	**(9 447)**	(12 328)		
	Balance at the end of the year	**93 590**	89 295		
17.	**BORROWINGS**				
	Secured				
	– Instalment sale agreement secured over plant with a book value of R6 213 000 (2007: R6 800 000) currently bearing interest at prime minus 2,25% (2007: 2,75%). Repayable in annual instalments of R357 000 (2007: R2 529 000) until March 2009.	**357**	2 886		
	– Instalment sale agreement secured over plant with a book value of R2 110 000 (2007: R2 110 000) currently bearing interest at prime minus 2,75% (2007: 2,75%). Repayable in annual instalments of R2 125 000 (2007: R2 125 000) until June 2008.		2 125		

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	GROUP		COMPANY	
	2008	2007	**2008**	2007
	R'000	R'000	**R'000**	R'000
17. BORROWINGS (continued)				
– Instalment sale agreement secured over plant with a book value of R30 097 025 currently bearing interest at prime minus 1,5%. Repayable in annual instalments of R7 396 308 until August 2013.	**25 237**			
– Capitalised finance lease secured over plant with a book value of R176 000 (2007: R12 475 000) currently bearing interest at 11,02% (2007: 10,02%). Repayable in monthly instalments of R3 500 (2007: R38 000) until May 2009.	**19**	57		
– Capitalised finance lease secured over plant with a book value of R494 331 (2007: R218 000) currently bearing interest at 13,5% (2007: 10,2%). Repayable in monthly instalments of R11 677 (2007: R3 000) until June 2012.	**525**	684		
– Instalment sale agreement secured over plant with a book value of R7 153 000 currently bearing interest at 15,5%. Repayable in monthly instalments of R3 000 until May 2009.	**6 002**			
– Instalment sale agreement secured over plant with a book value of R18 783 000 (2007: R18 396 000) currently bearing interest at 13% (2007: 12,4%). Repayable in monthly instalments of R538 000 (2007: R639 912) ranging from August 2008 until 2012.	**13 468**	18 396		
– Instalment sale agreement secured over motor vehicles with a book value of R14 000 (2007: R586 000) currently bearing interest at 14,85% (2007: 10,35%). Repayable in monthly instalments of R3 000. (2007: R2 023,17) until March 2011.	**74**	100		
– Instalment sale agreement secured over plant with a book value of R10 606 000 (2007: R3 687 000) currently bearing interest at 15% (2007: 15%). Repayable in monthly instalments of R198 000 (2007: R40 441,56) until March 2016.	**9 901**	2 878		
– Instalment sale agreement secured over plant with a book value of R8 538 000 currently bearing interest at prime less 2,25%. Repayable in monthly instalments of R278 000 until February 2013.	**10 740**			
– Instalment sale agreement secured over plant with a book value of R15 975 000 currently bearing interest at prime less 2,75%. Repayable in monthly instalments of R340 000 until March 2013.	**13 189**			
– Instalment sale agreement secured over plant with a book value of R16 949 000 currently bearing interest at prime less 2,75%. Repayable in monthly instalments of R390 000 until March 2013.	**15 130**			
– Instalment sale agreement secured over plant with a book value of R4 797 000 currently bearing interest at prime less 2,75%. Repayable in monthly instalments of R275 000 until July 2013.	**4 609**			
	99 251	27 126		

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	GROUP		COMPANY	
	2008	2007	**2008**	2007
	R'000	R'000	**R'000**	R'000
17. BORROWINGS (continued)				
Cumulative redeemable preference shares	**100 000**	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.				
The Metair share price on 31 December 2008 was below R10. Refer note 20 for details regarding The Metair Share Incentive Trust guarantee cost borne by Metair Investments Ltd.				
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.				
	199 251	127 126		
Current portion included in current liabilities	**(20 817)**	(11 965)		
	178 434	115 161		
Maturity of non-current borrowings (excluding finance lease liabilities)				
Not later than 1 year	**19 453**	11 650		
Between 2 and 5 years	**173 271**	114 735		
	192 724	126 385		
Finance lease liabilities – minimum lease payments:				
Not later than 1 year	**1 783**	411		
Later than 1 year and not later than 5 years	**6 839**	528		
	8 622	939		
Future finance charges on finance leases	**(2 095)**	(198)		
Present value of finance lease liabilities	**6 527**	741		

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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	GROUP		COMPANY	
	2008	2007	**2008**	2007
	R'000	R'000	**R'000**	R'000
17. BORROWINGS (continued)				
The present value of all finance lease liabilities may be analysed as follows:				
Not later than 1 year	**1 383**	311		
Later than 1 year and not later than 5 years	**5 144**	430		
	6 527	741		
Borrowing facilities				
The group has the following contracted borrowing facilities:				
Floating rate:				
– Expiring beyond 1 year	**229 091**	254 129		
– Expiring within 1 year	**227 932**	30 000		
Fixed rate:				
– Expiring beyond 1 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.				

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CONTINUED

	GROUP		COMPANY	
	2008	2007	**2008**	2007
	R'000	R'000	**R'000**	R'000
18. DEFERRED TAXATION				
Deferred income tax is calculated on all temporary differences under the liability method using a principal tax rate of 28% (2007: 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	**(47 930)**	(32 526)		
Deferred tax liabilities	**91 216**	110 129		
Net deferred tax liability	**43 286**	77 603		
The movement on the deferred income tax account is as follows:				
At beginning of year	**77 603**	58 021		
Effect of change in tax rate	**(2 499)**			
Income statement (credit)/charge				
– current year	**(23 332)**	2 732		
Tax (credit)/charged to equity	**(8 486)**	5 784		
Deferred taxation on acquisition of Automould (Pty) Ltd		11 066		
At end of year	**43 286**	77 603		
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	**(34 411)**	(23 589)		
– Deferred tax asset to be recovered within 12 months	**(13 519)**	(8 937)		
	(47 930)	(32 526)		
Deferred tax liabilities:				
– Deferred tax liability to be recovered after more than 12 months	**83 441**	95 083		
– Deferred tax liability to be recovered within 12 months	**7 775**	15 046		
	91 216	110 129		

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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18. 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

	2008					
R'000	**Pension and post-employment benefits**	**Contingency policy**	**Plant and equipment allowances**	**Intangibles**	**Other**	**Total**
Opening balance	**1 207**	**554**	**99 168**	**5 105**	**4 095**	**110 129**
Charged/(credited) to the income statement	**3 878**	**(421)**	**(5 612)**		**(4 708)**	**(6 863)**
Rate change	**(31)**	**(1)**	**(3 261)**	**(176)**	**(95)**	**(3 564)**
Credited to equity	**(8 486)**					**(8 486)**
Closing balance	**(3 432)**	**132**	**90 295**	**4 929**	**(708)**	**91 216**

	2007					
R'000	**Pension and 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	1 207	554	99 168	5 105	4 095	110 129

Deferred tax assets

	2008				
R'000	**Assessed losses set off**	**Provision for doubtful debts**	**Warranty claims**	**Provisions**	**Total**
Opening balance	**(15 477)**	**(455)**	**(4 189)**	**(12 405)**	**(32 526)**
Credited to the income statement	**(2 016)**	**(90)**	**(2 940)**	**(11 423)**	**(16 469)**
Rate change	**483**	**16**	**145**	**421**	**1 065**
Closing balance	**(17 010)**	**(529)**	**(6 984)**	**(23 407)**	**(47 930)**

18. DEFERRED TAXATION (continued)

R'000	Assessed losses set off	Provision for doubtful debts	Warranty claims	Provisions	Total
		2007			
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)

	GROUP		COMPANY	
	2008 R'000	2007 R'000	**2008 R'000**	2007 R'000
19. TRADE AND OTHER PAYABLES				
Trade creditors	**378 398**	210 686		
Accrual for leave pay	**12 720**	10 873		
Sundry creditors and accruals	**147 161**	135 504	**162**	132
	538 279	357 063	**162**	132
The fair value of trade and other payables approximates their carrying value.				
At year-end an amount of R32 644 000 (2007: R30 185 000) was overdue.				
The carrying amounts of the group's trade and other payables are denominated in the following currencies:				
Yen	**86 778**	49 405		
US Dollar	**84 660**	13 639		
Euro	**59 303**	41 215		
British Pound	**616**	131		
Australian Dollar	**21**	34		
Thai Bhat	**3 023**			
Rand	**303 878**	252 639	**162**	132
	538 279	357 063	**162**	132
No interest is payable on these amounts.				

20. PROVISIONS FOR LIABILITIES AND CHARGES

Warranty

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

Executive bonuses

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

20. PROVISIONS FOR LIABILITIES AND CHARGES (continued)

	2008			
GROUP	**Executive bonus R'000**	**Warranty R'000**	**Other R'000**	**Total R'000**
Balance at beginning of the year	**5 690**	**16 096**	**5 268**	**27 054**
Charged to the income statement				
– Additional provision	**3 186**	**14 437**	**12 186**	**29 809**
Utilised during the year	**(3 644)**	**(324)**	**(1 477)**	**(5 445)**
Balance at end of the year	**5 232**	**30 209**	**15 977**	**51 418**

	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

Other provisions consist mainly of The Metair Share Incentive Trust guarantee cost calculated in terms of IFRS 2 of R11 269 637 (2007: R1 126 167). Refer note 14.3 for details on this Trust.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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		GROUP		COMPANY	
		2008	2007	**2008**	2007
		R'000	R'000	**R'000**	R'000
21.	**NOTES TO CASH FLOW STATEMENTS**				
21.1	**Reconciliation of profit before taxation to cash generated from/(utilised in) operations**				
	Profit/(loss) before taxation	**74 777**	287 185	**(57 829)**	96 267
	Adjustment for:				
	Depreciation and amortisation	**109 557**	73 650		
	Impairment charge	**122 590**		**151 689**	
	(Profit)/loss on disposal of property, plant and equipment	**(2 329)**	1 842		
	Share-based payment expenses	**315**	566	**315**	720
	Pension fund	**2 067**	569		
	Income from subsidiaries and associates	**(17 056)**	(8 384)	**(94 306)**	(95 181)
	Income from investments	**(14 767)**	(14 175)		
	Finance charges	**51 385**	17 038		
	Operating profit/(loss) before working capital changes	**326 539**	358 291	**(131)**	1 806
	Working capital changes:				
	Increase in inventory	**(110 342)**	(180 608)		
	(Increase)/decrease in trade and other receivables	**(8 354)**	1 500	**(9 015)**	393
	Increase in trade and other payables	**160 963**	61 012	**30**	19
	Cash generated from/(utilised in) operations	**368 806**	240 195	**(9 116)**	2 218
21.2	**Taxation paid**				
	Taxation paid is reconciled to the amount disclosed in the income statement as follows:				
	Amounts unpaid at beginning of year	**(4 832)**	(9 092)		
	Income statement charge (note 4)	**(97 690)**	(89 442)	**(6 101)**	(7 627)
	Amounts unpaid at end of year	**5 552**	4 832		
		(96 970)	(93 702)	**(6 101)**	(7 627)
21.3	**Dividends paid**				
	To shareholders	**(55 793)**	(56 655)	**(61 013)**	(61 013)
	To minorities in subsidiaries	**(9 447)**	(12 328)		
	Balance due at the end of the year	**151**			
		(65 089)	(68 983)	**(61 013)**	(61 013)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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22. FINANCIAL INSTRUMENTS

22.1 Financial instruments by category

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

R'000	Loans and receivables	Assets at fair value through profit and loss	Total
31 December 2008			
Assets as per balance sheet			
Derivative financial instruments		**274**	**274**
Trade and other receivables	**389 384**		**389 384**
Cash and cash equivalents	**123 325**		**123 325**
Total	**512 709**	**274**	**512 983**

R'000	Other financial liabilities at amortised cost	Total
Liabilities as per balance sheet		
Borrowings	**199 251**	**199 251**
Bank overdraft	**104 975**	**104 975**
Trade and other payables	**525 559**	**525 559**
Total	**829 785**	**829 785**

R'000	Loans and receivables	Assets at fair value through profit and loss	Total
31 December 2007			
Assets as per balance sheet			
Derivative financial instruments		540	540
Trade and other receivables	353 080		353 080
Cash and cash equivalents	114 852		114 852
Total	467 932	540	468 472

R'000	Other financial liabilities at amortised cost	Total
Liabilities as per balance sheet		
Borrowings	127 126	127 126
Bank overdraft	73 531	73 531
Trade and other payables	346 190	346 190
Total	546 847	546 847

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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22 FINANCIAL INSTRUMENTS (continued)

22.2 Financial risk management

The group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The group's overall risk management 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.

These consist primarily of exposures with respect to the Euro, US Dollar and the Japanese Yen. The group's foreign exchange exposure arises from the following:

- where the foreign exchange rate on import and export transactions at the date of recording differs from the rate at settlement or year-end date, and
- where the foreign exchange rate on input costs differs from the rate recovered from customers.

In the period under review, subsidiaries had agreements in place with certain key customers, the terms of which were intended to ensure that foreign exchange differences were recovered retrospectively. These customers are currently amending these agreements, the result of which may affect the forex-neutrality of the group. To mitigate this risk, the group is currently reviewing its foreign exchange risk policy and the use of forward exchange contracts is currently being implemented on foreign purchases. The strategy for trade with non-key customers is to utilise forward exchange contracts and the use of professional foreign currency management specialists when required.

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			
	2008		2007		2008		2007	
	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	**1 233**	**14 451**	(63)	(432)	**(429)**	**(3 754)**	(2 493)	(16 900)
Euro	**(2 156)**	**(28 501)**	(1 392)	(14 025)	**(1 759)**	**(21 597)**	(9 812)	(98 613)
Japanese Yen	**(746 332)**	**(77 936)**	(337 683)	(20 614)	**(322 074)**	**(32 112)**	(1 328 768)	(80 751)
Australian Dollars		**(3)**	79	476			(3)	(19)
British Pounds	**22**	**305**	257	3 596	**(5)**	**(74)**	(11)	(150)
Thai Bhat	**(11 131)**	**(3 023)**			**(11 804)**	**(3 205)**	(391)	(87)
Total		**(94 707)**		(30 999)		**(60 742)**		(196 520)

Amounts in brackets represent liabilities

At 31 December 2008, if the Rand had weakened/strengthened by 10% against the US Dollar, with all other variables held constant, post-tax profit for the year would have been R4 687 000 (2007: R43 000) higher/lower, mainly as a result of foreign exchange gains/losses on translating foreign denominated trade receivables and trade payables and the mark-to-market valuation of forward exchange contracts.

At 31 December 2008, if the Rand had weakened/strengthened by 10% against the Japanese Yen, with all other variables held constant, post-tax profit for the year would have been R8 678 000 (2007: R2 061 000) higher/lower, mainly as a result of foreign exchange gains/losses on translating foreign denominated trade receivables and trade payables and the mark-to-market valuation of forward exchange contracts.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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22 FINANCIAL INSTRUMENTS (continued)

22.2 Financial risk management (continued)

At 31 December 2008, 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 R42 000 (2007: R360 000) higher/lower, mainly as a result of foreign exchange gains/losses on translating foreign denominated trade receivables and trade payables and the mark-to-market valuation of forward exchange contracts.

At 31 December 2008, if the Rand had weakened/strengthened by 10% against the Euro, with all other variables held constant, post-tax profit for the year would have been R4 997 000 (2007: R3 043 000) higher/lower, mainly as a result of foreign exchange gains/losses on translating foreign denominated trade receivables and trade payables and the mark-to-market valuation of forward exchange contracts.

At 31 December 2008, if the Rand had weakened/strengthened by 10% against the Thai Bhat, with all other variables held constant, post-tax profit for the year would have been R302 000 (2007: R0) higher/lower, mainly as a result of foreign exchange gains/losses on translating foreign denominated trade receivables and trade payables and the 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 13. Interest rates on other borrowings are disclosed in note 17.

At 31 December 2008, if the average interest rates on borrowings had been 1% higher with all other variables held constant, post-tax profit for the year would have been R1 834 000 (2007: R2 618 000) lower.

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

	2008	**2007**
6 months or less	**63 067**	32 152
6 – 12 months	**41 908**	41 379
1 – 5 years		
Over 5 years		
	104 975	73 531

For other borrowing exposures and related maturity dates refer to note 17.

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 except for the guarantee cost relating to The Metair Share Incentive Trust.

If the share price of Metair Investments Ltd declined by R1, the effect to the guarantee cost would be a further loss of R2 274 188.

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 evaluation 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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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22 FINANCIAL INSTRUMENTS (continued)

22.2 Financial risk management (continued)

B. Credit risk (continued)

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

	2008	2007
Counterparties without external credit rating:		
Group 1	**1 295**	
Group 2	**349 479**	308 762
Group 3	**13 166**	16 832
	363 940	325 594

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:

	2008	2007
Total	**123 325**	114 852

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

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. The group is considering providing security to maintain or increase its credit facilities.

Borrowing facilities disclosed in note 17 as well as projected profitability levels will provide adequate liquidity levels to support operational cash flows over the next five years.

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 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 2008	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	**164 764**	**110 627**	**85 297**	**44 959**
Trade and other payables	**525 559**			
As at 31 December 2007				
Borrowings	24 963	39 537	87 292	1 309
Trade and other payables	346 190			

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 follow in note 22.5.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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22. FINANCIAL INSTRUMENTS (continued)

22.3 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 values, 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.

22.4 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 2008 and 2007 were as follows:

	2008	**2007**
Total borrowings (notes 13 and 17)	**304 226**	200 657
Less: Cash and cash equivalents (note 13)	**(123 325)**	(114 852)
Net debt	**180 901**	85 805
Ordinary shareholders equity	**1 020 074**	1 100 837
Total capital	**1 200 975**	1 186 642
Gearing ratio	**15%**	7%

22.5 Derivative financial instruments

	GROUP			
	2008 R'000		**2007 R'000**	
At 31 December 2008	Assets	Liabilities	Assets	Liabilities
Forward foreign exchange contracts – fair value hedges	**274**		540	
	274		540	

Year-end forward exchange contracts can be analysed as follows:

	R amount	**Foreign amount**	**Average forward rate**	**Currency used**	**Period to maturity**
US Dollar	6 698	664	9,757035	USD	5 January 2009 – 29 May 2009
Euro	20 442	1 551	13,35003	EURO	5 January 2009 – 30 April 2009
Japanese Yen	(16 302)	(148 000)	9,171775	JPY	5 January 2009 – 27 February 2009
Great British Pound	(35 436)	(2 082)	16,11927	GBP	30 January 2009 – 13 October 2009

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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		GROUP		COMPANY	
		2008	2007	**2008**	2007
		R'000	R'000	**R'000**	R'000
23.	**CONTINGENT LIABILITIES**				
	Guarantees in respect of secured loans and overdrafts of subsidiaries	**3 675**	5 675	**3 675**	5 675
	Other guarantees	**533**	79		
	Lease commitments	**1 186**	1 679		
		5 394	7 433	**3 675**	5 675

Any future dividend declaration out of the distributable reserves of the company will be subject to secondary taxation on companies at 10%.

Refer note 26 for details on subordination agreements with subsidiaries.

24.	**COMMITMENTS**				
	Capital commitments	**111 966**	75 247		
	Contracted:				
	Plant, machinery, tools, jigs and dies	**62 283**	31 512		
	Authorised by the directors but not yet contracted:				
	Plant, machinery, tools, jigs and dies	**49 683**	43 735		
	Unexpired portion of operating lease contracts	**108 512**	52 936		
	Payable within one year	**22 539**	20 122		
	Payable later than one year and not later than five years	**71 076**	23 717		
	Payable thereafter	**14 897**	9 097		
		220 478	128 183		

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

25. 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 and their dependants who are not members of one of the provident funds.

Amounts recognised in the balance sheet:

	GROUP	
	2008	2007
	R'000	R'000
Post-employment medical benefit liability	**(17 810)**	(16 758)
Defined benefit (liability)/asset	**(11 085)**	21 016
	(28 895)	4 258

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% (2007: 5%) per year.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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25. RETIREMENT BENEFIT INFORMATION (continued)

	GROUP		COMPANY	
	2008	2007	**2008**	2007
	R'000	R'000	**R'000**	R'000
The amounts recognised in the income statement are as follows:				
Current service costs	**241**	451		
Interest costs	**1 257**	1 400		
	1 498	1 851		
Movement in the liability recognised in the balance sheet:				
At beginning of year	**16 758**	15 228		
Total expense per income statement as above	**1 498**	1 851		
Contributions paid	**(171)**	(739)		
Actuarial (gain)/loss recognised in equity	**(275)**	418		
At end of year	**17 810**	16 758		
The amounts recognised in equity are as follows:				
Recognised actuarial (gain)/loss	**(275)**	418		

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	1 098	869
Revised defined benefit obligation	18 908	16 941

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 94% (2007: 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 was therefore recognised in the previous financial year. The Metair Group 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.

Reconciliation of pension movement

	GROUP 2008 R'000	GROUP 2007 R'000	COMPANY 2008 R'000	COMPANY 2007 R'000
The amounts recognised in the balance sheet are determined as follows:				
Present value of funded obligations	**(394 146)**	(407 047)		
Fair value of plan assets	**383 061**	428 063		
(Liability)/asset in the balance sheet	**(11 085)**	21 016		
The movement in the defined benefit obligation for the year is as follows:				
Beginning of year	**407 047**	382 242		
Current service cost	**16 516**	20 118		
Interest cost	**33 321**	33 390		
Contributions by plan participants	**7 621**	8 249		
Actuarial (losses)/gains	**(26 498)**	6 669		
Benefits paid	**(43 861)**	(43 621)		
End of year	**394 146**	407 047		

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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	GROUP		COMPANY	
	2008	2007	**2008**	2007
	R'000	R'000	**R'000**	R'000
25. RETIREMENT BENEFIT INFORMATION (continued)				
Pension schemes (continued)				
The movement in the fair value of plan assets for the year is as follows:				
Beginning of year	**428 063**	383 882		
Expected return on plan assets	**41 368**	37 787		
Actuarial (losses)/gains	**(56 531)**	26 613		
Employee and employer contributions	**14 023**	23 402		
Benefits paid	**(43 862)**	(43 621)		
End of year	**383 061**	428 063		
The principal actuarial assumptions used were:				
Discount rate for obligation	**7%**	8%		
Expected return on plan assets	**8%**	9%		
Salary increase	**5%**	6%		
Pension increase	**4%**	4%		
Inflation	**6%**	5%		
26. 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			**100 000**	36 000
Hella SA (Pty) Ltd			**54 332**	
Metair Share Trust			**6 000**	
Business Venture Investments No 1217 (Pty) Ltd			**6 200**	
			348 532	218 000

27. 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 occurences are used as guides for these 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

The company has previously impaired its investment in Tenneco Automotive Holdings (Pty) Ltd and Toyoda Gosei (Pty) Ltd, both associated companies, due to their continued unprofitability. The impairment calculation was based on the projected negative future earnings and cash flows and is reassessed annually for potential reversal.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

CONTINUED

	GROUP		COMPANY	
	2008	2007	**2008**	2007
	R'000	R'000	**R'000**	R'000

27. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Impairment (continued)

During 2008 the group has impaired various tangible assets due to specific impairment indicators. Value-in-use calculations were based on projected future earnings, estimated growth rates and discount rates adjusted for specific cash-generating unit risks.

The following key assumptions were made in determining projected future earnings and growth:

- Production volumes for 2009 would decrease by 28% from the actual volumes achieved in 2008. From 2010 volumes would grow based on GDP growth forecasts adjusted for general economic conditions and the introduction of new vehicle models by OEMs.
- The group would be able to recover inflation-related cost increases from its customers.
- The group would be able to recover foreign exchange variances from its customers to enable it to remain as foreign exchange-neutral as possible.
- Subsidiaries disadvantaged by unfavourable contractual arrangements with customers would be able to renegotiate these on expiry of the current contract on more favourable commercial terms.

Growth rates applied by management range from 4% to 5% per annum over the five-year forecast period. These estimates are based on the expected individual cash-generating unit growth.

Pre-tax discounts rates applied range from 24% to 30% (post-tax 17% to 21,5%), depending on the size and the risk profile of each cash-generating unit.

If the growth rate applied decreased by 1%, the impairment charge would have increased by R8 939 000. If the discount rates applied increased by 1%, the impairment charge would have increased by R7 377 000.

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 and sensitivities calculated).

28. 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. Directors' shareholdings have been presented in note 14.

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

	2008	2007
	R'000	R'000
Purchases of goods and services:		
Denso Corporation	**42 727**	41 378
Yazaki Corporation and its subsidiaries	**278 345**	135 204
	321 072	176 582
Outstanding balance at year-end:		
Denso Corporation		
Yazaki Corporation and its subsidiaries	**39 044**	25 007
	39 044	25 007

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

CONTINUED

29. BUSINESS COMBINATIONS

29.1 Purchase of assets and liabilities into Kimitar Investments (Pty) Ltd

On 15 March 2008, the assets of SPE and Ariston were acquired by Kimitar Investments (Pty) Ltd, a wholly-owned subsidiary.

The acquired business contributed revenues of R45 604 000, and a net loss of R11 215 000, to the group for the period March 2008 to December 2008.

If the acquisition had occurred on 1 January 2008, group revenue would have been R15 460 000 higher, and loss before allocations would have been R323 000 higher.

Details of net assets acquired and goodwill are as follows:

Purchase consideration:	**R'000**
– Cash paid	**41 992**
Total purchase consideration	**41 992**
Fair value of net assets acquired	**41 992**
Goodwill	

The assets and liabilities as at March 2008 arising from the acquisition are as follows:

	Fair value R'000	Acquiree's carrying amount R'000
Property, plant and equipment	19 500	19 500
Inventories	8 487	8 487
Trade and other receivables	14 994	14 994
Trade and other payables	(989)	(989)
Net assets acquired	41 992	41 992
Purchase consideration settled in cash	41 992	41 992
Cash and cash equivalents in subsidiary acquired		
Cash outflow on acquisition	41 992	41 992

29.2 Alfred Teves Brake Systems (Pty) Ltd

On 1 October 2008, Metindustrial (Pty) Ltd acquired 100% of the share capital of Alfred Teves Brake Systems (Pty) Ltd, a manufacturer of hydraulic brake systems for passenger cars and light commercial vehicles.

The acquired business contributed revenues of R47 413 000 and a net loss of R9 117 344 to the group for the period 1 October 2008 to 31 December 2008.

If the acquisition had occurred on 1 January 2008, group revenue would have been R130 997 896 higher, and loss before allocations would have been R32 299 511 higher.

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 that would have been charged assuming the fair value adjustments to property, plant and equipment and intangible assets had applied from 1 January 2008, together with the consequential tax effects.

Details of net assets acquired and goodwill are as follows:

	R'000
Total purchase consideration settled in cash:	43 121
Fair value of net assets acquired	27 379
Goodwill	15 742

Goodwill has subsequently been impaired. Refer note 8.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

CONTINUED

29. BUSINESS COMBINATIONS (continued)

29.2 Alfred Teves Brake Systems (Pty) Ltd (continued)

The assets and liabilities as of 1 October 2008 arising from the acquisition are as follows:

	Fair value R'000	Acquiree's carrying amount R'000
Bank overdraft	(11 043)	(11 043)
Property, plant and equipment	28 750	38 950
Inventories	41 941	41 941
Trade and other receivables	19 247	19 247
Trade and other payables	(44 752)	(44 752)
Borrowings	(6 764)	(49 188)
Deferred taxation		6 280
Trademarks		55 141
Net assets acquired	27 379	56 576
Purchase consideration settled in cash	43 121	
Bank overdraft in subsidiary acquired	11 043	
Cash outflow on acquisition	54 164	

INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

AS AT 31 DECEMBER 2008

Incorporated in South Africa	Type	Issued share capital		% Direct (indirect) interest		Cost of shares	
		2008 R'000	2007 R'000	**2008 %**	2007 %	**2008 R'000**	2007 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**	75	**1**	1
Smiths Plastics (Pty) Ltd	ordinary			**100**	100	**28 194**	28 194
Unitrade 745 (Pty) Ltd	ordinary			**100**	100		
Smiths Electric Motors (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)		
Automould (Pty) Ltd	ordinary			**(100)**	(100)		
Alfred Teves Brake Systems (Pty) Ltd	ordinary			**(100)**			
MANAGEMENT SERVICES							
Metair Management Services (Pty) Ltd	ordinary			**100**	100		
Business Venture Investments No 1217 (Pty) Ltd	ordinary			**100**	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)**	(100)		
Climate Control Properties (Pty) Ltd	ordinary			**(100)**	(100)		
						52 695	52 695
ASSOCIATES							
Tenneco Automotive Holdings SA (Pty) Ltd	ordinary			**25,1**	25,1		
Valeo Systems South Africa (Pty) Ltd	ordinary			**49**	49	**2 793**	2 793
Tuniwell (Pty) Ltd	ordinary			**(40)**	(40)		
Toyoda Gosei (Pty) Ltd	ordinary			**(20)**	(20)		
Vizirama 112 (Pty) Ltd	ordinary			**33**	33	**1 045**	
						3 838	2 793

INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

AS AT 31 DECEMBER 2008

	2008 **R'000**	2007 R'000
Indebtedness by subsidiaries to the holding company before impairment:		
Metindustrial (Pty) Ltd	**223 218**	180 096
Smiths Electric Motors (Pty) Ltd		3 789
Metair Management Services (Pty) Ltd	**23 565**	246 583
Hella SA (Pty) Ltd	**79 707**	5 000
Unitrade 745 (Pty) Ltd	**10 247**	10 247
Smiths Plastics (Pty) Ltd	**238 417**	109 013
The Metair Share Incentive Trust		32
Business Venture Investments 1217 (Pty) Ltd	**10 945**	29 947
Metair Share Trust	**15 699**	375
	601 798	585 082

NOTICE TO SHAREHOLDERS

METAIR INVESTMENTS LIMITED
(Incorporated in the Republic of South Africa)
(Registration Number 1948/031013/06)
JSE share 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 Ltd will be held in the boardroom, Wesco House, 10 Anerley Road, Parktown, Johannesburg, on Tuesday, 5 May 2009, at 14:00 for the following purposes:

Ordinary business

1. To consider and approve the annual financial statements for the year ended 31 December 2008.

2. To re-elect Mr BM Jacobs as director, who retires in terms of the Articles of Association, but, being eligible, has offered himself for re-election (note 1).

3. To re-elect Mr AD Plummer as director, who retires in terms of the Articles of Association, but, being eligible, has offered himself for re-election (note 1).

4. To re-elect Mr RS Broadley as director, who retires in terms of the Articles of Association, but, being eligible, has offered himself for re-election (note 1).

5. To re-elect Ms A Galiel as director, who retires in terms of the Articles of Association, but, being eligible, has offered herself for re-election (note 1).

6. To re-elect Mr JG Best as director, who retires in terms of the Articles of Association, but, being eligible, has offered himself for re-election (note 1).

7. Special business

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 Ltd, 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 Ltd ("the JSE"), be extended, subject to the following terms and conditions:

– Any repurchase of securities must be effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the company and the counter-party;

NOTICE TO SHAREHOLDERS

CONTINUED

- This general authority be valid until the company's next annual general meeting, provided that it shall not extend beyond 15 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 therefor 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 Ltd, 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 6-7.
Major shareholders of the company – refer to page 29.
Directors' interests in the company's securities – refer page 30.
Share capital – refer page 66.

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 6-7 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

NOTICE TO SHAREHOLDERS

CONTINUED

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 Ltd.

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) Ltd, 70 Marshall Street, Johannesburg, 2001/PO Box 61051, Marshalltown, 2107) by no later than 30 April 2009 at 14:00.

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

By order of the board.
SM Vermaak
Secretary
Johannesburg
19 March 2009

Registered office

Metair Investments Ltd
Wesco House
10 Anerley Road
Parktown
Johannesburg

NOTE

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

Mr BM Jacobs

Brian is a Chartered Accountant and completed his articles with PricewaterhouseCoopers. He has held various senior financial positions with companies, including Pillsbury, Tiger Brands and Foodcorp. Brian was appointed as group finance director in December 2008.

Mr AD Plummer

Since qualifying as Chartered Accountant (England and Wales) Alan has spent his entire career in the motor industry. He worked for the Ford Motor Company in the UK from 1970 until he emigrated to South Africa in 1976 and joined Toyota South Africa Manufacturing becoming finance director in 1978. He was appointed as managing director of Metair in January 1984 and served in this position until his retirement in March 2006. He took over the role of chairman from Elisabeth Bradley until the appointment of Mpueleng Pooe to that position in April 2007. He remained on the board as a non-executive director and last year was appointed chairman of the Board Audit Committee. He is also a member of the Metair Board Remuneration Committee.

He was appointed as non-executive director to the Board of Autovest Ltd, a group producing components and accessories for the motor industry, in 2007.

NOTICE TO SHAREHOLDERS

CONTINUED

Mr RS Broadley

After completing 21 years of service with Ford Motor Company, Ralph joined Toyota South Africa as director in charge of assembly and manufacturing in 1972. He retired as managing director of the manufacturing arm of Toyota South Africa in 1997 having served in that capacity since 1988. After retirement he continued as a consultant to the company until 2002. He served on the main board of Toyota South Africa from 1984 to 2002.

He was appointed to the Metair Board as non-executive director in April 2001 and is now classified as independent non-executive director. He is chairman of the Metair Board Remuneration Committee. He is also a non-executive director of Wesco Investments Ltd.

Ms A Galiel

Aziza started her career in auditing, completing her articles at KPMG and qualifying as a Chartered Accountant. Once qualified, she spent two years on secondment at KPMG Kuala Lumpur, after which she returned to South Africa and embarked on a career in asset management. She completed the CFA programme in 2000.

After working for five years as an equity analyst and portfolio manager, Aziza resigned from Sanlam Investment Management in 2001 to work as an independent consultant. Aziza was appointed to the Metair Board as independent non-executive director in July 2008. She is also a member of the Metair Board Audit Committee.

Mr JG Best

Jonathan has spent most of his career in the mining industry in various senior financial and managing roles. When he retired in July 2005 he was an executive director and chief financial officer of AngloGold Ashanti. He currently serves on various boards, these being AngloGold Ashanti Holdings plc, JSC Polymetal (a company listed on the London Stock Exchange) as well as Sentula Mining (a company listed on the JSE). Jonathan's qualifications include: associate of the Chartered Institute of Management Accountants, associate of the Institute of Chartered Secretaries and Administrators, and an MBA from the University of Witwatersrand.

Jonathan was appointed to the Metair Board as independent non-executive director in February 2009. He is also a member of the Metair Board Audit Committee.

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

No dividend was declared	March

Shareholders are reminded to notify the Transfer Secretaries of any change of address.

NOTES

NOTES

FORM OF PROXY

METAIR INVESTMENTS LIMITED
(Incorporated in the Republic of South Africa)
(Registration Number 1948/031013/06)
JSE share 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 Ltd 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 14:00 on Tuesday, 5 May 2009 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
1. Adoption of financial statements	☐	☐	☐
2. Re-election of Mr BM Jacobs as a director	☐	☐	☐
3. Re-election of Mr AD Plummer as a director	☐	☐	☐
4. Re-election of Mr RS Broadley as a director	☐	☐	☐
5. Re-election of Ms A Galiel as a director	☐	☐	☐
6. Re-election of Mr JG Best as a director	☐	☐	☐
7. 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 ______________________ 2009.

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 / PO Box 61051, Marshalltown, 2107) by no later than Thursday 30 April 2009 at 14:00.

Please read the notes on the reverse side hereof.

FORM OF PROXY

CONTINUED

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 (PO Box 61051, Marshalltown, 2107) so as to be received by not later than 14:00 on Thursday, 30 April 2009.

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.

Metair Investments Limited
Wesco House
10 Anerley Road
Parktown
Johannesburg

www.metair.co.za

Produced by
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