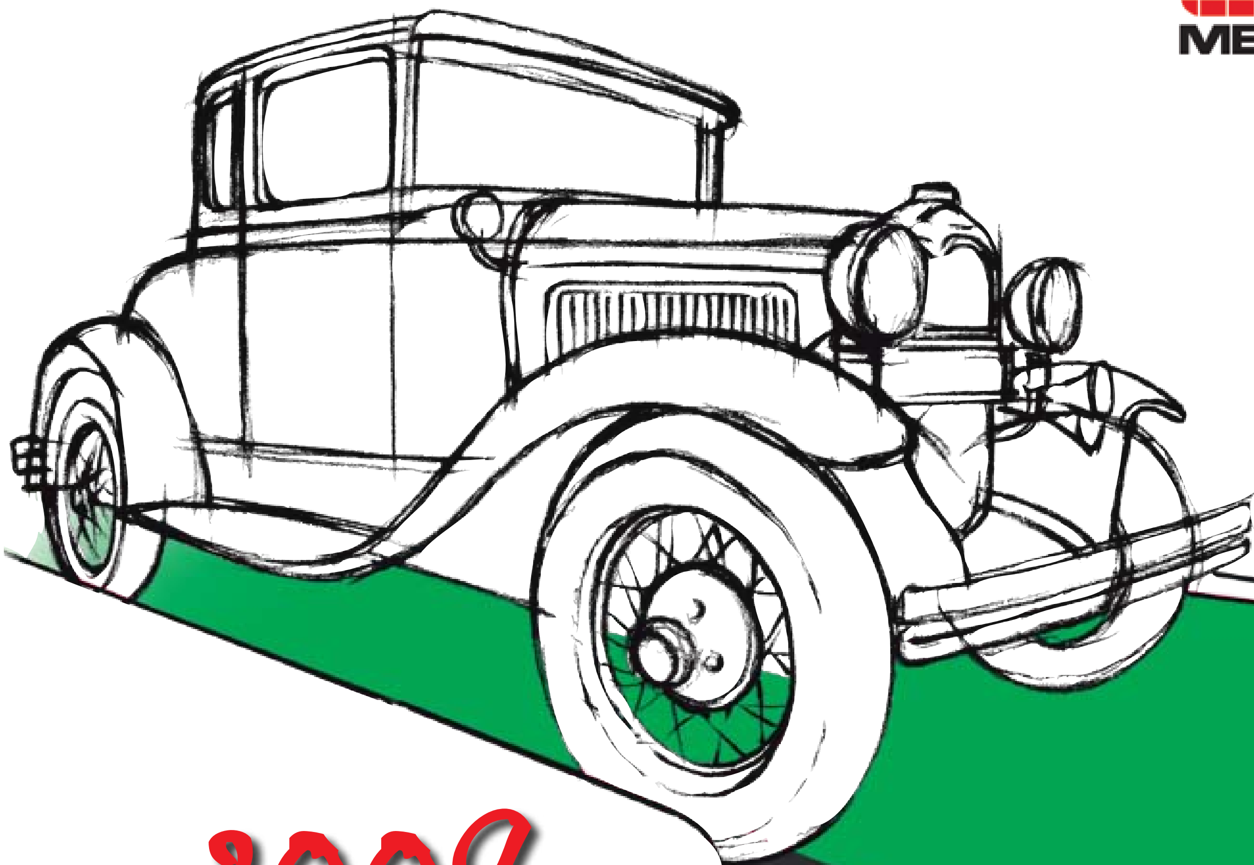
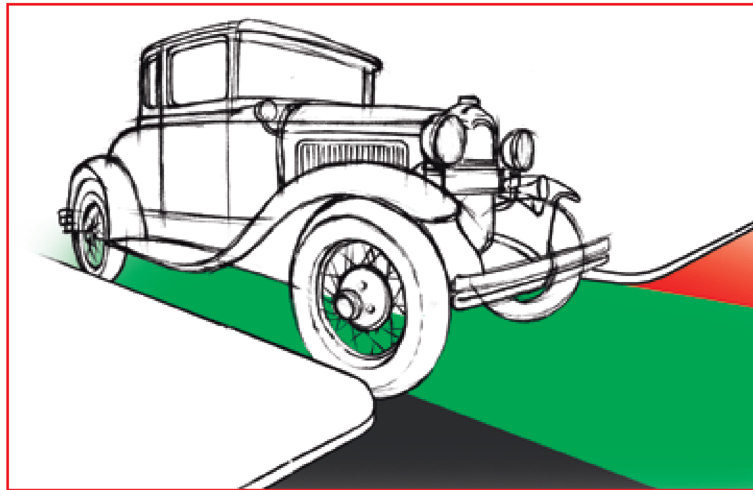
METAIR INVESTMENTS LIMITED

ANNUAL REPORT



2009



COVER IMAGE:

Both the automotive industry and Metair find themselves at a crossroads.
Crucial decisions in the year ahead will determine
whether we accelerate to join the high road or gear down for the low road.
Global trends demand that we revert to the drawing board to rethink, refine and regroup.
The call to "get back to basics" – symbolised by the visual of the illustrative model above – has never been clearer ...

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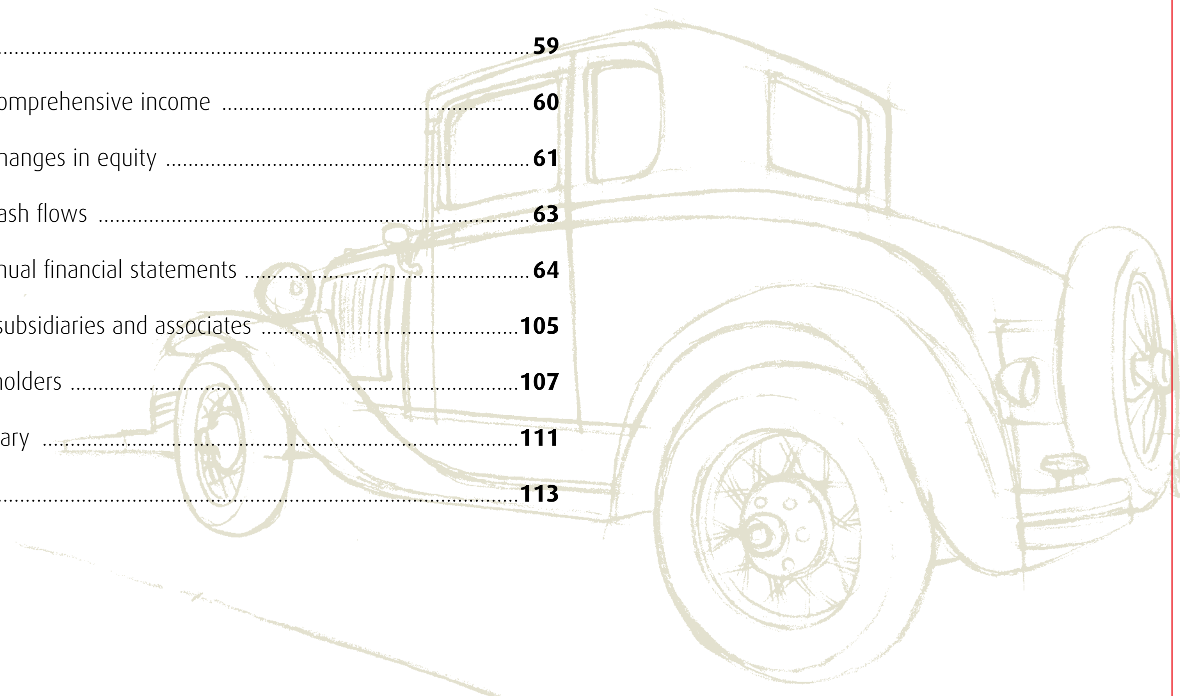
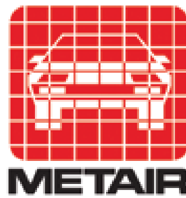


group structure

Group structure at a glance



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%
Coil springs
Leaf springs
Stabilisers
Torsion bars

Alfred Teves Brake Systems (Pty) Ltd (100%)
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

Lumotech (Pty) Ltd
100%
Headlights
Plastic injection mouldings
Lamps
Wheel trims
Horns

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

UNITRADE

Unitrade (Pty) Ltd
100%
Automotive cable

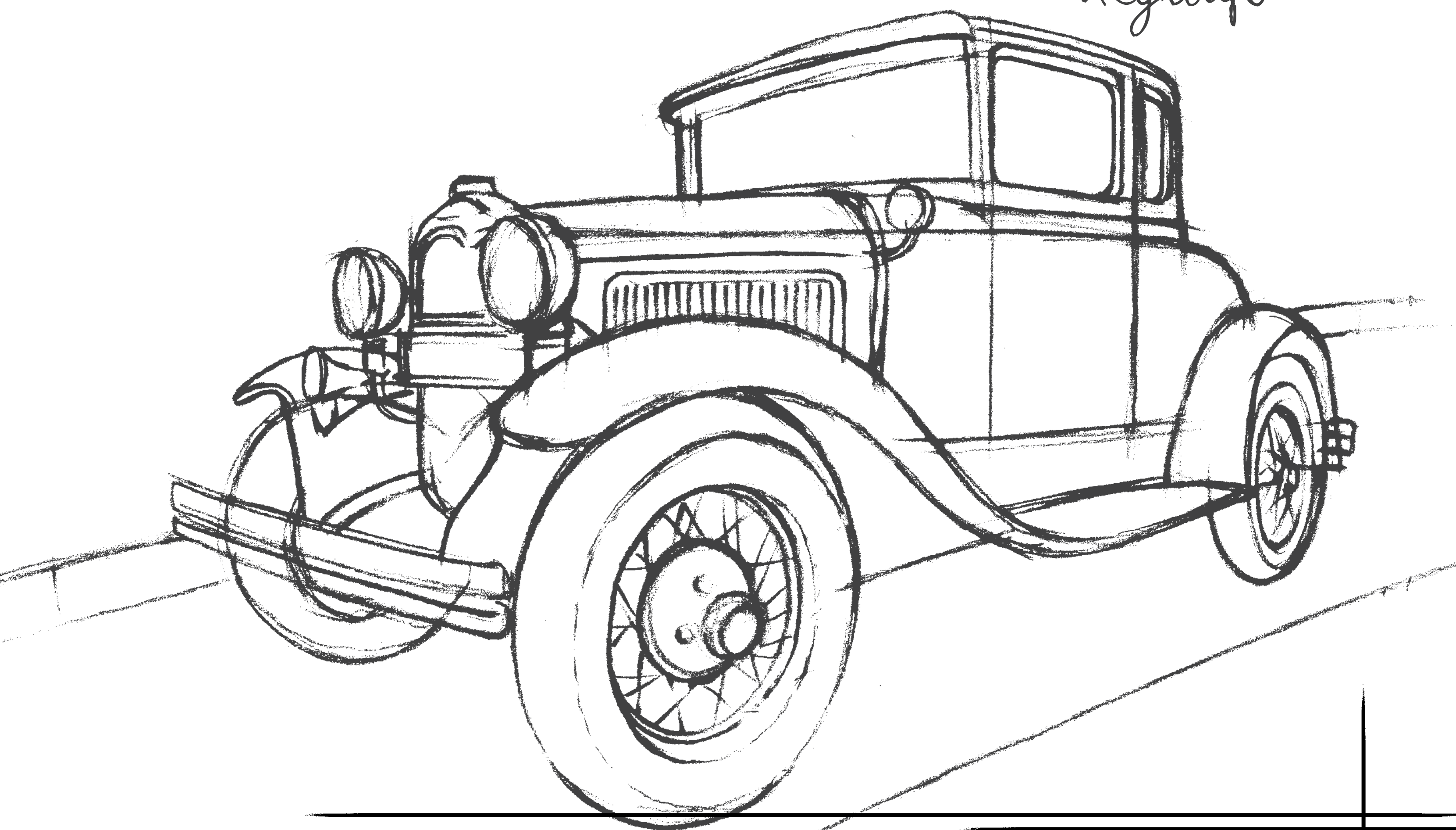
Tenneco Automotive Holdings SA (Pty) Ltd
25,1%
Shock absorbers
Struts
Track control arms

group performance

Rethink

Refine

Regroup



Financial highlights

For the year ended 31 December 2009

	2009 R'000	2008 R'000	2007 R'000	2006 R'000	2005 R'000
Revenue	**3 342 053**	4 180 398	2 984 293	2 641 911	2 151 020
Profit before taxation	**118 219**	74 777	287 185	324 931	241 995
Impairment of assets	**47 082**	122 590			
Interest paid	**30 146**	43 725	9 856	6 846	10 104
Preference dividend	**7 214**	7 660	7 182		
Profit/(loss) attributable to ordinary shareholders	**52 210**	(13 080)	174 509	203 240	158 799
Total equity	**1 184 021**	1 113 664	1 190 132	107 362	986 910
Interest-bearing debt	**76 515**	99 251	27 126	18 121	69 081
Cumulative redeemable preference shares	**75 000**	100 000	100 000		
Property, plant and equipment	**657 892**	714 001	702 417	614 087	502 118
Current assets	**1 238 232**	1 290 793	1 079 221	836 316	792 889
Total assets	**2 000 717**	2 133 401	1 906 625	1 533 247	1 369 026
Number of shares in issue	**152 532**	152 532	152 532	151 645	149 875
Weighted average number of shares in issue	**142 352**	141 707	142 085	151 250	149 600
Net asset value per share (cents)*	**776**	729	775	660	631
Basic earnings per share (cents)	**37**	(9)	123	134	106
Headline earnings per share (cents)	**67**	74	124	133	104
Dividend per share (cents) declared and paid**	**0**	40	40	34	34
Dividend cover (times) (calculated on headline earnings)**		1,8	3,1	3,9	3,1
Net profit as a % of average total shareholders' funds	**5,5**	0,3	17,2	21,3	17,4
Profit before interest and tax as a % of ordinary shareholders equity (ROE)	**13,1**	10,9	26,3	31,9	25,2
Total shareholders' funds as a % of total assets	**59,2**	52,2	62,4	70,3	72,1
Interest cover (times)	**4**	2	17	47	26

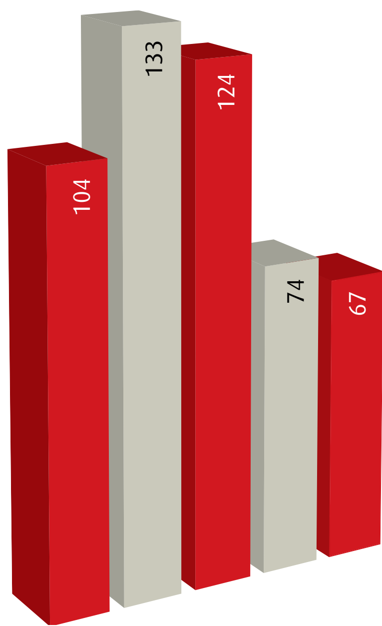
Notes:

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

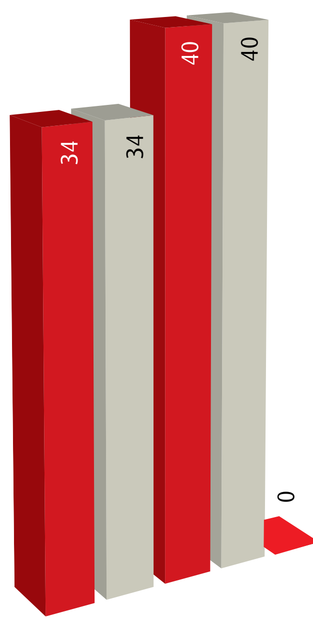
** In respect of the preceding year.

group performance

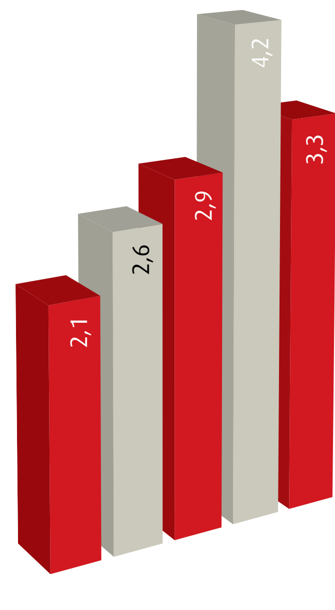
"Both the industry and Metair find themselves at a crossroads that will determine the new direction as the world shifts its attention to growing and low-cost countries such as China and India."



Headline earnings per share (cents)



Dividends per share (cents)



Revenue (R'billion)

Group profile

and turnover by segment

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. The six operating subsidiaries and two associate companies are autonomously managed and each has a specific product focus.

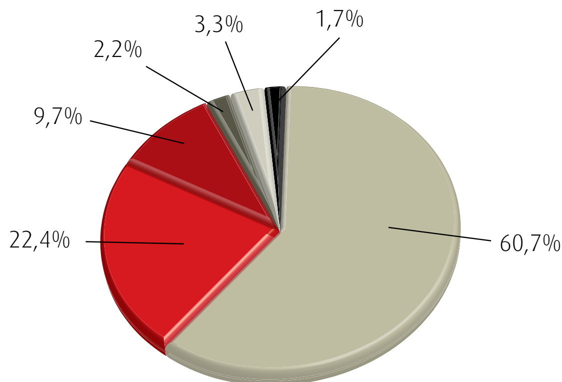
Products manufactured include heating and cooling systems, shock absorbers, springs, lead acid batteries, lighting and signalling devices, plastic mouldings, wiring harnesses, front-end modules and brake pads.

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

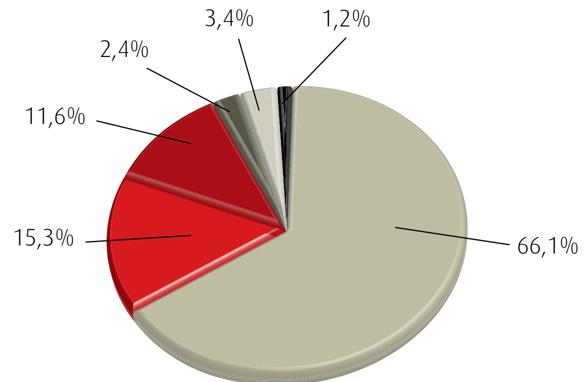
Ongoing investments in facilities and people ensure that subsidiary companies meet the challenge of continuous quality and efficiency improvements to maintain a competitive edge despite increasing demands from customers to reduce costs.

TURNOVER BY SEGMENT (R'000)

	2009	2008
LOCAL		
Original equipment	**2 029 137**	2 763 236
Aftermarket	**748 355**	639 668
Non-auto	**323 168**	484 434
EXPORT		
Original equipment	**73 494**	99 996
Aftermarket	**111 833**	141 031
Non-auto	**56 066**	52 033
	3 342 053	4 180 398



Turnover by segment 2009



Turnover by segment 2008

directors and officers of the company

1

OME POOE (51)
Non-executive chairman
B Proc, Management Development Program, Certificate in Advanced Corporte and Securities Law

2

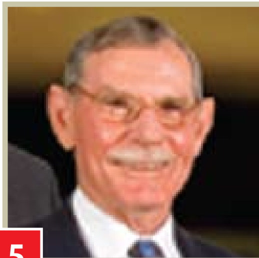
CT LOOCK (45)
Managing director
B Eng (Industrial)

3

BM JACOBS (42)
Finance director
B Comm, B Acc, CA (SA)

4

A JOFFE (41)
Non-executive director
B Comm (Hons), GDA CA (SA)



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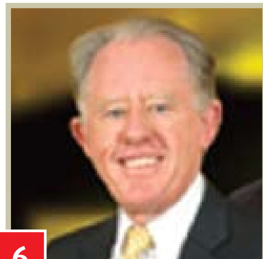
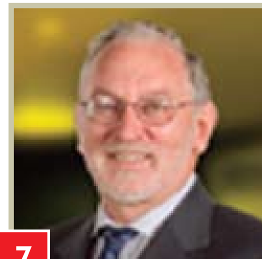
RS BROADLEY (77)
Independent non-executive director
Advanced Technical Certificate (Engineering)



6

GMC RYAN (61)
Non-executive director
B Comm, CTA, CA (SA), MBA



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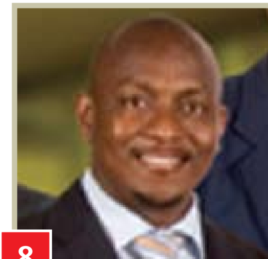
AD PLUMMER (62)*
Non-executive director
FCA (England and Wales)



8

LM NDALA (36)
Non-executive director
CA (SA)

9

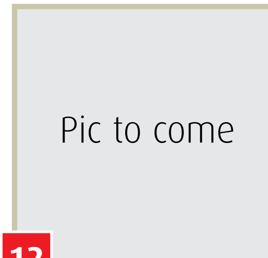
L SOANES (73)*
Independent non-executive director
National Certificate of Engineering

10

B MOLOTLEGI (37)
Non-executive director

11

A GALIEL (40)*
Independent non-executive director
CA (SA), CFA



12

JG BEST (61)
Independent non-executive director
AICMA, ACIS, MBA

13

SM VERMAAK (44)
Company secretary
B Comm (Fin M) AIRMSA

** British*

Messrs Plummer, Ryan and Ndala resigned on 1 January 2010.

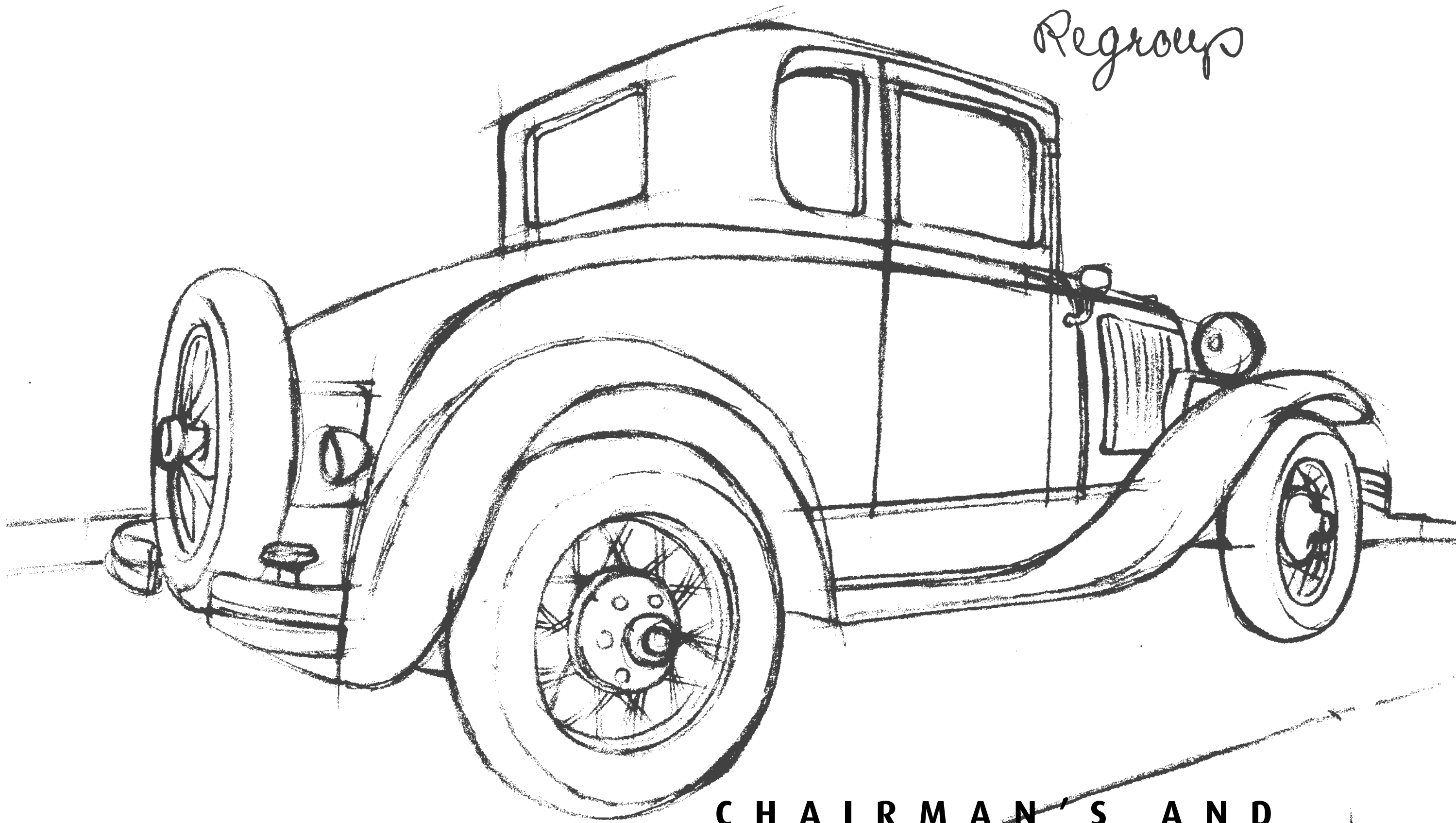
COMPANY SECRETARY
SM Vermaak

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's
and managing director's reports



CHAIRMAN'S AND MANAGING DIRECTOR'S REPORTS

Chairman's report

Mpueleng Pooe
Chairman

Decisive action at the onset of the global economic crisis at the end of 2008 saw the group focus its efforts on cash and working capital management to ensure sustainability.

With positive cooperation from all stakeholders, Metair managed to finish the most challenging period in its history with no gearing if cash on hand at year-end is included.

Although an overall market decline of 20% required less working capital, the strict targeting and control of working capital reduction programmes in line with this reduced activity ensured delivery of net cash amounting to R233 million at year-end.

The automotive industry is still in a state of flux as the world markets and consumers react to the stimulus packages that were offered in an effort to stimulate some demand for vehicles while also reducing the industry carbon footprint. Consumer preference and customer requirement will be redefined during 2010, particularly in the light of one of the industry's largest recall programmes in its history by a major player in the market.

Similarly, the automotive landscape will be redefined over the next few years as the industry worldwide relies on swift and varied national and local government incentives to attract the presence of major vehicle manufacturers.

With these global trends in mind Metair needs to revert to the drawing board to plot the road ahead as vehicle manufacturers invent new business models and supplier strategies for new vehicle launches.

Both the industry and Metair find themselves at a crossroads that will determine the new direction as the world shifts its attention to growing and low-cost countries such as China and India.

Metair may have survived the initial crisis, but it will have to adapt to the challenges that will arise as the new automotive landscape unfolds over the next few years.

The Board and Executives of Metair will need to reconsider its governance and strategy in terms of its material risks and opportunities and key performance indicators in order to ensure its long term sustainable development.

In the period under review, the King Report on Corporate Governance for South Africa was released for implementation in March 2010.

In preparation, Metair has conducted a high level gap analysis to determine the aspects of our governance structure which will either need initiation or adjustment to meet changing stakeholder expectations on socio-economic and environmental issues.

In the coming year, Metair will assess its systems and processes for understanding, identifying and managing both its direct and indirect risks to the financial bottom line.

While macro-economic issues are expected to remain at centre stage, Metair is committed to addressing more local, focussed issues relating to transformation, health and safety, customer satisfaction, job creation, resource efficiency, waste management and innovation with particular emphasis on green house gas emissions.

BOARD COMPOSITION

Jonathan Best was appointed on 24 February 2009 as Independent Non-executive Director and assumed the role of Chairman of the Audit Committee.

In line with the decline in the market the board also reduced the number of board members (from 11 to 8) as Alan Plummer, Lucas Ndala and Gavin Ryan resigned from the board in December 2009.

The board would like to thank the retiring members for their valued contribution over the years.

OME Pooe
Chairman
17 March 2010

Managing director's report

Theo Loock
Managing director

The period under review was particularly difficult as Metair came to grips with the economic fallout brought on by the financial crisis of October 2008.

The substantial decline in demand for vehicles worldwide resulted in a more than 38% decline in the export of vehicles from South Africa to 174 947.

Total vehicles produced in South Africa in 2009 declined to 354 158 from 471 030 in 2008, a decline of 25%.

Imported vehicle market share increased to an alarming 65% during this period although the average for the full year was 52%.

Metair was particularly hard hit by the decline in production from its largest customer Toyota South Africa. Actual production during 2009 by Toyota was less than 50% of the planned level of 220 000 vehicles per annum.

During the year Metair closed down its Eastern Cape plastics business, Kimitar (Pty) Limited. Kimitar operations were discontinued by the middle of December 2009. Kimitar's losses and the cost of closure was R40 million.

This operation was negatively impacted by the decline in business in the Eastern Cape, and the inability to adequately recover material price increases from customers. Future turnover secured by Kimitar relating to a new model launch has been transferred to other group subsidiaries.

Metair responded early in the financial year to the new economic reality by:

- Dramatically reduce its forecast of 2009 production volumes;
- Aggressively managing working capital using the revised volume forecast;
- Re-engineering the group's subsidiaries to ensure that all subsidiaries were at least cash flow-neutral on a sustainable basis on the lower forecast volumes; and
- Consolidating businesses that were not viable.

Notwithstanding margin pressure in the original equipment (OE) segment, the above actions resulted in the protection of gross margins in the aftermarket, non-automotive and export segments.

Metair has emerged from the crisis as a lean organisation with a robust balance sheet. The group is cash generative and positioned to take advantage of the upturn in economic conditions. Metair will continue to utilise its technology, lean manufacturing expertise and distribution infrastructure to grow its aftermarket and non-auto business. Value-accretive acquisitions that focus on the aftermarket and non-automotive sectors will be considered.

Over the past 18 months providers of capital to the automotive industry significantly cut back on facilities. During the year Metair remained focused on improved cash management and net gearing (total short- and long-term borrowings less cash equivalents) reduced to -8% from 15% in 2008. The movement from net gearing of R181 million in December 2008 to net cash of R81 million at

Managing director's report
continued

December 2009 is a significant achievement in the context of conditions prevailing in the automotive industry.

In response to this dramatic decline Metair had to realign staffing levels to the new market level and in the process shed 3 000 employment positions, both direct and indirect. Survival in the automotive market requires the ability to quickly adjust to market conditions. Although all companies in the group were affected, OE-dependant companies – especially the plastics, wiring harnesses and lighting businesses – were hardest hit by the decline.

RESULTS

Headline earnings per share for the full year was 67 cents compared to 74 cents achieved in 2008, reflecting a 9% decrease.

Earnings per share after impairments was 37 cents compared to a loss of 9 cents in the previous period.

Goodwill on Automould (Pty) Ltd of R10,5 million and property, plant and equipment at Hesto Harnesses (Pty) Ltd and Alfred Teves Brake Systems (Pty) Ltd of R20 million and R16,5 million respectively, were impaired. These impairments were necessary due to continued pressure on volumes and margin from major customers within the original equipment segment.

The supply of plastics components to the original equipment manufacturers (OEMs) is highly competitive and can only be done from an internationally competitive base. The group therefore believes that it needs to find a multinational low-cost base partner for its plastics business.

Segmental reporting clearly shows that current returns in the original equipment market are negative and therefore all of the impairment charges relate to investments in property, plant and equipment for this market.

SEGMENTAL REPORTING

Turnover for the period declined by 20% to R3 342 million compared to R4 180 million in 2008. Gross margin declined to 16% from 16,4% in 2008.

Turnover in the OE sector declined by 27% to R2 029 million (R2 763 million in 2008). Margins in this sector were under severe pressure as volume throughput was lost. This was compounded by worldwide spare capacity which enabled customers to exert considerable pricing pressure on subsidiaries. A loss of R59 million was incurred in the OE sector.

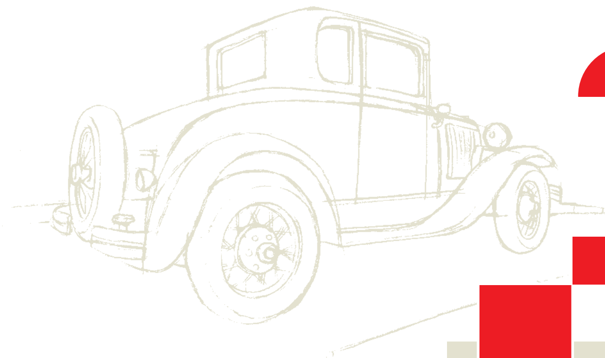
Local aftermarket turnover increased by 17% to R748 million as the capital investments incurred in 2008 and 2009 were put into production. Operating profit in the aftermarket sector grew to R105 million as costs were kept under strict control in order to take advantage of increased volumes. A pleasing operating margin of 14% was achieved.

Non-automotive turnover in the local market declined to R323 million (33%), but operating profit was maintained at R62 million as cost controls were put in place. This resulted in the operating margin improving from 12% to 19%.

Total direct exports amounted to R241 million, a decline of 18%. Non-auto exports were marginally up while OE and aftermarket exports declined. Operating profit from this segment remained at R15 million.

Impairment of assets relating to property, plant and equipment and goodwill for the OE sector was R47 million. The total amount impaired since the onset of the downturn amounts to R170 million.

Included in other income was a bad debt recovery of R20 million and the gain on the derecognition of a financial



Managing director's report

continued

liability of R25 million as well as a curtailment benefit on the Metair Defined Benefit Pension Fund of R9 million.

CORPORATE ACTIVITY

No acquisitions were made during the period as the industry experienced its biggest decline in 30 years.

Corporate activity was confined to the closure of Aristons (Pty) Limited and SPE Limited business. Some of the assets in excess of group requirements were sold. The size of the transactions is of such a nature that it does not require any further disclosure.

REVIEW OF OPERATIONS

The group has elected to disclose segmental information in terms of IFRS 8 requirements under the following categories.

Local Segment

Original Equipment
Aftermarket
Non-Auto

Export Segment

Original Equipment
Aftermarket
Non-Auto

The review of operations under the OEM segment is of utmost importance as, prior to the economic downturn, Metair had elected to commit to high-volume production for vehicle manufacturing for both the domestic and export markets. As this business was for vehicle platforms that are produced globally, traditional margins were under pressure from multinational suppliers. In the absence of anticipated high volumes, the margins from that business are being squeezed.

The group's plastic businesses were the hardest hit and decisive action was required to limit the losses in the plastics group. Internal consolidation reduced the business from four to two operations. In addition to strict cost-cutting initiatives, the staff levels also had to be reduced.

The success of current price negotiations with OEM customers to recover economic increases, especially projected electricity prices and labour inflation, is of utmost importance if the group is to ensure no further erosion of contributions from this segment.

Currently, the aftermarket and non-automotive businesses support the increasingly negative contributions from the OEM segment.

PROSPECTS

Metair's prospects are dependent upon OE production volumes, the rand exchange rate and general economic growth.

The aftermarket and non-automotive segments, which are dependent on general economic growth, have planned for improved performances in 2010. The export market will remain under pressure.

Metair's current view is that 400 804 vehicles will be produced in South Africa in 2010, an increase of 13%, compared to 354 158 in 2009. If these production volumes are achieved and the group can maintain its gross margin percentage the group should show meaningful growth in headline earnings during 2010.

A competitive exchange rate is important if the South African component industry is to remain globally competitive.

Managing director's report

continued

The table below reflects Metair's current view on the projected five-year production volumes.

As not all group companies are in a position to participate in the new vehicle launches, only those that enjoy participation opportunity could benefit from these new programmes.

SUSTAINABLE DEVELOPMENT

Metair acknowledges that its long-term sustainable development is inextricably linked to the well-being of its material stakeholders. Over the coming year and in line with the King Report's principle of stakeholder management, the Board will take stakeholder issues into account when reviewing its long-term strategy.

A roadmap is being developed which will sequentially address group policies, systems and processes, performance management, and targets and benchmarks in pursuit of sustainable development.

Metair supports King's principle of integrated management and reporting. As such, some of the foundation stones for our 2010 Integrated Report have been included in this year's Annual Report.

The sustainability report can be found on page 31 and the corporate governance review on page 25.

CT Loock
Managing director

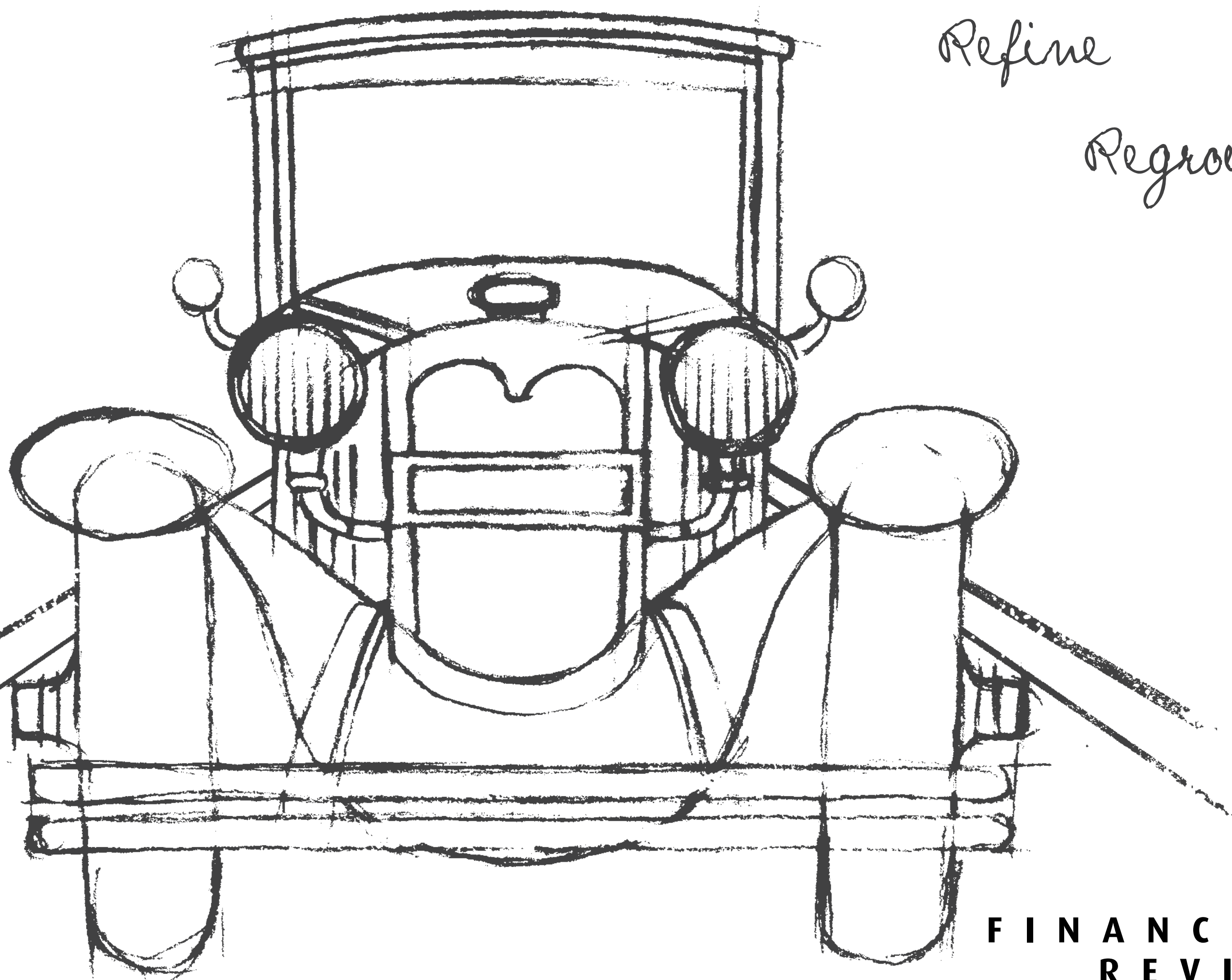
	Actual		Projection				
	2008	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**
Passenger Vehicles	321 124	**222 981**	279 946	295 400	281 711	296 574	312 250
Light Commercial Vehicles	205 955	**131 177**	120 858	135 407	173 671	192 373	204 361
Total	**527 079**	**354 158**	**400 804**	**430 807**	**455 382**	**488 947**	**516 611**
Year-on-year		**(33%)**	13%	7%	6%	7%	6%

financial review

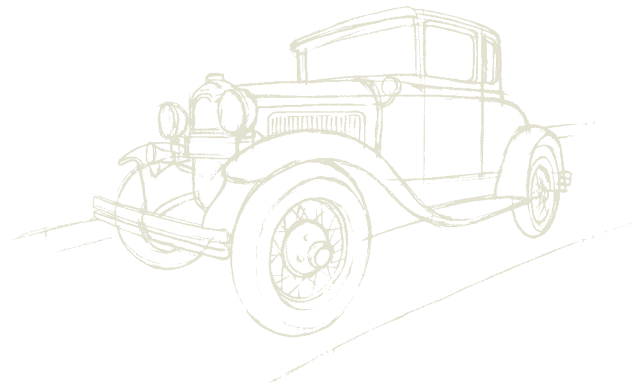
Rethink

Refine

Regroup



FINANCIAL REVIEW



Financial review

	2009	2008
	R'billion	**R'billion**
Revenue	**3,342**	4,180
Profit before taxation	**118,2**	74,8
Impairment of assets	**47,1**	122,6
Profit/(loss) attributable to ordinary shareholders	**52,2**	(13,1)
Total equity	**1 184**	1 114
Interest-bearing debt	**151,5**	199,3
Property, plant and equipment	**657,9**	714,0
Current assets	**1 238**	1 291
Total assets	**2 001**	2 133
Net asset value per share (cents)*	**776**	729
Basic earnings per share (cents)	**37**	(9)
Headline earnings per share (cents)	**67**	74

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

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.

Revenue declined by 20% from R4,180 billion to R3,342 billion. Gross profit margin declined from 16,4% to 16%. This was primarily due to cost and internal inflation increases being only partially offset by selling price increases. The full financial year effect of ATE is included compared to the prior period which reflected only a period of three months.

Other operating income increased primarily due to a reversal of a bad debt provision of R20 million that was provided for in 2008. In addition, a R25 million gain was recognised on the de-recognition of a financial liability relating to the Metair Share Incentive Trust.

Distribution costs have increased primarily due to increased volume on the aftermarket segment. Administrative costs have declined year on year primarily due to the cost-saving initiatives and restructuring during the year.

Operating profit increased from R94,3 million to R141,9 million. Included in the operating figures are impairment charges of R122,6 million in 2008 compared to R47,1 million in 2009. Excluding the impairment charges operating profit would have been R216,9 million in 2008 compared to R189,0 million in 2009.

Interest expense declined due to the effect of reducing working capital and the improvement in cash resources.

Impairment charges in 2009 comprise of R20 million and R17 million relating to plant and equipment at our wire harness and brake operations, and R10,5 million relates to the remainder of goodwill at our Automould operation.

Associate income was significantly down on the prior year primarily due to under-recovery of price increases.

Prior to year-end a decision was taken to close our plastic injection moulding business in the Eastern Cape as a direct

Financial review

continued

SEGMENTAL REPORTING

2009

	Local			**Direct Exports**				
	Original equip-ment	**After-market**	**Non-auto**	**Original equip-ment**	**After-market**	**Non-auto**	**Recon ciling items**	**Total**
Turnover	**2 029 137**	**748 355**	**323 168**	**73 494**	**111 833**	**56 066**		**3 342 053**
Profit before interest and tax (PBIT)	**(59 438)**	**105 267**	**61 918**	**9 352**	**6 035**	**(297)**	**19 499**	**142 336**

2008

	Local			**Direct Exports**				
	Original equip-ment	**After-market**	**Non-auto**	**Original equip-ment**	**After-market**	**Non-auto**	**Recon-ciling items**	**Total**
Turnover	2 763 236	639 668	484 434	99 996	141 031	52 033		4 180 398
Profit before interest and tax (PBIT)	12 889	27 825	60 373	(8 762)	18 730	5 243	(4 903)	111 395

result of the decline in volumes and its loss-making position.

In line with IFRS 8 the group now reports and discloses on its segmental analysis.

The continuing effects of the events of October 2008 can be clearly seen as the original equipment turnover and profitability remain under significant pressure. The aftermarket business – comprising primarily of the battery and brake pad business continues to perform well. All impairment charges over the past year and in the prior year have arisen as a direct result of the decline in the original equipment segment.

A decision was taken in 2008 to significantly reduce planned capital expenditure for the 2009 year. The primary focus in the current year was on the battery business which saw us increasing manufacturing and lead smelter capacity.

The balance sheet was well controlled and the emphasis on cash management was – and remains – a key focus area for the group. Gearing (including cash) at 0% in 2009 compared to 2008 at 16%. Cash generated in operations increased from R368,8 million in 2008 to R388,1 in 2009. Reduced cash flows from investing activities, offset by outflows from financing activities, resulted in an increase in cash balances of R214 million.

The Metair defined benefit pension fund was converted to being partially paid up on 30 April 2009. The results of the conversion resulted in 212 members electing to exit the fund, 120 members elected to maintain past service but exit with respect to future service, and the remaining 58 members elected to maintain past and future service with the fund. At the date of conversion, of the 58 members who elected to remain with the fund 16 members were due to retire in the next 12 months and 23 members were in the process of exiting the fund.

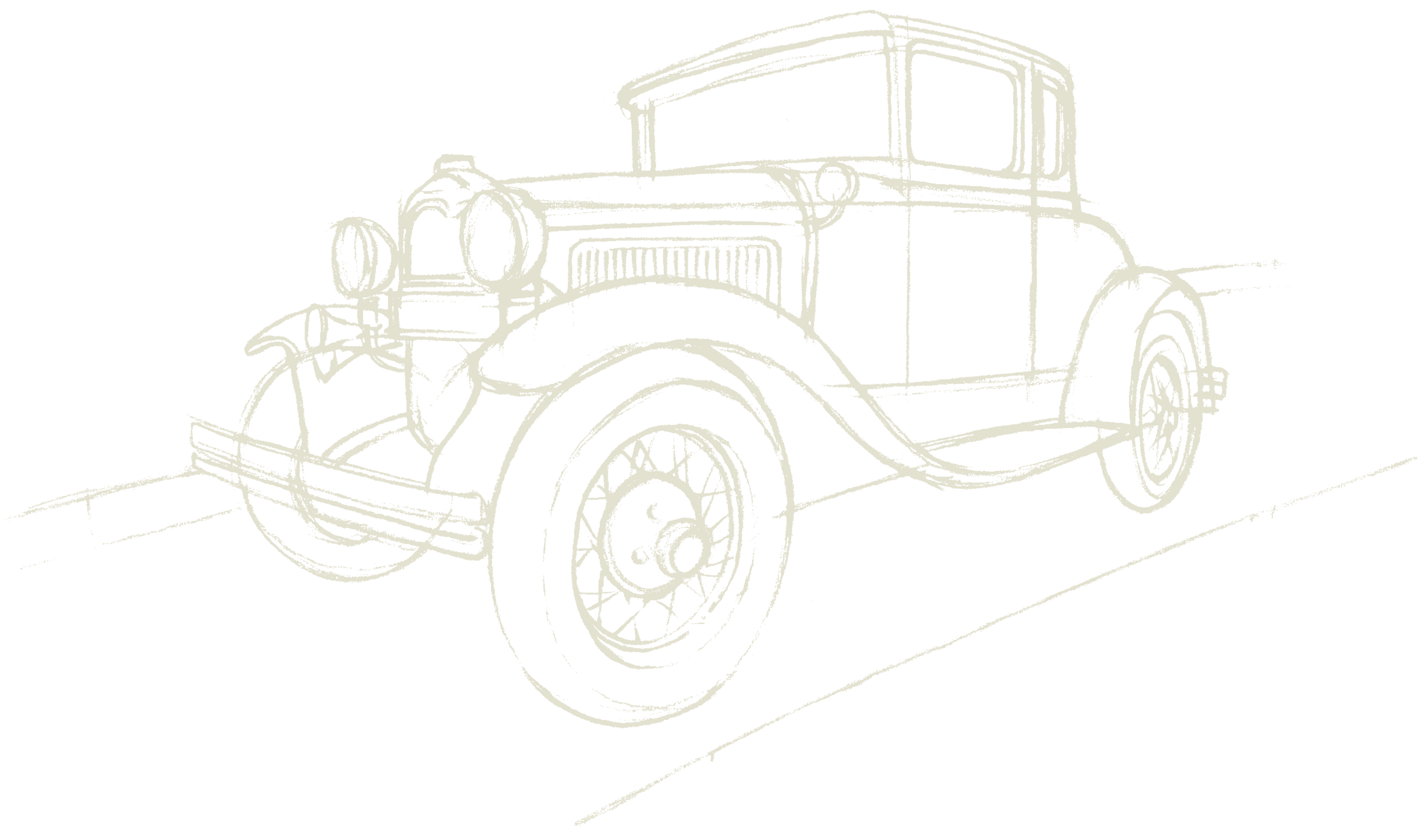
Financial review

continued

A decision was taken by the trustees of The Metair Share Incentive Trust (MSIT) and the Board of Metair to dissolve the MSIT. The result of this decision is that the MSIT will need to dispose of 10 million shares in Metair Investments Limited in order to repay funding it acquired in 2007 by way of cumulative redeemable preference shares. At 31 December 2009 the Metair Investments Limited share price was R5,30 per share. Accordingly, Metair Investments Limited provided in its company accounts for the guarantee held of R37 million by Rand Merchant Bank. The Board of Metair Investments Limited has approved the repurchase of the 10 million shares held by MSIT which will be tabled for approval by shareholders at the AGM.

One of the group's major customers during the early part of 2009 amended its policy with suppliers regarding management of foreign exchange risk. The change has resulted in the group taking a more risk-averse approach by matching the customer's exchange rates with the use of FECs. (Refer note 21.5.)

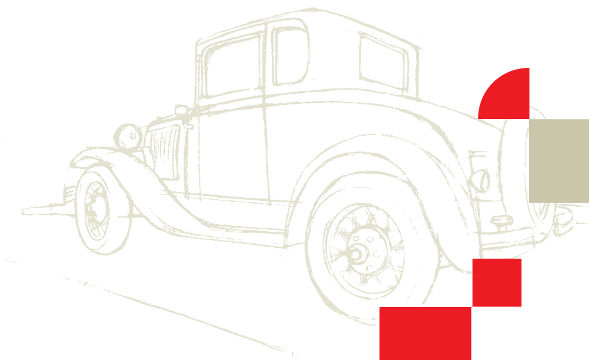
Continued focus on cost-saving initiatives, cash management and working capital management will continue in 2010.



Analysis of shareholders

An analysis of shareholders at 31 December 2009 showed the following:

SHAREHOLDER SPREAD	No of Shareholdings	%	No of Shares	%
1 – 1 000 shares	136	15,91	72 454	0,05
1 001 – 10 000 shares	391	45,73	1 713 618	1,12
10 001 – 100 000 shares	218	25,50	7 558 257	4,96
100 001 – 1 000 000 shares	92	10,75	29 757 584	19,51
1 000 001 shares and over	18	2,11	113 429 962	74,36
Totals	**855**	**100,00**	**152 531 875**	**100,00**
DISTRIBUTION OF SHAREHOLDERS				
Banks	8	0,94	704 072	0,46
Close Corporations	14	1,64	208 975	0,14
Empowerment	1	0,12	37 911 325	24,85
Endowment Funds	1	0,12	30 000	0,02
Individuals	548	64,09	6 477 112	4,25
Insurance Companies	10	1,17	6 179 607	4,05
Investment Companies	4	0,47	25 952 568	17,01
Medical Schemes	3	0,35	1 263 243	0,83
Mutual Funds	36	4,21	28 166 530	18,47
Nominees and Trusts	124	14,50	3 192 365	2,09
Other Corporations	4	0,47	20 700	0,01
Private Companies	29	3,39	999 715	0,66
Public Companies	5	0,58	609 206	0,40
Retirement Funds	65	7,60	28 381 278	18,61
Share Trusts	2	0,23	12 254 906	8,03
Treasury stock	1	0,12	180 273	0,12
Totals	**855**	**100,00**	**152 531 875**	**100,00**
PUBLIC / NON-PUBLIC SHAREHOLDERS				
Non-Public Shareholders	**9**	**1,05**	**86 459 932**	**56,68**
Directors and Associates of the Company	4	0,47	10 209 178	6,69
Share Trusts and Treasury Stock	3	0,35	12 435 179	8,15
Empowerment	1	0,12	37 911 325	24,85
Strategic Holdings	1	0,12	25 904 250	16,98
Public Shareholders	**846**	**98,95**	**66 071 943**	**43,32**
Totals	**855**	**100,00**	**152 531 875**	**100,00**
SHAREHOLDERS HOLDING 5% OR MORE				
Royal Bafokeng Metair Trust			37 911 325	24,85
Coronation Capital Limited			25 904 250	16,98
Metair Share Trusts			12 254 906	8,03
Investec			11 030 556	7,23
Investment Solutions			8 956 995	5,88
Totals			**96 058 032**	**62,98**



Analysis of shareholders

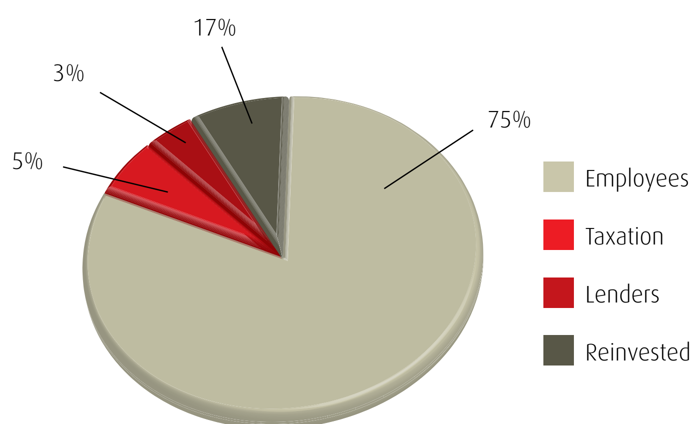
An analysis of shareholders at 31 December 2009 showed the following:

DIRECTORS	No of Shares	%
Ryan, GMC	**9 869 178**	**6,47**
Coronation Capital Limited	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	2 254 906	1,47
Business Venture Investments No.121	180 273	0,12
Totals	**12 435 179**	**8,15**
EMPOWERMENT		
Royal Bafokeng Metair Trust	37 911 325	24,85
Totals	**37 911 325**	**24,85**
STRATEGIC HOLDINGS (MORE THAN 10%)		
Coronation Capital Limited	25 904 250	16,98
Totals	**25 904 250**	**16,98**
SHAREHOLDERS HOLDING 5% OR MORE		
Investment Solutions	**8 956 995**	**5,87**
Investment Solutions Funds – Specialist	5 000 000	3,28
Investment Solutions Funds – Local	2 913 728	1,91
Investment Solutions – Specialist Equity	155 010	0,10
Investment Solutions – Aggressive Value Equity	290 520	0,19
Investment Solutions Funds – Institutional Equity	79 800	0,05
Investment Solution Real Return Focus Fund	517 937	0,34
Investec	**11 030 556**	**7,23**
Investec Value Fund	5 977 111	3,92
Investec Emerging Companies Fund	1 572 500	1,03
Investec Special Focus Fund	2 389 400	1,57
Investec Institutional Equity	963 924	0,63
Investec Alternative Investment Trust	127 000	0,08
Investec Securities (Broker Proprietary)	621	0,00
Totals	**19 987 551**	**13,10**

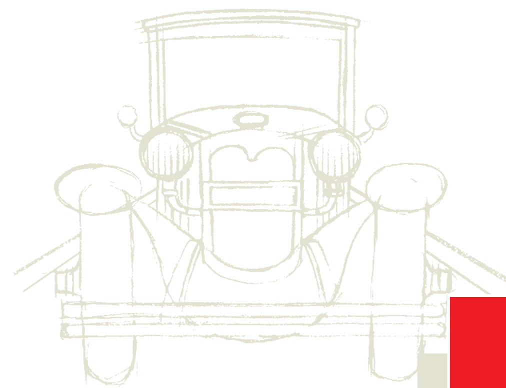
Value added statement

for the year ended 31 December 2009

	%	Group 2009 R'000	2008 R'000
WEALTH CREATED			
Revenue		**3 342 053**	4 180 398
Less: Net cost of products and services		**(2 333 216)**	(3 137 204)
Value added		**1 008 837**	1 043 194
Add: Income from investments		**13 662**	31 823
Wealth created		**1 022 499**	1 075 017
WEALTH DISTRIBUTION	**%**		
Employees			
Salaries, wages and other benefits	75	**765 666**	846 958
Providers of capital	3	**30 146**	99 518
Interest on borrowings	3	**30 146**	43 725
Dividends to shareholders	0		55 793
Government taxation and levies	5	**55 023**	71 859
Retained in the group	17	**171 664**	56 682
To provide for the maintenance of capital	11	**108 468**	109 557
To provide for expansion	6	**63 196**	(52 875)
	100	**1 022 499**	1 075 017
Total number of employees		**5 339**	7 188



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 complies with its recommendations unless otherwise indicated. The group ensures that it complies with all applicable laws and regulations, and complied with the JSE listings requirements by fulfilling its obligations such as advising the JSE and posting on SENS the resignation and appointment of directors, announcing details of corporate actions that may lead to a material movement in the share price, and publishing interim and annual reports. The Company Secretary and sponsor are responsible for assisting the board in monitoring compliance with relevant legislation and the JSE listing requirements.

THE BOARD

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.

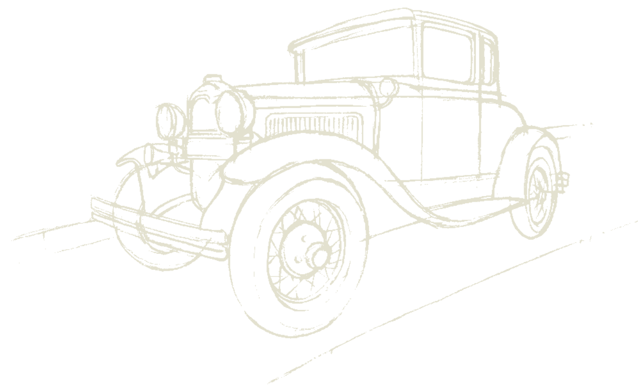
The board comprises eleven directors (including one alternate non-executive director), of whom two are executive directors (one being the managing director), five are non-executive directors (one being the chairman) and four are independent non-executive directors. Details of directors in office are detailed on page 8. Subsequent to year-end Messrs Plummer, Ryan and Ndala have resigned from the board. The resignations were as a result of resizing the Metair board in line with its subsidiaries. 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.

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 December 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 meeting attendance as set out below:

	16 January 2009	19 March 2009	10 June 2009	07 August 2009	24 August 2009	01 December 2009
OME Pooe	P	P	P	P	P	P
CT Loock	P	P	P	P	P	P
BM Jacobs	P	P	P	P	P	P
A Joffe	P	P	P	P	P	P
B Molotlegi	P	P	P	P	A	P
L Ndala (alternate)	P	P	A	A	A	A
AD Plummer	P	P	P	P	A	P
GMC Ryan	P	P	A	A	A	A
RS Broadley	P	P	P	P	P	P
L Soanes	A	P	P	P	P	P
A Galiel	P	P	P	P	P	A
JG Best*		P	P	P	P	P

* Appointed 24 February 2009 P = Present A = Apologies



Corporate governance
continued

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.

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.

During 2009 risk committees were established in each subsidiary.

BOARD AUDIT COMMITTEE

The committee comprises two independent non-executive directors, namely Mr JG Best (audit committee chairman) and Ms A Galiel. The appropriate terms of reference for the committee are in place.

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 PricewaterhouseCoopers Incorporated 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.

During the year the group, under the guidance of the Audit Committee, appointed KPMG to perform the function of internal audit.

Internal audits were performed at most subsidiaries and no significant breakdowns in internal controls were identified during the past year.

Meetings were held during the year in March, August and November 2009, and all members attended.

The chairman reported to the board after each meeting. The next meeting will be held in March 2010.

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.

Corporate governance
continued

The main purpose of the committee is:

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

Two meetings were held during the year – in August and December 2009 – which were attended by all members of the committee.

The next meetings will be held in July and November 2010.

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

During the year shareholders approved the implementation of a new share incentive structure.

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 2009), 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 19,98 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.

SPONSOR

Barnard Jacobs Mellet Corporate Finance (Pty) Ltd acts as

sponsor to the company in compliance with the Listings Requirements of the JSE Limited.

KING II COMPLIANCE

The company complies with the principles, listed below, as set out in the King Code on Corporate Governance as required by the revised Listings Requirements of the JSE Limited (section 3.84).

The following corporate governance practices are in place:

- A Board Charter was drawn up in terms of the recommendations of the King II report.
- Separate audit and remuneration committees, comprising non-executive and independent non-executive directors with appropriate terms of reference were established.
- Separate policies 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.
- CVs 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.

KING III

Given the quantum of the shareholding (24,85%) of the major shareholder, RBH, the company has decided to continue with the practice of having a nominee of RBH as a non-independent Chairman. The company has consequently appointed Mr JG Best as the lead independent director in terms of King III.

Mr Soanes has been appointed as the third member of the Audit Committee in terms of King III and the new Companies Act.

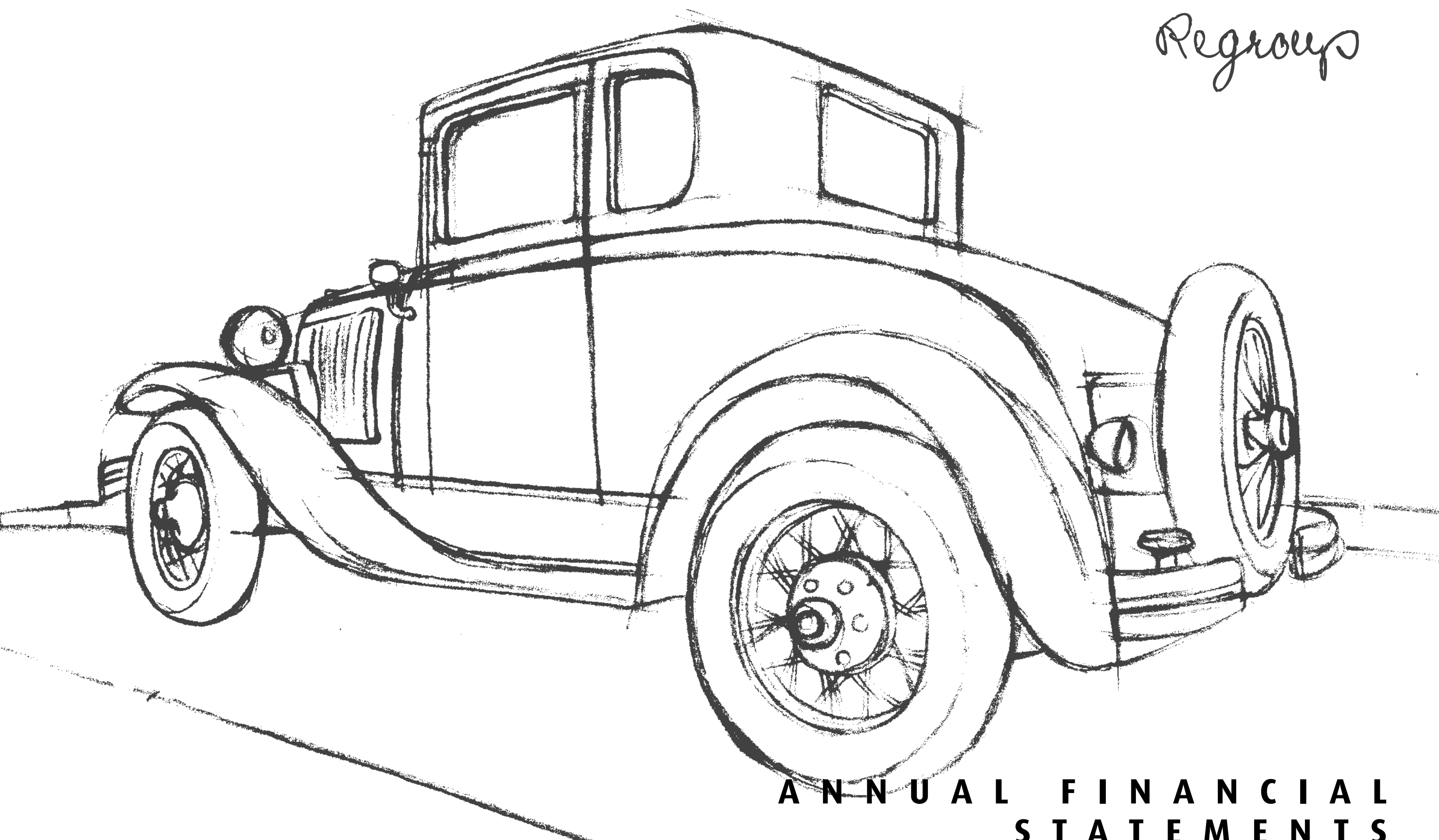
The company is in the process of performing a gap analysis with the requirements of King III. At this stage Metair intends to apply.

sustainability report

Rethink

Refine

Regroup



ANNUAL FINANCIAL STATEMENTS

Sustainability report

METAIR'S APPROACH TO SUSTAINABLE DEVELOPMENT

In its current format Metair's sustainability is closely linked to that of the Original Equipment Manufacturers (OEMs) in the automotive industry, which globally operates on a substantial level of governmental support across a host of national and local government incentives.

In the current global automotive climate sustainability is skewed toward the customer's ability to exert pricing pressure in a sector that enjoys under-utilisation and over-capacity.

Sustainability is, therefore, currently focused largely on economic sustainability and adaptability to change with the aim of reducing dependency on OEMs.

Metair's approach to sustainable development is reflected in the quality of our products as well as our commitment to our customers, consumers and other material stakeholders. Our business practices reflect our commitment to sustainability and our intention to enhance reporting in the areas of social, economic and environmental risks and opportunities facing Metair.

We have taken note of the requirements of the King Report on Corporate Governance for South Africa (King III) on integrated reporting, and in this report have laid the foundations for application of best practice in years to come.

Metair has not applied the Global Reporting Initiative (GRI) reporting framework for sustainable development. However, in our endeavour to apply the principles of integrated reporting as outlined in King III, we intend to utilise the GRI guidelines in future reporting.

We have reported on our material elements of sustainable development and these have been outlined under the economic, social, environmental and health and safety sections.

In our recent risk assessment process, we have taken note of the fact that many of our risks fall within the sustainable development ambit. For example, these include issues which may ultimately affect the quality of our products, human capital constraints and – within some of our subsidiaries – incidents such as chemical spillage, energy costs and health and safety are being given due attention and will be reported on in more detail in our next reporting cycle. Further details of our top risks and our mitigation plans are outlined on page 34.

STAKEHOLDER COMMUNICATION

At Metair we acknowledge our stakeholders' concerns and interests. We have identified our key stakeholders and it is our intention, in the coming year, to formally assess material issues raised by them and reflect this in future reports:

In this report, we have chosen to highlight the following themes:

- Government is an important stakeholder in the automotive industry. Key to this stakeholder group is a focus on localisation, job creation and job security.
- Metair endorses the need to deepen local content and local supply in order to maintain existing jobs as well as further job creation. To this end, we have engaged with government and have provided input into the Industrial Policy Action Plan that Minister Rob Davies has brought about. At a plant level, Metair encourages efficiency of employees and measures productivity through individual performance management.
- It has been a difficult phase for Metair employees who we see as important stakeholders. There have been approximately 3 000 job losses since August 2008. For those that remain, we encourage a safe working environment through the implementation of formal health, safety and environmental policies, systems and processes. We are actively supporting skills development, learning and education, and partner with employees on various CSI projects.

Sustainability report

continued

- With customers in mind, Metair focuses on quality, cost, delivery and safety. We have to continuously ensure that our customers have a balanced approach when awarding new business and evaluating options on current business. The issue of global cost competitiveness has elevated the pricing component of customer satisfaction to such an unrealistic predominant focus area, that it could threaten local economic sustainability of the entire industry. South Africa operates in an inflationary environment with a very strong free market currency compared to our competitor supplier countries that mostly have deflation and government-influenced weaker currencies.

Fair economic treatment from customers can only be achieved with local manufacturers' excellence and efficiency, where raw materials are available locally at competitive pricing levels and the logistical cost of imported competitors' products moves the pricing focus away from Cost Index Manufactured (CIM) to Cost Index Landed (CIL). Customer requirements of CIMs of one or less – when compared to suppliers from India or China – are unrealistic and require ongoing customer engagement.

Realisation that when pushed to the extreme, quality – although non-negotiable – could become conflictual with cost, and the temptation to compromise on quality to ensure some level of temporary economic return must be resisted. We are engineering-proud and would rather sacrifice short-term margin than take engineering short-cuts which could affect the sustainability of the group. Current massive recall programmes across a host of customers and products should stand as warning against any compromise on quality.

ECONOMIC SUSTAINABILITY

- **Value Added Statement**
  - Return on Assets (ROA), Return on Equity (ROE), gearing, gross and net margins are measured monthly at subsidiary level and quarterly at group level.

  Economic performance is currently unsatisfactory when compared to group targets. Group target of 18% ROE is currently unattainable in some businesses and conflicts with customers' views of acceptable returns in the automotive industry. Future strategy will determine the final financial performance targets. Cash is monitored on a weekly basis and reconciled against facilities available from providers of capital. (See value-added statement on page 24.)

- **BBBEE Compliance and Procurement**
  - Metair obtained a score of 19,98 points out of a maximum of 23 points for Ownership, which is transferable to the operating subsidiaries. This made it possible for all subsidiaries to become at least compliant with maximum scores of up to a Level 5 contributor for some of the major subsidiaries.
  - BBBEE compliancy levels are monitored at board level with the aim to achieve our targeted Level 4 compliance by 2014.

- **Supplier responsibility**
  - We audit our suppliers on a continuous basis, including their BBBEE scores, product quality and ability to deliver on time.

SOCIAL SUSTAINABILITY

- **Customer service**
  - Quality, cost, delivery and safety are monitored on a daily basis and built into standard operating procedures.

- **CSI policy and spend**
  - Each group company has a social investment policy where a certain percentage of profitability is allocated to support community projects. Half of the funds support subsidiary level projects aimed at communities within which the company operates. The remaining portion is distributed centrally from Metair group level.

Sustainability report

continued

- **Training and development**
  - Metair, through its subsidiaries, offers a range of training and development initiatives and plans to aggregate reporting at Metair level in future.

- **Employment Equity And Transformation**

  The group, through each of its subsidiaries, has:
  - submitted the relevant Employment Equity reports (in October 2009), 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.

- **Labour Union Relations**
  - Labour morale is measured throughout the group, backed by structural labour relations guidelines and a grievance procedure supported by an external Tip-off system. Union engagement is at a national, provincial and company level through formalised recognition agreements. The majority of the group is covered in terms of Chapter 3 of the motor industry bargaining council.
  - The group will come to the end of a three-year wage agreement period at the end of August 2010.

- **Retrenchments**
  - During the period group employment numbers sadly reduced by 1 849 employees. Formal agreed and legislated reduction guidelines are in place.

ENVIRONMENTAL HEALTH AND SAFETY AND QUALITY SUSTAINABILITY

The automotive industry is structured around formal external and internal system accreditation that fully encompasses all aspects of the environmental, health and safety regime.

The group's aim, in line with GRI, is to collate subsidiary information at a group level.

In addition, the plan is to report on the following aspects:

- Carbon footprint
- Material use/resource efficiency
- Energy and water usage
- Recycling and waste management

Sustainability report
continued

RISKS

The major risks facing Metair can be categorised into industry-specific risks, Metair risks and subsidiary-related risks.

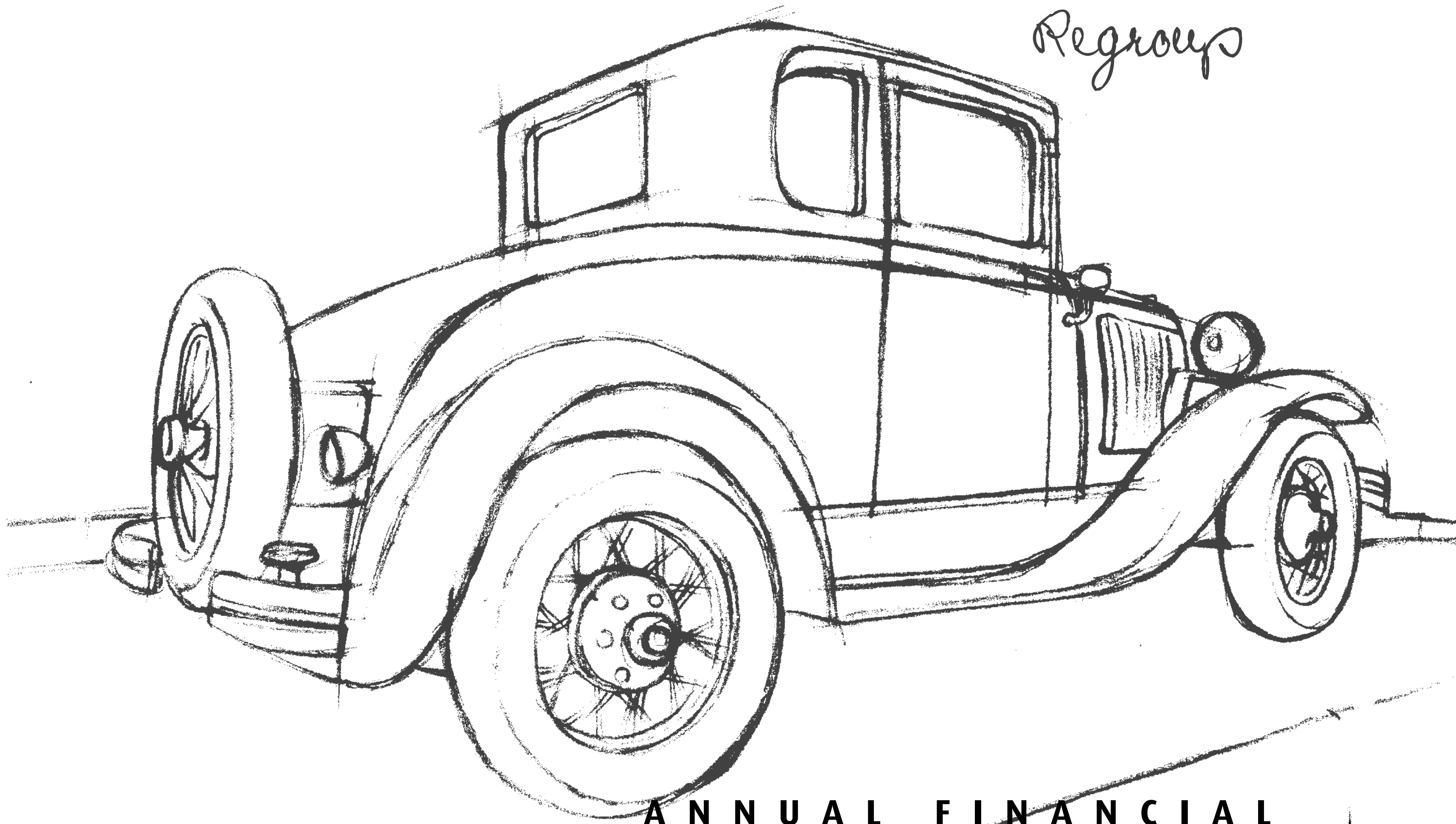
Industry Risks	Mitigating Factors/Compensating Controls
• Exit of major original equipment manufacturer from South Africa • Loss of subsidies to automotive sector • Foreign currency exposure	Strong presence on industry bodies to ensure continuous engagement with Government in order to ensure input in the design of incentive structures, such as the Automotive Production and Development Programme (APDP) and other trade policies, including free and preferential trade agreements as well as all aspects of the legislative environment relative to the automotive industry.
• Over-capacity in automotive sector worldwide • Threat of low-cost international competitors	Measurement of performance of quality, cost, delivery and safety and benchmarking against international competitors at all times. Leveraging of local raw material availability, internal manufacturing excellence and higher CILs of imported competitive products.
Metair Risks	**Mitigating Factors/Compensating Controls**
Gross margin composition from under-recovery of economics from OEMs	Focus on performance of quality, cost, delivery and safety and benchmarking initiatives.
Product recall exposure	Adherence to quality standards and adequate insurance cover.
Change in sourcing decisions for new models	Leveraging of local raw material availability, internal manufacturing excellence and higher CILs of imported competitive products.
Environmental contamination	Adherence to environmental legislation. International standards operating procedures and external and internal assurance and accreditation.

annual financial statements

Rethink

Refine

Regroup



ANNUAL FINANCIAL STATEMENTS

Annual financial statements

for the year ended 31 December 2009

The following reports and statements in respect of the year ended 31 December 2009 are presented by the board of directors in compliance with the requirements of the Companies Act, 1973:

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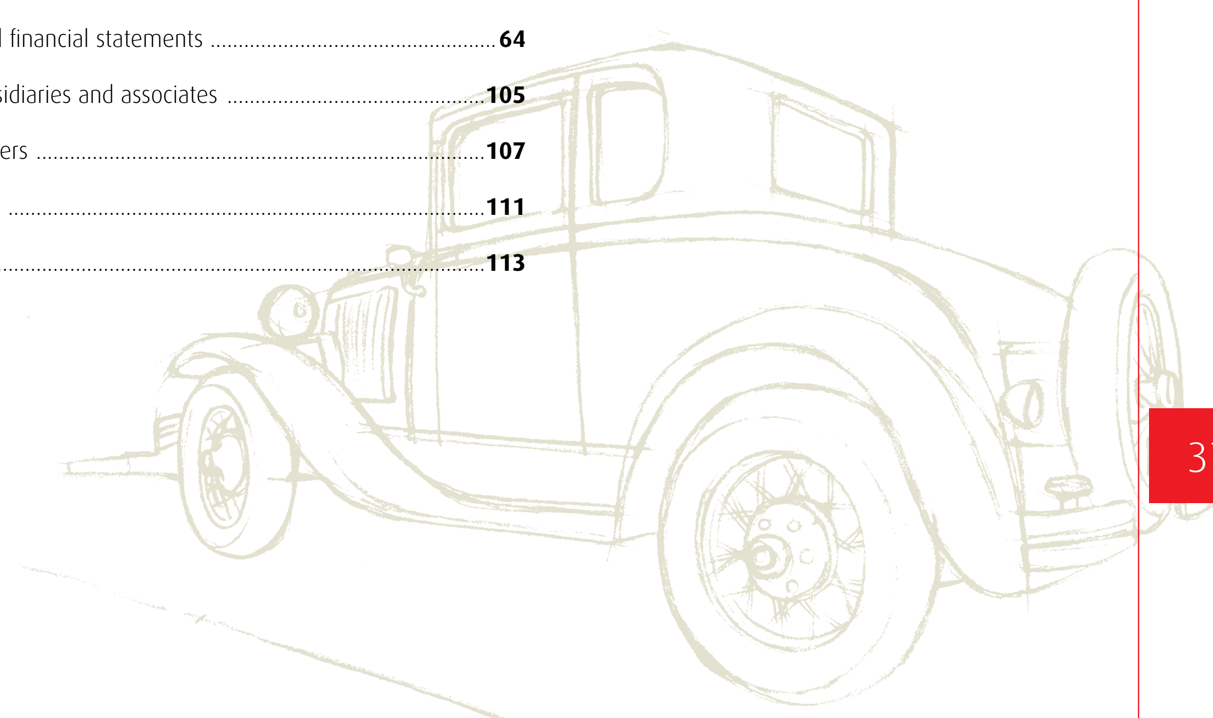


Independent auditor's report

To the members of Metair Investments Limited

We have audited the annual financial statements and group annual financial statements of Metair Investments Limited which comprise the consolidated and separate balance sheets as at 31 December 2009 and the consolidated and separate income statements, consolidated and separate statements of comprehensive income, consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes and the directors' report, as set out on pages 40 to 106.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, 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 consolidated and separate financial position of Metair Investments Limited as at 31 December 2009, and its consolidated and separate financial performance and its consolidated and separate 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 — Johannesburg

Registered Auditor — 17 March 2010

Statement of responsibility

By the Board of Directors

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

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

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

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

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.

APPROVAL OF ANNUAL FINANCIAL STATEMENTS

The group annual financial statements and the annual financial statements of the company for the year ended 31 December 2009 set out on pages 40 to 106 were approved by the board of directors and signed on its behalf by:

OME Pooe
Chairman

CT Loock
Managing Director

The audit report of PricewaterhouseCoopers Incorporated is presented on page 38.

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 2009, 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
17 March 2010

Directors' report

For the year ended 31 December 2009

The directors have pleasure in submitting their report for the year ended 31 December 2009.

GENERAL REVIEW

The main business of the group is the manufacture and supply of motor vehicle components for the original equipment and aftermarket sector in both local and export markets. The group also manufactures non-auto products.

The financial statements on pages 40 to 106 set out fully the financial position, results of operations and cash flows of the group for the financial year.

FINANCIAL RESULTS

The consolidated net profit for the year attributable to equity holders of the company was R52,210 million (2008: R13,080 million loss).

Included in the current year profit are impairment charges relating to goodwill, property, plant and equipment under International Accounting Standard 36 (IAS36) – Impairment of Assets. Refer to notes 7 and 8.

DIVIDENDS

No dividend was declared in respect of the 2008 and 2009 financial years.

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:

- Additions R111,503 million
- Disposals (R27,455) million
- Impairments (R36,611) million

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

- Additions R4,653 million
- Impairment of goodwill on Automould (Pty) Ltd (R10,471) million

DIRECTORS

The composition of the board of directors is set out on page 8.

SECRETARY

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

Directors' report

For the year ended 31 December 2009

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 105.

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 40 to 106 which are signed on their behalf by:

OME Pooe
Chairman

C T Loock
Managing Director

Johannesburg
17 March 2010

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 26 on page 102.

a) Standards, amendments and interpretations effective in 2009.

– *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. This standard has been applied from 1 January 2009. Refer to note 1.

– *IAS 23* "Borrowing Costs" (effective from 1 January 2009). IAS 23 has removed the option of immediately recognising as an expense borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale. This standard had no impact on the group's current annual financial statements.

– *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 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 has been complied with. As a result the group presents in the consolidated statement of changes in equity, all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. Comparative information has been represented so that it also conforms

Accounting policies

continued

with the revised standard. As the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share. IAS 1 has been incorporated into the 2009 annual financial statements.

– *IFRS 2* "Amendment to IFRS 2 Share-Based Payment: Vesting Conditions and Cancellations" (effective 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 has been applied from 1 January2009, and no retrospective changes are required. This standard has no impact on the group's current annual financial statements.

– *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 1 January 2009).
The amendments require entities to classify the following types of financial instruments as equity, provided they have particular features and meet specific conditions: a) puttable financial instruments (for example, some shares issued by cooperative entities); b) instruments, or components of instruments, that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation (for example, some partnership interests and some shares issued by limited life entities). Additional disclosures are required about the instruments affected by the amendments. This standard was not applicable to the group for this financial year.

– *IFRS 7* "Amendments to IFRS 7 – Financial Instruments disclosures: Improving Disclosures about Financial Instruments" (effective 1 January 2009).
The amendment increases the disclosure requirements about fair value measurement and reinforces existing principles for disclosure about liquidity risk. The amendment introduces a three-level hierarchy for fair value measurement disclosure and requires some specific quantitative disclosures for financial instruments in the lowest level in the hierarchy. In addition, the amendment clarifies and enhances existing requirements for the disclosure of liquidity risk primarily requiring a separate liquidity risk analysis for derivative and non-derivative financial liabilities. These disclosures have been applied in the financial statements.

– *Improvements to IFRSs* (issued May 2008).
Unless otherwise specified the amendments are effective for annual periods beginning on or after 1 January 2009. This is a collection of amendments to IFRSs. These amendments are the result of conclusions the IASB reached on proposals made in its annual improvements project. The annual improvements project provides a vehicle for making non-urgent but necessary amendments to IFRSs. Some amendments involve consequential amendments to other IFRSs.

b) Standards, amendments and interpretations effective in 2009 but not relevant to the group

– *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 deemed cost of either fair value or carrying amount under previous accounting practice to measure the initial cost of investment 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.

Accounting policies
continued

– *IFRIC 13* "Customer Loyalty Programmes" (effective 1 July 2008). IFRIC 13 addresses accounting by entities that grant loyalty award credits to customers who buy either goods or services. Specifically, it explains how such entities should account for their obligations to provide free or discounted goods or services to customers who redeem award credits.

– *IFRIC 15* "Agreements for the Construction of Real Estate" (effective 1 January 2008). IFRIC 15 addresses diversity in accounting for real estate sales. IFRIC 15 clarifies how to determine whether an agreement is within the scope of IAS 11 – Construction contracts or IAS 18 – Revenue and when revenue from construction should be recognised. The guidance replaces example 9 in the appendix to IAS 18.

– *IFRIC 16* "Hedges of a Net Investment in a Foreign Operation" (effective 1 October 2008). IFRIC 16 provides guidance on identifying the foreign currency risks that qualify as a hedged risk (in the hedge of a net investment in a foreign operation). It secondly provides guidance on where, within a group, hedging instruments that are hedges of a net investment in a foreign operation can be held to qualify for hedge accounting. Thirdly, it provides guidance on how an entity should determine the amounts to be reclassified from equity to profit or loss for both the hedging instrument and the hedged item.

-IFRIC 9 and IAS 39 "Amendments to IFRIC 9 – Reassessment of Embedded Derivatives and IAS 39 – Financial Instruments: Recognition and Measurement" (effective 1 July 2008). The amendments clarify that if a financial asset is reclassified out of the fair value through profit or loss category it must be assessed for embedded derivatives at the date of reclassification. In addition, a contract that includes an embedded derivative that cannot be separately measured, is prohibited from being reclassified out of the "at fair value through profit or loss" category.

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

– *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 re-measured 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.

– *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. They 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 re-measured to fair value and a gain or loss is recognised in profit or loss.

– *IAS 39* "Amendments to IAS 39 Financial Instruments: Recognition and Measurement Eligible Hedged Items" (effective from 1 July 2009). The amendment makes two significant changes. It prohibits designating inflation as a hedgeable component of a fixed rate debt. It also prohibits including time value in the one-sided hedged risk when designating options as hedges.

– *IFRS 1* "First time Adoption of International Financial Reporting Standards – Revised" (effective from 1 July 2009). The revised standard has an improved structure but does not contain any technical changes.

– *IFRS 2* "Amendments to IFRS 2: Group cash-settled share-based payment transactions" (effective from 1 January

2010). The amendment clarifies the accounting for group cash-settled share-based payment transactions. The entity receiving the goods or services shall measure the share-based payment transaction as equity-settled only when the awards granted are its own equity instruments, or the entity has no obligation to settle the share-based payment transaction. The entity settling a share-based payment transaction when another entity in the group receives the goods or services recognises the transaction as equity-settled only if it is settled in its own equity instruments. In all other cases, the transaction is accounted for as cash-settled.

– IAS 32 "Amendments to IAS 32 – Classification of rights issues" (effective 1 February 2010). The amendment clarifies the accounting treatment when rights issues are denominated in a currency other than the functional currency of the issuer. The amendment states that if such rights are issued pro-rata to an entity's existing shareholders for a fixed amount of currency, they should be classified as equity regardless of the currency in which the exercise price is denominated.

-IFRS 9 "Financial Instruments" (effective 1 January 2013). This IFRS is part of the IASB's project to replace IAS 39. IFRS 9 addresses classification and measurement of financial assets and replaces the multiple classification and measurement models in IAS 39 with a single model that has only two classification categories: amortised cost and fair value.

– IFRIC 17 "Distributions of Non-cash Assets to Owners" (effective 1 July 2009). IFRIC 17 applies to the accounting for distributions of non-cash assets (commonly referred to as dividends in specie) to the owners of the entity. The interpretation clarifies that: a dividend payable should be recognised when the dividend is appropriately authorised and is no longer at the discretion of the entity; an entity should measure the dividend payable at the fair value of the net assets to be distributed; and an entity should recognise the difference between the dividend paid and the carrying amount of the net assets distributed in profit or loss.

– IFRIC 18 "Transfers of assets from customers" (effective 1 July 2009). IFRIC 18 clarifies the accounting treatment for transfers of property, plant and equipment received from customers. This interpretation applies to agreements with customers in which the entity receives cash from a customer when that amount of cash must be used only to construct or acquire an item of property, plant and equipment and the entity must then use the item of property, plant and equipment either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods and services, or to do both.

– IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments" (effective 1 July 2010). This IFRIC clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished through the debtor issuing its own equity instruments to the creditor. A gain or loss is recognised in the profit and loss account based on the fair value of the equity instruments compared to the carrying amount of the debt.

d) Standard, amendments and interpretations not yet effective, but which have been early adopted by the group

– AC 504: The limit on a defined benefit asset, minimum funding requirements and their interaction in the South African pension fund environment. The interpretation provides guidance on the application of IFRIC 14 in South Africa in relation to the defined benefit pension obligation within the scope of IAS 19.

– Amendment to IFRS 8: This amendment states that a measure of segment assets is only required to be disclosed if the measure is regularly provided to the chief operating decision-maker. This amendment is effective for periods beginning on or after 1 January 2010.

Accounting policies

continued

BASIS OF CONSOLIDATION

Subsidiaries

The group financial statements incorporate the financial statements of Metair Investments Limited and all its subsidiaries from the effective dates of acquisition to the effective dates of loss of control. 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 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 cease to be consolidated from the date that control ceases.

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

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

Associated companies

Associates are all entities over which the group has a significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment losses. The group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in the statements of other comprehensive income. 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.

Accounting policies

continued

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 statement of changes in equity to the annual financial statements.

The group applies a policy of treating transactions with minority interests as transactions with parties external to the group.

FOREIGN CURRENCIES

a) Functional and presentation currency

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in South African Rands – ZAR, which is the company's functional and the group's presentation currency.

b) Transactions and balances

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

b) Trademarks and licences

Trademarks and 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

Accounting policies

continued

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 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 as manufactured inventories are not considered to be qualifying assets. 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 are 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

Accounting policies
continued

the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

PROVISIONS
Provisions are recognised when the group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. The group recognises the estimated liability on all products still under warranty at the balance sheet date. This provision is calculated based on service histories.

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

Accounting policies

continued

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

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

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

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.

Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value.

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

The 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 various derivative instruments used for hedging purposes are disclosed in note 21. 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.

(a) Fair value hedge

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.

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.

Certain derivative transactions, while providing effective economic hedges under the group's risk management

Accounting policies
continued

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.

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".

(b) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in "other operating income". The gain or loss relating to the ineffective portion is recognised immediately in the income statement within "other gains/(losses) – net".

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for example, when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in the income statement within "finance costs". The gain or loss relating to the ineffective portion is recognised in the income statement within "other gains/(losses) – net". However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory or property, plant and equipment), the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in cost of goods sold in the case of inventory or in depreciation in the case of property, plant and equipment.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement within "other gains/(losses) – net".

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 income 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).

(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 21.

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).

Recognition and measurement

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.

Impairment of financial assets

The group assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired.

A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the group uses to determine that there is objective evidence of an impairment loss include:
- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
  (i) Adverse changes in the payment status of borrowers in the portfolio; and
  (ii) National or local economic conditions that correlate with defaults on the assets in the portfolio.

The group first assesses whether objective evidence of

Accounting policies
continued

impairment exists.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the income statement. 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 trade receivables.

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.

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

Accounting policies
continued

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.

Defined benefit obligation

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.

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 governement 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 comprehensive income 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.

Defined contribution plans

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

Other post-employment obligations

Some group companies provided post-employment health care benefits to their retirees until 31 December 1996. Employees who joined the group after 1 January 1997 do not receive this benefit. The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and electing to participate in the scheme. The expected costs of these benefits are accrued over the period of employment, using a methodology similar to that for defined benefit pension

Accounting policies
continued

plans. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in the statement of comprehensive income in the period in which they arise. Valuations of these obligations are carried out by independent qualified actuaries.

Share-based payment transactions

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

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

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

SHARE CAPITAL

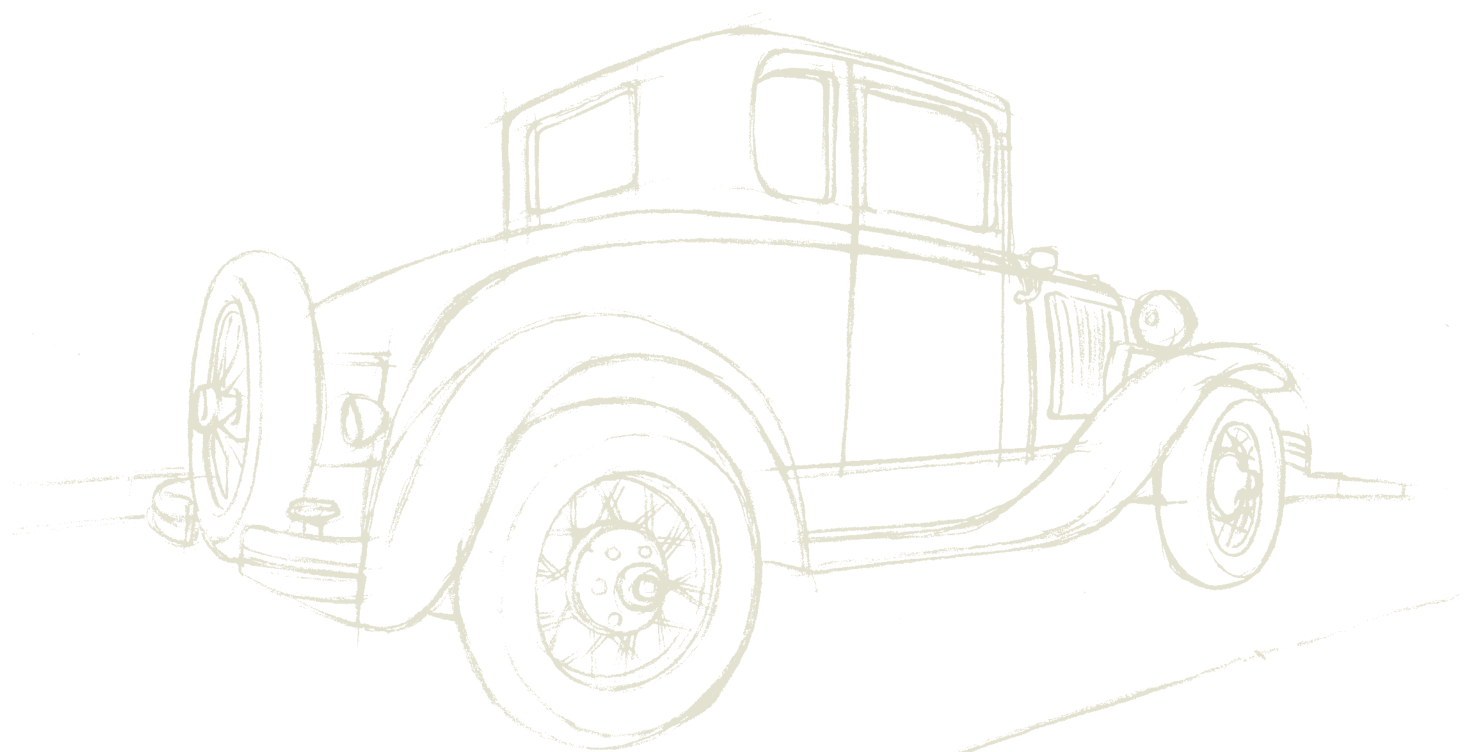
Ordinary shares are classified as equity. Mandatorily redeemable preference shares are classified as liabilities.

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.



Income statements

For the year ended 31 December 2009

		GROUP		COMPANY	
		2009	2008	**2009**	2008
	Notes	**R'000**	R'000	**R'000**	R'000
Revenue	1	**3 342 053**	4 180 398		
Cost of sales		**(2 807 100)**	(3 496 203)		
Gross profit		**534 953**	684 195		
Other operating income	3	**109 711**	45 139	**88 719**	94 306
Distribution costs		**(108 390)**	(102 201)		
Administrative expenses		**(315 511)**	(340 620)		
Impairment of assets	7, 8, 9	**(47 082)**	(122 590)	**(84 423)**	(151 689)
Other operating expenses		**(31 764)**	(69 584)	**(36 932)**	(446)
Operating profit		**141 917**	94 339	**(32 636)**	(57 829)
Interest income	2	**13 243**	14 767		
Interest expense	2	**(37 360)**	(51 385)		
Share of results of associates	10	**419**	17 056		
Profit/(loss) before taxation	3	**118 219**	74 777	**(32 636)**	(57 829)
Taxation	4	**(55 023)**	(71 859)		(6 101)
Profit/(loss) for the year		**63 196**	2 918	**(32 636)**	(63 930)
Attributable to:					
Equity holders of the company		**52 210**	(13 080)	**(32 636)**	(63 930)
Minority interest		**10 986**	15 998		
		63 196	2 918	**(32 636)**	(63 930)
Earnings per share					
Basic earnings per share (cents)	5	**37**	(9)		
Diluted earnings per share					
Basic earnings per share (cents)	5	**37**	(9)		
Dividend per share (cents)	6		40		
Number of shares in issue ('000)	14	**152 532**	152 532		

Balance sheets

As at 31 December 2009

	Notes	GROUP		COMPANY	
		2009 R'000	2008 R'000	**2009 R'000**	2008 R'000
ASSETS					
Non-Current Assets		**762 485**	842 608	**368 507**	459 778
Property, plant and equipment	7	**657 892**	714 001		
Intangible assets	8	**29 514**	40 254		
Interest in subsidiaries	9			**364 669**	455 940
Investment in associates	10	**20 147**	40 423	**3 838**	3 838
Defined benefit asset	24	**19 962**			
Deferred taxation	17	**34 970**	47 930		
Current Assets		**1 238 232**	1 290 793	**154 309**	59 224
Inventory	11	**518 091**	769 013		
Trade and other receivables	12	**428 076**	398 181		9 015
Taxation		**9 700**			
Short-term loans – subsidiaries	9			**154 309**	50 209
Derivative financial assets	21.5	**160**	274		
Cash and cash equivalents	13	**282 205**	123 325		
Total Assets		**2 000 717**	2 133 401	**522 816**	519 002
EQUITY AND LIABILITIES					
Capital and Reserves		**1 087 249**	1 020 074	**486 204**	518 840
Share capital and premium	14	**42 876**	42 876	**42 876**	42 876
Treasury shares	14	**(124 289)**	(124 532)		
Share-based payment reserve		**3 389**	3 389	**3 345**	3 345
Non-distributable reserves	15	**16 309**	36 585		
Retained earnings		**1 148 964**	1 061 756	**439 983**	472 619
Ordinary shareholders equity		**1 087 249**	1 020 074	**486 204**	518 840
Minority interest		**96 772**	93 590		
Total Equity		**1 184 021**	1 113 664	**486 204**	518 840
Non-Current Liabilities		**157 241**	298 545		
Borrowings	16	**54 217**	178 434		
Post-employment medical benefits	24	**19 246**	17 810		
Defined benefit liability	24		11 085		
Deferred taxation	17	**83 778**	91 216		
Current Liabilities		**659 455**	721 192	**36 612**	162
Trade and other payables	18	**441 784**	538 279	**162**	162
Borrowings	16	**97 298**	20 817		
Taxation			5 552		
Provisions for liabilities and charges	19	**60 876**	51 418	**36 450**	
Dividends payable			151		
Bank overdrafts	13	**49 662**	104 975		
Derivative financial liability	21.5	**9 835**			
Total Liabilities		**816 696**	1 019 737	**36 612**	162
Total Equity and Liabilities		**2 000 717**	2 133 401	**522 816**	519 002

Statements of comprehensive income

For the year ended 31 December 2009

		GROUP		COMPANY	
		2009	2008	**2009**	2008
	Notes	**R'000**	R'000	**R'000**	R'000
Profit/(loss) for the year		**63 196**	2 918	**(32 636)**	(63 930)
Other comprehensive income:					
Actuarial gains/(losses) recognised directly in equity					
Gross	24	**21 118**	(30 308)		
Deferred tax	17	**(5 910)**	8 486		
Net other comprehensive income		**15 208**	(21 822)		
Total comprehensive income for the period		**78 404**	(18 904)	**(32 636)**	(63 930)
Attributable to:					
Equity holders of the company		**66 932**	(32 566)	**(32 636)**	(63 930)
Minority interest		**11 472**	13 662		
		78 404	(18 904)	**(32 636)**	(63 930)

Statements of changes in equity

Group

	Share capital and premium R'000	Treasury shares R'000	Share-based payment reserve R'000	Non-distributable reserve R'000	Retained earnings R'000	Attributable to equity holders of the company R'000	Minority interest R'000	Total equity R'000
Year ended 31 December 2009								
Balance as at 1 January 2009	**42 876**	**(124 532)**	**3 389**	**36 585**	**1 061 756**	**1 020 074**	**93 590**	**1 113 664**
Net profit for the year					**52 210**	**52 210**	**10 986**	**63 196**
Other comprehensive income:								
Actuarial gains					**14 722**	**14 722**	**486**	**15 208**
Total comprehensive income for the year					**66 932**	**66 932**	**11 472**	**78 404**
Net movement in treasury shares		**243**				**243**		**243**
Transfer of associate profit and dividend				**(20 276)**	**20 276**			
Dividend							**(8 290)**	**(8 290)**
Balance as at 31 December 2009	**42 876**	**(124 289)**	**3 389**	**16 309**	**1 148 964**	**1 087 249**	**96 772**	**1 184 021**
Year ended 31 December 2008								
Balance as at 1 January 2008	42 876	(131 813)	3 074	25 139	1 161 561	1 100 837	89 295	1 190 132
Net (loss)/profit for the year					(13 080)	(13 080)	15 998	2 918
Other comprehensive income:								
Actuarial losses					(19 486)	(19 486)	(2 336)	(21 822)
Total comprehensive income for the year					(32 566)	(32 566)	13 662	(18 904)
Employee share option scheme:								
– Value of service provided			315			315	80	395
Net movement in treasury shares		7 281				7 281		7 281
Transfer of associate profit and dividend				11 446	(11 446)			
Dividend					(55 793)	(55 793)	(9 447)	(65 240)
Balance as at 31 December 2008	42 876	(124 532)	3 389	36 585	1 061 756	1 020 074	93 590	1 113 664

Statements of changes in equity

Company

	Share capital and premium R'000	Share-based payment reserve R'000	Retained earnings R'000	Attributable to equity holders of the company R'000	Total equity R'000
Year ended 31 December 2009					
Balance as at 1 January 2009	**42 876**	**3 345**	**472 619**	**518 840**	**518 840**
Net loss for the year			**(32 636)**	**(32 636)**	**(32 636)**
Total comprehensive income for the year			**(32 636)**	**(32 636)**	**(32 636)**
Balance as at 31 December 2009	**42 876**	**3 345**	**439 983**	**486 204**	**486 204**
Year ended 31 December 2008					
Balance as at 1 January 2008	42 876	3 030	597 562	643 468	643 468
Net loss for the year			(63 930)	(63 930)	(63 930)
Total comprehensive income for the year			(63 930)	(63 930)	(63 930)
Employee share option scheme:					
– Value of service provided		315		315	315
Dividend			(61 013)	(61 013)	(61 013)
Balance as at 31 December 2008	42 876	3 345	472 619	518 840	518 840

Statements of cash flows

For the year ended 31 December 2009

	Notes	GROUP 2009 R'000	GROUP 2008 R'000	COMPANY 2009 R'000	COMPANY 2008 R'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash generated from/(utilised in) operations	20.1	**413 255**	368 806	**8 533**	(9 116)
Finance charges		**(37 360)**	(51 385)		
Taxation paid	20.2	**(70 663)**	(96 970)		(6 101)
Dividends paid	20.3	**(8 441)**	(65 089)		(61 013)
Dividend income from associate		**20 695**			
Net cash inflow/(outflow) from operating activities		**317 486**	155 362	**8 533**	(76 230)
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisition of property, plant and equipment		**(111 503)**	(176 860)		
Acquisition of intangible assets		**(4 653)**	(2 759)		
Acquisition of subsidiary	28.2		(54 164)		
Acquisition of business	28.1		(41 992)		
Increase in interest in associate			(1 015)		(1 045)
Decrease in interest in subsidiaries excluding impairment				**(97 252)**	(17 031)
Investment income		**13 243**	14 767	**88 719**	94 306
Proceeds on disposal of property, plant and equipment		**22 113**	11 048		
Net cash (outflow)/inflow from investing activities		**(80 800)**	(250 975)	**(8 533)**	76 230
CASH FLOWS FROM FINANCING ACTIVITIES					
Long-term loans raised		**196**	78 805		
Long-term loans repaid		**(24 413)**	(22 296)		
Short-term loans raised		**1 481**	8 852		
Decrease in treasury shares		**243**	7 281		
Net cash (outflow)/inflow from financing activities		**(22 493)**	72 642		
Net increase/(decrease) in cash and cash equivalents		**214 193**	(22 971)		
Cash and cash equivalents at beginning of the year		**18 350**	41 321		
Cash and cash equivalents at end of the year	13	**232 543**	18 350		

Notes to the annual financial statements

1. SEGMENTAL REVIEW

for the year ended 31 December 2009

	Local						
	Original equipment	Segment % of revenue	After market	Segment % of revenue	Non-auto	Segment % of revenue	Total
Revenue	**2 029 137**	**61**	**748 355**	**22**	**323 168**	**10**	**3 100 630**
(Loss)/profit before interest and tax	**(59 438)**		**105 267**		**61 918**		**107 747**
for the year ended 31 December 2008							
Revenue	2 763 236	66	639 668	15	484 434	12	3 887 338
Profit before interest and tax	12 889		27 825		60 373		101 087

for the year ended 31 December 2009

	Direct exports						
	Original equipment	Segment % of revenue	After market	Segment % of revenue	Non-auto	Segment % of revenue	Total
Revenue	**73 494**	**2**	**111 833**	**3**	**56 066**	**2**	**241 393**
Profit/(loss) before interest and tax	**9 352**		**6 035**		**(297)**		**15 090**
for the year ended 31 December 2008							
Revenue	99 996	2	141 031	3	52 033	1	293 060
(Loss)/profit before interest and tax	(8 762)		18 730		5 243		15 211

for the year ended 31 December 2009

	Local Total	Direct exports Total	Reconciling items*	Grand Total
Revenue	**3 100 630**	**241 393**		**3 342 053**
Profit before interest and tax	**107 747**	**15 090**	**19 499**	**142 336**
Net finance costs				**(24 117)**
Profit before tax				**118 219**
Included in the above:				
– Depreciation and amortisation				**(108 468)**
– Impairment charges				**(47 082)**
for the year ended 31 December 2008				
Revenue	3 887 338	293 060		4 180 398
Profit/(loss) before interest and tax	101 087	15 211	(4 903)	111 395
Net finance costs				(36 618)
Profit before tax				74 777
Included in the above:				
– Depreciation and amortisation				(109 557)
– Impairment charges				(122 590)

* Reconciling items relate to head office companies.

Notes to the annual financial statements
continued

SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the board which makes the strategic decisions of the group. The group has a number of products. In order to determine operating and reportable segments, management reviewed various factors, including geographical location as well as managerial structure.

After applying quantitative thresholds from IFRS 8, the reportable segments were determined as:

Local
- Original equipment
- Aftermarket
- Non-auto

Direct export
- Original equipment
- Aftermarket
- Non-auto

Management has determined that the operating segments are sufficiently aggregated. The reportable segments reported in the annual report are identical to the operating segments identified.

The information provided to the board do not include regular measures of segment assets. IFRS 8 has been amended so that the measure of the segment assets is only required to be disclosed if the measure is regularly provided to the chief operating decision-maker. The amendment is effective for the periods beginning on or after 1 January 2010. The group has early-adopted this amendment.

The board assesses the performance of these operating segments based on earnings before interest and tax, which include depreciation, amortisation as well as impairment charges.

- Refer note 8 for details of impairment of goodwill of Automould (Pty) Ltd in the original equipment segment in 2009.
- Refer note 7 for the details of the impairment of property, plant and equipment of Hesto Harnesses (Pty) Ltd and Alfred Teves Brake Systems (Pty) Ltd in the original equipment segment in 2009.

There has been no further impact on the measurement of the company's assets and liabilities.

The revenue from external parties reported to the board is measured in a manner consistent with that in the income statement. Revenues from external customers are derived from sales of parts and equipment for original equipment, aftermarket and non-auto for local and export purposes. The breakdown of such segments are provided above.

Major customers

43% of total revenue results from sales to a single external customer.

Notes to the annual financial statements

continued

	GROUP		COMPANY	
	2009 R'000	2008 R'000	**2009 R'000**	2008 R'000
2. NET FINANCE				
Interest income:				
On bank deposits	**13 243**	14 767		
	13 243	14 767		
Interest expense:				
Bank borrowings	**(25 121)**	(38 609)		
Finance leases	**(5 025)**	(5 116)		
Preference share dividends	**(7 214)**	(7 660)		
	(37 360)	(51 385)		
Net finance expense	**(24 117)**	(36 618)		
3. PROFIT/(LOSS) BEFORE TAXATION				
Profit/(loss) before taxation is stated after taking into account the following:				
Other operating income				
– Dividends from subsidiaries (unlisted)			**68 024**	94 306
– Dividends from associates (unlisted)			**20 695**	
– Management and committee fees received	**4 975**			
– Government grants	**2 834**	7 171		
– Cash discounts received	**2 186**	5 184		
– Profit on tooling and scrap sales	**11 089**	20 623		
– Bad debts recovered	**20 237**			
– Rent received	**1 003**	882		
– Other financial assets at fair value through profit or loss				
– Fair value losses	**(3 763)**			
– Fair value gains	**13 047**	274		
– Rebates refunds and allowances	**1 435**	5 326		
– Pension fund	**1 580**			
– Pension fund settlement	**8 616**			
– Gain on derecognition of financial liability	**25 000**			
– Foreign exchange price recovery	**12 336**			
– Other	**9 136**	5 679		
	109 711	45 139	**88 719**	94 306

	GROUP		COMPANY	
	2009	2008	**2009**	2008
	R'000	R'000	**R'000**	R'000
3. PROFIT/(LOSS) BEFORE TAXATION (continued)				
Expenses by nature				
Auditors' remuneration				
– Audit fees	**6 383**	4 158	**7**	
– Expenses	**65**	20		
– Non-audit assurance fees	**609**	621		
– Non-audit non-assurance fees	**284**			
Commission paid	**1 384**	2 379		
Impairment of investment in subsidiaries			**84 423**	151 689
Depreciation and amortisation (Notes 7 and 8)	**108 468**	109 557		
Impairment of assets (Notes 7 and 8)	**47 082**	122 590		
Loss/(profit) on disposal of property, plant and equipment	**5 342**	(2 329)		
Operating lease charges				
– Property	**14 189**	12 884		
– Plant and equipment	**14 135**	7 174		
Bad debt write-off	**9 224**	18 792		
Managerial and technical service fees paid to outside parties	**10 452**	5 736		
Foreign exchange losses	**8 134**	30 771		
Distribution costs	**108 390**	102 201		
Changes in inventories of finished goods	**(41 282)**	(9 978)		
Raw materials, consumables used and other overheads	**2 251 322**	2 879 664	**36 789**	131
Employee benefit expense	**765 666**	846 958	**136**	315
Total cost of sales, distribution costs and other operating and admin expenses	**3 309 847**	4 131 198	**121 355**	152 135

Notes to the annual financial statements

continued

	GROUP		COMPANY	
	2009	2008	**2009**	2008
	R'000	R'000	**R'000**	R'000
3. PROFIT/(LOSS) BEFORE TAXATION (continued)				
Employee benefit expense				
– Wages and salaries	**679 079**	751 465	**136**	
– Share-based payment expenses	**(5 271)**	11 005		315
– Termination benefits	**10 868**	1 112		
– Social security costs	**28 119**	27 986		
– Pension costs				
– Defined contribution plans	**35 728**	31 953		
– Defined benefit plans	**14 703**	19 872		
– Pension fund liability cost		2 067		
– Other post-employment benefits	**2 440**	1 498		
	765 666	846 958	**136**	315
Number of persons employed by the group at the end of the year:				
– Hourly	**4 057**	5 758		
– Monthly	**1 282**	1 430		
	5 339	7 188		
Directors' emoluments				
– Executive directors				
– Salaries and allowances			**3 675**	3 496
– Other benefits			**431**	1 449
			4 106	4 945
– Paid by subsidiary companies			**(4 106)**	(4 945)
– Non-executive directors			**197**	230
– Fees			**1 361**	1 011
– Paid by subsidiary company			**(1 164)**	(781)

3. PROFIT/(LOSS) BEFORE TAXATION (continued)

	COMPANY					
	2009					
Directors' emoluments (continued)	**RS Broadley R'000**	**L Soanes R'000**	**AD Plummer R'000**	**CT Loock R'000**	**BM Jacobs**** R'000**	
– Executive directors						
– Salaries and allowances				**2 287**	**1 388**	
– Pension and provident fund contributions				**248**	**148**	
– Company contributions				**34**	**1**	
				2 569	**1 537**	
– Paid by subsidiary companies				**(2 569)**	**(1 537)**	
– Non-executive directors	**2**	**2**	**181**			
– Fees	**165**	**150**	**181**			
– Paid by subsidiary company	**(163)**	**(148)**				
	B Molotlegi R'000	**GMC Ryan* R'000**	**A Joffe* R'000**	**OME Pooe** R'000**	**A Galiel***** R'000**	**JG Best******* R'000**
– Non-executive directors	**2**	**2**	**2**	**2**	**2**	**2**
– Fees	**120**	**120**	**150**	**120**	**180**	**175**
– Paid by subsidiary company	**(118)**	**(118)**	**(148)**	**(118)**	**(178)**	**(173)**
	2008					
	RS Broadley R'000	L Soanes R'000	AD Plummer R'000	CT Loock R'000	CIJ vd Merwe R'000	BM Jacobs**** 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)				

Notes to the annual financial statements

continued

3. PROFIT/(LOSS) BEFORE TAXATION (continued)

	COMPANY					
	2008					
	B Molotlegi R'000	GMC Ryan* R'000	A Joffe* R'000	OME Pooe** R'000	LM Ndala** R'000	A Galiel***** 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)

* Paid to Coronation Capital Ltd
** Paid to Royal Bafokeng Management Services (Pty) Ltd
*** Retired November 2008
**** Appointed December 2008
***** Appointed July 2008
******* Appointed February 2009

	GROUP		COMPANY	
	2009 R'000	2008 R'000	**2009 R'000**	2008 R'000
4. TAXATION				
South African normal taxation	**54 194**	64 811		
Current:				
– this year	**56 335**	90 430		
– prior years	**(1 753)**	212		
Deferred:				
– this year	**(388)**	(23 332)		
– rate change		(2 499)		
Secondary taxation on companies	**829**	7 048		6 101
	55 023	71 859		6 101
	%	%	**%**	%
Reconciliation of taxation rate:				
Standard rate	**28**	28	**28**	28
Effect of change in tax rate		(3)		
Secondary taxation on companies	**0,7**	9		11
Exempt income and non-deductible expenses*	**18,3**	62	**(28)**	(28)
Effective rate	**47**	96		11
Calculated deferred tax on losses of subsidiaries	**122 944**	31 345		
Utilised to offset deferred taxation	**(12 004)**	(17 010)		
Assessable tax losses available for offset against future taxable income	**110 940**	14 335		

* Primarily impairment charges

	GROUP	
	2009	2008
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.	**37**	(9)
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.	**67**	74
Diluted earnings per share No diluted earnings per share is reflected for 2008 and 2009. Share options in terms of the Metair Share Trust are anti-dilutive.		

	GROUP			
Reconciliation between earnings and headline earnings	**Earnings 2009 R'000**	**Per share 2009 cents**	Earnings 2008 R'000	Per share 2008 cents
Earnings per share				
Net profit/(loss) attributable to ordinary shareholders	**52 210**	**37**	(13 080)	(9)
Loss/(profit) on disposal of property, plant and equipment	**5 342**	**4**	(2 329)	(2)
Impairment charges	**47 082**	**33**	122 590	86
Tax effect	**(5 620)**	**(4)**	(2 051)	(1)
Impairment charge attributable to minority shareholders	**(3 628)**	**(3)**		
Headline earnings	**95 386**	**67**	105 130	74
Weighted average number of shares in issue ('000)	**142 352**		141 707	

	GROUP		COMPANY	
	2009 R'000	2008 R'000	**2009 R'000**	2008 R'000
6. DIVIDENDS				
Declared and paid:				
0 cents per share (2008: 40 cents per share)		55 793		61 013
		55 793		61 013
No dividend was declared in respect of the 2008 and 2009 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				
2009				
Group				
At cost	**204 723**	**1 109 719**	**42 189**	**1 356 631**
Less: Accumulated depreciation	**(11 917)**	**(516 501)**	**(34 188)**	**(562 606)**
Accumulated impairment		**(129 844)**	**(6 289)**	**(136 133)**
	192 806	**463 374**	**1 712**	**657 892**
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)
Accumulated impairment		(99 522)		(99 522)
	190 155	503 500	20 346	714 001
1 January 2008				
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
Reconciliation of movement:				
Group				
Year ended 31 December 2009				
Opening net book value	**190 155**	**503 500**	**20 346**	**714 001**
Additions	**6 172**	**105 331**		**111 503**
Disposals	**(1 641)**	**(25 814)**		**(27 455)**
Depreciation	**(1 880)**	**(89 321)**	**(12 345)**	**(103 546)**
Impairment charge		**(30 322)**	**(6 289)**	**(36 611)**
Closing net book value	**192 806**	**463 374**	**1 712**	**657 892**
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

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 on in Note 16.

The following items include work in progress:
Land and buildings: R201 241 (2008: R361 000)
Plant and equipment: R19 842 333 (2008: R21 774 000)

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.

Due to the economic downturn and its impact on the motor manufacturing industry, management assessed the recoverable amount of all cash-generating units in 2008. In 2009 management assessed all cash-generating units that have shown indicators of impairment and tested cash-generating units impaired in 2008 for potential reversal of impairment charges. No impairment charges processed in 2008 were reversed in 2009.

As a result, an impairment charge of R36 611 000 (2008: R99 522 000) was charged to the Hesto and ATE original equipment manufacturers (OEM) cash-generating units. The Hesto and ATE OEM cash-generating unit's recoverable amount was determined by applying the value-in-use method. This method was applied for all cash-generating units tested for impairments with the exception of Lumotech, where the fair value less cost to sell method was applied on the same basis as the prior year. No further impairment was deemed necessary on this and the remaining cash-generating units.

Further detail on the assumptions used in the impairment assessment is included in note 26 – "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.

No change has been required in the aggregation of assets for identifying the cash-generating unit since the previous estimate of the cash-generating unit's recoverable amount and the adoption of IFRS 8.

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							
2009							
Group							
At cost	**33 539**	**1 000**	**23 420**	**11 802**	**5 802**	**1 810**	**77 373**
Less: Accumulated amortisation		**(283)**	**(11 162)**	**(793)**	**(973)**	**(1 109)**	**(14 320)**
Accumulated impairment	**(33 539)**						**(33 539)**
		717	**12 258**	**11 009**	**4 829**	**701**	**29 514**
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)
Accumulated impairment	(23 068)						(23 068)
	10 471	783	11 108	11 481	5 409	1 002	40 254
1 January 2008							
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
Reconciliation of movement:							
Group							
Year ended 31 December 2009							
Opening net book value	**10 471**	**783**	**11 108**	**11 481**	**5 409**	**1 002**	**40 254**
Additions			**4 644**			**9**	**4 653**
Amortisation		**(66)**	**(3 494)**	**(472)**	**(580)**	**(310)**	**(4 922)**
Impairment charge	**(10 471)**						**(10 471)**
Closing net book value		**717**	**12 258**	**11 009**	**4 829**	**701**	**29 514**
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

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
Automould (Pty) Ltd	10 471
Total	10 471

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:

	2009	2008	
	Automould	Automould	ATE
Growth rate	**5%**	5%	3,5%
Discount rate – pre-tax	**25%**	25%	25,7%
– post-tax	**18%**	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.

	2009	2008	
	Automould	Automould	ATE
	R'000	R'000	R'000
The above value-in-use calculation resulted in the folllowing impairment charges:	**10 471**	7 326	15 742

No change was required in the aggregation of assets for identifying the CGU since the previous estimate of the CGU's recoverable amount and the adoption of IFRS 8.

Notes to the annual financial statements
continued

	GROUP		COMPANY	
	2009 R'000	2008 R'000	**2009 R'000**	2008 R'000
9. INTEREST IN SUBSIDIARIES				
Unlisted				
Shares at cost less amounts written off			**52 695**	52 695
Non-current advances to subsidiary companies			**544 741**	551 589
Share-based payment costs			**3 345**	3 345
Provision for impairment			**(236 112)**	(151 689)
			364 669	455 940
Current advances			**154 309**	50 209
			518 978	506 149
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 whilst 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 recoverable net asset values of subsidiaries. The provision for impairment relates to non-current advances to subsidiary companies.				
(Directors' valuation of shares held – R1 092 670) (2008: R1 061 412 000)				
Aggregate attributable income and losses after tax of subsidiaries:				
Income	**170 908**	164 174		
Losses	**(131 396)**	(177 912)		
Details of subsidiaries are disclosed on page 105.				

Notes to the annual financial statements

continued

	GROUP		COMPANY	
	2009	2008	**2009**	2008
	R'000	R'000	**R'000**	R'000
10. INVESTMENT IN ASSOCIATES				
Unlisted				
– Shares at cost less impairment	**3 838**	3 838	**3 838**	3 838
– Share of post-acquisition reserves included in non-distributable reserves	**16 309**	36 585		
Income and dividends from associates in current year	**(20 276)**	17 056		
In respect of prior year	**36 585**	19 529		
Total carrying value	**20 147**	40 423	**3 838**	3 838
Reconciliation of movements:				
Balance at beginning of the year	**40 423**	22 352	**3 838**	2 793
Additional investment in associate		1 015		1 045
Share of profit	**419**	17 056		
Dividends received	**(20 695)**			
Investment in associates	**20 147**	40 423	**3 838**	3 838
Directors' valuation	**20 147**	91 795		
The summarised financial information of material associates is in aggregate as follows:				
Income statement				
Revenue	**154 964**	275 815		
Profit before taxation	**7 072**	48 395		
Taxation	**(6 217)**	(13 586)		
Profit after taxation	**855**	34 809		
Balance sheet				
Assets				
Non-current assets	**1 856**	1 053		
Current assets	**55 656**	103 478		
	57 512	104 531		
Equity and liabilities				
Shareholders' equity	**38 985**	80 364		
Non-current liabilities	**39**			
Current liabilities	**18 488**	24 167		
	57 512	104 531		

Notes to the annual financial statements

continued

10. INVESTMENT IN ASSOCIATES (continued)

	Percentage holding	Number of shares held	Group carrying amount R'000	Company cost R'000
2009				
Unlisted				
Tenneco Automotive Holdings SA (Pty) Ltd	**25,1%**	**154 712**		
Toyoda Gosei (Pty) Ltd	**20%**	**200**		
Valeo Systems SA (Pty) Ltd	**49%**	**490**	**19 102**	**2 793**
Vizirama 112 (Pty) Ltd	**33%**	**40**	**1 045**	**1 045**
			20 147	**3 838**
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 112 (Pty) Ltd	33%	40	1 045	1 045
			40 423	3 838

The associate companies operate in the automotive industry with the exception of Vizirama 112 (Pty) Ltd. Vizirama is an investment company that holds the patents and owns the tooling utilised for the manufacture of streetlights. The companies are all incorporated in South Africa.

Details of associates are disclosed on page 105.

	GROUP		COMPANY	
	2009 R'000	2008 R'000	**2009 R'000**	2008 R'000
11. INVENTORY				
Raw material	**301 593**	514 935		
Work in progress	**47 623**	35 803		
Finished goods	**168 875**	218 275		
	518 091	769 013		

The above inventories are stated net of a provision for obsolescence and slow-moving stock of R21 416 279 (2008: R26 338 000).

The cost of inventories recognised as expense and included in "cost of sales" amounted to R1 525 314 799 (2008: R2 528 883 000).

	GROUP		COMPANY	
	2009 R'000	2008 R'000	**2009 R'000**	2008 R'000
12. TRADE AND OTHER RECEIVABLES				
Trade receivables	**393 430**	388 367		9 015
Less: Provision for impairment of trade receivables	**(8 899)**	(24 427)		
	384 531	363 940		9 015
Prepayments	**11 319**	8 797		
Other receivables	**32 226**	25 444		
	428 076	398 181		9 015

The fair value of accounts receivable approximates their carrying value.

12. TRADE AND OTHER RECEIVABLES (continued)

Trade receivables can be categorised in the following categories:

	Fully performing	Past due and not impaired	Impaired and provided for	Total
2009				
Original equipment	**152 874**	**31 922**	**4 796**	**189 592**
Exports	**28 014**	**28 005**		**56 019**
Aftermarket	**81 423**	**22 260**	**4 103**	**107 786**
Non-automotive	**25 216**	**14 817**		**40 033**
	287 527	**97 004**	**8 899**	**393 430**
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

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

	2009 R'000	2008 R'000
Rand	**380 276**	350 022
British Pound	**300**	1 040
Euro	**31 663**	9 330
US Dollar	**15 253**	37 789
Australian Dollar	**584**	
	428 076	398 181

No interest is applicable to accounts receivable balances.

Notes to the annual financial statements

continued

12. TRADE AND OTHER RECEIVABLES (continued)

The provision for impairment can be analysed as follows:

2009						2008				
Total	**Original equip-ment**	**Export**	**After-market**	**Non-auto-motive**	**Provision for impair-ment**	Original equip-ment	Export	After-market	Non-auto-motive	Total
24 427	**550**	**20 731**	**623**	**2 523**	At 1 January	162	2 069	745	1 154	4 130
8 839	**4 796**		**4 043**		Provision for receivables impairment	2 446	20 702	154	1 369	24 671
(24 367)	**(550)**	**(20 731)**	**(563)**	**(2 523)**	Unused amounts reversed	(2 058)	(2 040)	(276)		(4 374)
8 899	**4 796**		**4 103**		At 31 December	550	20 731	623	2 523	24 427

The ageing profile of trade receivables is presented below:

2009						2008				
Total	**Original equip-ment**	**Export**	**After-market**	**Non-auto-motive**	**Ageing of trade receivables**	Original equip-ment	Export	After-market	Non-auto-motive	Total
384 266	**186 246**	**55 014**	**104 710**	**38 296**	Up to 3 months	149 650	57 634	93 078	55 007	355 369
5 972	**982**	**999**	**2 546**	**1 445**	3-6 months	1 948	12 904	3 924	4 301	23 077
3 192	**2 364**	**6**	**530**	**292**	Over 6 months	8 875	9	228	809	9 921
393 430	**189 592**	**56 019**	**107 786**	**40 033**		160 473	70 547	97 230	60 117	388 367

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

continued

		GROUP		COMPANY	
		2009	2008	**2009**	2008
		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	**282 205**	123 325		
	Bank overdrafts	**(49 662)**	(104 975)		
		232 543	18 350		
	The effective interest rate on short-term bank deposits was 8,11% (2008: 8,93%) and the effective interest rate on bank overdrafts was 11,55% (2008: 13,73%).				
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 (2008: 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 and end of the year	**39 825**	39 825	**39 825**	39 825
	Treasury shares				
	Balance at the beginning of the year	**(124 532)**	(131 813)		
	Shares acquired by the Metair Share Trust	**(8 590)**	(11 348)		
	Shares disposed of by Business Venture Investments No 1217 (Pty) Ltd	**8 833**	18 629		
	Balance at the end of the year	**(124 289)**	(124 532)		
	Treasury shares are held as follows: (number of shares)				
	Metair Share Trust	**2 254 906**	1 777 406		
	The Metair Share Incentive Trust	**10 000 000**	10 000 000		
	Business Venture Investments No 1217 (Pty) Ltd	**180 273**	825 273		
		12 435 179	12 602 679		

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

Share options

A share purchase option scheme exists with 2 254 906 (2008: 15 419 850) ordinary shares reserved for the purpose of the scheme, and under the control of the directors.

Notes to the annual financial statements

continued

14. SHARE CAPITAL AND PREMIUM (continued)

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:

	2009		2008	
	Average offer price per share	Options (thousands)	Average offer price per share	Options (thousands)
At 1 January	**4,49**	**2 515**	4,49	3 140
Forfeited	**0,72**	**(92)**	1,20	(92)
Delivered			4,34	(88)
Exercised and delivered	**1,39**	**(168)**	4,83	(445)
At 31 December	**4,74**	**2 255**	4,49	2 515

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

2009 Number of shares	2008 Number of shares	Option price	Date granted	Date exercisable
	92 500	R0,72	11/01/99	11/01/04
	23 125	R1,00	07/01/00	07/01/04
31 875	101 250	R1,00	07/01/00	07/01/05
33 750	43 125	R1,40	08/01/01	08/01/05
101 250	129 375	R1,40	08/01/01	08/01/06
34 375	43 750	R2,36	07/01/02	07/01/06
313 125	306 250	R2,36	07/01/02	07/01/07
	35 000	R3,04	10/04/02	10/04/07
699 531	699 525	R4,34	01/04/03	01/04/08
1 041 000	1 041 000	R6,36	05/04/04	05/04/09

167 500 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 2009 and 2008 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.

477 500 shares (2008: 1 362 500 shares) were transferred/(issued) during the year to the Metair Share Trust. The market value of these shares as at 31 December 2009 was R5,30 per share.

The trust held 2 254 906 (2008: 1 777 406) shares in Metair Investments Ltd at year-end.

Share-based payment costs charged for the year were R0 (2008: R315 000).

Notes to the annual financial statements
continued

14. SHARE CAPITAL AND PREMIUM (continued)

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

	2009	2008
Number of shares held by the Metair Share Trust in respect of share option scheme	**2 254 906**	1 777 406
Market value of shares held by the Metair Share Trust in respect of share option scheme	**R11 951 002**	R10 308 955

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 R1,39 per right.

The significant inputs into the model were a weighted average share price of R5,30 (2008: R5,80) at the grant date, volatility of 40% (2008: 40%), dividend yield of 0% (2008: 6,9%), option life of five years and an annual risk-free rate of 6,0% (2008: 5,2%).

Date granted	Total grants issued	Total grants cancelled	Total grants cashed in	Total outstanding	Weighted average grant price
8 November 2006	2 225 000	(437 500)	(387 500)	1 400 000	10,52
1 December 2005	2 187 500	(500 000)	(387 500)	1 300 000	9,24
1 April 2005	1 261 250	(310 000)	(380 000)	571 250	8,48

Share-based payment costs charged for the year were R739 449 (2008: R547 355).

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.

During the current year the trustees of The Metair Share Incentive Trust have agreed to cancel the trust as the strike price of the underlying options is higher than the current market price. Accordingly, there has been no IFRS 2 share-based payment charge in the current year.

A new scheme was approved during December 2009.

14.4 The Metair Investments Limited Share Plan

The Metair Investments Limited Share Plan was approved by the shareholders on 4 December 2009. Under the plan, executive, senior managers and/or key employees of the group will annually be offered a combination of share appreciation rights or performance shares or bonus shares. Share appreciation rights of R107 433 and performance shares of R68 262 were expensed during 2009.

Notes to the annual financial statements

continued

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 2009: Nil.

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

14.5 Interest of directors

At 31 December 2009 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 2009								31 December 2008							
	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**							9 869 178	6,47				
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	9 869 178	6,47				

Notes to the annual financial statements

continued

	GROUP 2009 R'000	GROUP 2008 R'000	COMPANY 2009 R'000	COMPANY 2008 R'000
15. NON-DISTRIBUTABLE RESERVES				
Non-distributable reserves comprise:				
Interest in distributable and non-distributable reserves of associate companies	**16 309**	36 585		
	16 309	36 585		
Balance at the beginning of the year	**36 585**	25 139		
Transfers (to)/from retained earnings	**(20 276)**	11 446		
Balance at the end of the year	**16 309**	36 585		
Transfer from/(to) retained earnings consists of:				
Share of associated companies' after-tax income	**419**	17 056		
Other movements	**(20 695)**	(5 610)		
	(20 276)	11 446		
16. BORROWINGS				
Secured				
– Instalment sale agreement secured over plant with a book value of R6 213 000 bearing interest at prime minus 2,25%. Repayable in annual instalments of R241 447 (2008: R357 000). Repaid in February 2009.		357		
– Mortgage bond secured over land and buildings with a book value of R3 687 000 (2008: R3 687 000) currently bearing interest at prime minus 2% (2008: 13%). Repayable in monthly instalments of R20 448 (2008: R40 442) until 2012.	**1 651**	2 735		
– Instalment sale agreement secured over plant with a book value of R12 162 599 (2008: R30 097 025) currently bearing interest at prime minus 1,5% in 2009 and 2008. Repayable in annual instalments of R6 678 583 (2008: R7 396 308) until August 2013.	**20 796**	25 237		
– Capitalised finance lease secured over plant with a book value of R176 000 (2008: R176 000) bearing interest at 11.02% in 2008. Repaid in May 2009.		19		
– Capitalised finance lease secured over plant with a book value of R271 694 (2008: R494 331) currently bearing interest at 13,75% (2008: 13,5%). Repayable in monthly instalments of R10,573 (2008: R11 677) until May 2012.	**307**	525		
– Capitalised finance lease secured over plant with a book value of R0 (2008: R7 153 000) currently bearing interest at 10,5% (2008: 15,5%). Repayable in monthly instalments of R151 500 until May 2009.	**4 826**	6 002		
– Instalment sale agreement secured over plant with a book value of R17 524 000 (2008: R18 783 000) currently bearing interest at prime less 1%. Repayable in monthly instalments of R440 693 (2008: R538 000) until October 2010.	**8 603**	13 468		

Notes to the annual financial statements

continued

	GROUP		COMPANY	
	2009 R'000	2008 R'000	**2009 R'000**	2008 R'000
16. BORROWINGS (continued)				
– Instalment sale agreement secured over motor vehicles with a book value of R14 000 in 2008 bearing interest at 14,85% in 2008. Repayable in monthly instalments of R3 000 in 2008.		74		
– Instalment sale agreement secured over plant with a book value of R6 774 000 (2008: R7 542 000) currently bearing interest at prime less 1% (2008: 15%). Repayable in monthly instalments of R138 758 (2008: R265 000) until October 2013.	**5 337**	7 166		
– Instalment sale agreement secured over plant with a book value of R8 038 000 (2008: R8 538 000) currently bearing interest at prime less 2,25% in 2009 and 2008. Repayable in monthly instalments of R278 000 for 2009 and 2008 until February 2013.	**8 540**	10 740		
– Instalment sale agreement secured over plant with a book value of R10 268 000 (2008: R15 975 000) currently bearing interest at prime less 2 ,75% in 2009 and 2008. Repayable in monthly instalments of R340 000 in 2009 and 2008 until March 2013.	**10 561**	13 189		
– Instalment sale agreement secured over plant with a book value of R15 450 000 (2008: R16 949 000) currently bearing interest at prime less 2,75% in 2009 and 2008. Repayable in monthly instalments of R390 000 in 2009 and 2008 until March 2013.	**12 117**	15 130		
– Instalment sale agreement secured over plant with a book value of R4 230 000 (2008: R4 797 000) currently bearing interest at prime less 2,75% in 2009 and 2008. Repayable in monthly instalments of R275 000 in 2009 and 2008 until July 2013.	**3 777**	4 609		
	76 515	99 251		
Cumulative redeemable preference shares	**75 000**	100 000		
– R75 000 000 issued to Rand Merchant Bank bearing cumulative preference dividends at 71,6% of prime repayable in 2010.	**75 000**	75 000		
– R25 000 000 issued to SA Trust (Pty) Ltd bearing cumulative preference dividends at 7% repayable in 2009.		25 000		

These shares were issued to financial institutions in order to fund the purchase of 10 million Metair shares acquired by The Metair Share Incentive Trust.

The trustees of The Metair Share Incentive Trust (MSIT) have agreed to cancel the trust as the strike price of the underlying options is higher than the current market price. The RMB preference shares are due to be redeemed in 2010.

	GROUP		COMPANY	
	2009	2008	**2009**	2008
	R'000	R'000	**R'000**	R'000
16. BORROWINGS (continued)				
The sale of the MSIT assets comprising 10 million Metair shares at R5,30 (share price on 31 December 2009) is insufficient to cover this debt. Metair Investments Limited has guaranteed this shortfall. The preference shares issued to SA Trust (Pty) Ltd were acquired by Metair Investments Ltd for a consideration of R1 in 2009.				
	151 515	199 251		
Current portion included in current liabilities	**(97 298)**	(20 817)		
Non-current borrowings	**54 217**	178 434		
Maturity of non-current borrowings (excluding finance lease liabilities)				
Not later than 1 year	**95 714**	19 453		
Between 2 and 5 years	**50 668**	173 271		
	146 382	192 724		
Finance lease liabilities – minimum lease payments:				
Not later than 1 year	**2 125**	1 783		
Later than 1 year and not later than 5 years	**3 828**	6 839		
	5 953	8 622		
Future finance charges on finance leases	**(820)**	(2 095)		
Present value of finance lease liabilities	**5 133**	6 527		
The present value of all finance lease liabilities may be analysed as follows:				
Not later than 1 year	**1 584**	1 383		
Later than 1 year and not later than 5 years	**3 549**	5 144		
	5 133	6 527		
Borrowing facilities				
The group has the following contracted borrowing facilities:				
Floating rate:				
– Expiring beyond 1 year	**421 000**	229 091		
– Expiring within 1 year	**365 759**	227 932		
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.				

Notes to the annual financial statements

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	GROUP		COMPANY	
	2009	2008	**2009**	2008
	R'000	R'000	**R'000**	R'000
17. DEFERRED TAXATION				
Deferred income tax is calculated on all temporary differences under the liability method using a principal tax rate of 28% (2008: 28%). 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	**(34 970)**	(47 930)		
Deferred tax liabilities	**83 778**	91 216		
Net deferred tax liability	**48 808**	43 286		
The movement on the deferred income tax account is as follows:				
At beginning of year	**43 286**	77 603		
Effect of change in tax rate		(2 499)		
Income statement charge/(credit)				
– current year	**(388)**	(23 332)		
Tax charged/(credited) to equity	**5 910**	(8 486)		
At end of year	**48 808**	43 286		
Deferred income tax assets in respect of tax losses carried forward are recognised 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	**(34 000)**	(34 411)		
– Deferred tax asset to be recovered within 12 months	**(970)**	(13 519)		
	(34 970)	(47 930)		
Deferred tax liabilities:				
– Deferred tax liability to be realised after more than 12 months	**82 335**	83 441		
– Deferred tax liability to be realised within 12 months	**1 443**	7 775		
	83 778	91 216		

Notes to the annual financial statements
continued

17. 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

			2009			
R'000	**Pension and post-employment benefits**	**Contingency policy**	**Plant and equipment allowances**	**Intangibles**	**Other**	**Total**
Opening balance	**(3 432)**	**132**	**90 295**	**4 929**	**(708)**	**91 216**
Charged/(credited) to the income statement	**3 954**	**(132)**	**(16 074)**	**176**	**(1 206)**	**(13 282)**
Charged to equity	**5 835**				**9**	**5 844**
Closing balance	**6 357**		**74 221**	**5 105**	**(1 905)**	**83 778**

			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

Deferred tax assets

			2009			
R'000	**Pension and post-employment benefits**	**Assessed losses set off**	**Provision for doubtful debts**	**Warranty claims**	**Provisions**	**Total**
Opening balance		**(17 010)**	**(529)**	**(6 984)**	**(23 407)**	**(47 930)**
(Credited)/charged to the income statement	**(2 385)**	**5 006**	**35**	**(2 496)**	**12 734**	**12 894**
Charged to equity	**66**					**66**
Closing balance	**(2 319)**	**(12 004)**	**(494)**	**(9 480)**	**(10 673)**	**(34 970)**

Notes to the annual financial statements

continued

17. DEFERRED TAXATION (continued)
Deferred tax assets (continued)

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)

	GROUP		COMPANY	
	2009 R'000	2008 R'000	**2009 R'000**	2008 R'000
18. TRADE AND OTHER PAYABLES				
Trade creditors	**226 740**	378 398		
Accrual for leave pay	**15 090**	12 720		
Sundry creditors and accruals	**199 954**	147 161	**162**	162
	441 784	538 279	**162**	162
The fair value of trade and other payables approximates their carrying value.				
At year-end an amount of R3 995 354 (2008: R32 644 000) was overdue.				
The carrying amounts of the group's trade and other payables are denominated in the following currencies:				
Yen	**41 568**	86 778		
US Dollar	**8 358**	84 660		
Euro	**42 002**	59 303		
British Pound	**297**	616		
Australian Dollar		21		
Thai Bhat	**2 037**	3 023		
Rand	**347 522**	303 878	**162**	162
	441 784	538 279	**162**	162
No interest is payable on these amounts.				

Notes to the annual financial statements

continued

19. 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.

	2009			
GROUP	**Executive bonus R'000**	**Warranty R'000**	**Other R'000**	**Total R'000**
Balance at beginning of the year	**5 232**	**30 209**	**15 977**	**51 418**
Charged to the income statement				
– Additional provision	**4 101**	**13 017**	**190**	**17 308**
Utilised during the year	**(2 648)**	**(358)**	**(4 844)**	**(7 850)**
Balance at end of the year	**6 685**	**42 868**	**11 323**	**60 876**

	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

Other provisions consist mainly of a provision of R6 000 000 (2008: R11 269 637) retained in respect of the IFRS 2 share-based payment liability in anticipation of the final wind up of The Metair Share Incentive Trust.

	2009	
COMPANY	**Guarantee R'000**	**Total R'000**
Balance at beginning of the year		
Charged to the income statement		
– Additional provision	**36 450**	**36 450**
Balance at end of the year	**36 450**	**36 450**

The guarantee results from the guarantee issued by Metair Investments Limited for Rand Merchant Bank in respect of The Metair Share Incentive Trust's liability for Rand Merchant Bank. (Refer note 16.)

Notes to the annual financial statements

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	GROUP		COMPANY	
	2009	2008	**2009**	2008
	R'000	R'000	**R'000**	R'000
20. NOTES TO CASH FLOW STATEMENTS				
20.1 Reconciliation of profit before taxation to cash generated from/(utilised in) operations				
Profit/(loss) before taxation	**118 219**	74 777	**(32 636)**	(57 829)
Adjustment for:				
Gain on derecognition of financial liability	**(25 000)**			
Depreciation and amortisation	**108 468**	109 557		
Impairment charge	**47 082**	122 590	**84 423**	151 689
Loss/(profit) on disposal of property, plant and equipment	**5 342**	(2 329)		
Share-based payment expenses		315		315
Pension fund	**(10 196)**	2 067		
Income from subsidiaries and associates	**(419)**	(17 056)	**(88 719)**	(94 306)
Income from investments	**(13 243)**	(14 767)		
Finance charges	**37 360**	51 385		
Operating profit/(loss) before working capital changes	**267 613**	326 539	**(36 932)**	(131)
Working capital changes:				
Decrease/(increase) in inventory	**250 922**	(110 342)		
(Increase)/decrease in trade and other receivables	**(29 781)**	(8 354)	**9 015**	(9 015)
(Decrease)/increase in trade and other payables	**(75 499)**	160 963	**36 450**	30
Cash generated from/(utilised in) operations	**413 255**	368 806	**8 533**	(9 116)
20.2 Taxation paid				
Taxation paid is reconciled to the amount disclosed in the income statement as follows:				
Amounts unpaid at beginning of year	**(5 552)**	(4 832)		
Income statement charge (note 4)	**(55 411)**	(97 690)		(6 101)
Amounts (overpaid)/unpaid at end of year	**(9 700)**	5 552		
	(70 663)	(96 970)		(6 101)
20.3 Dividends paid				
Balance due at the beginning of the year	**(151)**			
To shareholders		(55 793)		(61 013)
To minorities in subsidiaries	**(8 290)**	(9 447)		
Balance due at the end of the year		151		
	(8 441)	(65 089)		(61 013)

21. FINANCIAL INSTRUMENTS

21.1 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 2009			
Assets as per balance sheet			
Derivative financial instruments		**160**	**160**
Trade and other receivables	**416 757**		**416 757**
Cash and cash equivalents	**282 205**		**282 205**
Total	**698 962**	**160**	**699 122**

R'000	Financial liabilities at fair value through profit and loss	Other financial liabilities carried at amortised cost	Total
Liabilities as per balance sheet			
Borrowings		**151 515**	**151 515**
Derivative financial instruments	**9 835**		**9 835**
Bank overdraft		**49 662**	**49 662**
Trade and other payables		**426 694**	**426 694**
Total	**9 835**	**627 871**	**637 706**

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 carried at amortised costs	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

Notes to the annual financial statements

continued

21 FINANCIAL INSTRUMENTS (continued)

21.2 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. Previously subsidiaries had agreements in place with certain key customers whereby no foreign exchange risks were borne by subsidiaries and foreign exchange losses were recovered retrospectively from customers.During the current year certain key customers amended these agreements, which resulted in the group assuming the related foreign exchange risks. To mitigate this risk, the group reviewed its foreign exchange risk policy and the use of forward exchange contracts was implemented. The group makes use of professional foreign currency management specialists to cover its foreign exchange exposures.

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**			
	2009		**2008**		**2009**		**2008**	
	Foreign amount '000	**Rand equivalent R'000**	**Foreign amount '000**	**Rand equivalent R'000**	**Foreign amount R'000**	**Rand equivalent R'000**	**Foreign amount '000**	**Rand equivalent R'000**
US Dollars	**393**	**2 924**	1 233	14 451	**(1 034)**	**(7 994)**	(429)	(3 754)
Euro	**1 065**	**11 400**	(2 156)	(28 501)	**(3 523)**	**(40 554)**	(1 759)	(21 597)
Japanese Yen	**(416 839)**	**(33 511)**	(746 332)	(77 936)	**(63 973)**	**(5 406)**	(322 074)	(32 112)
Australian Dollars	**13**	**83**		(3)				
British Pounds	**25**	**300**	22	305	**(43)**	**(410)**	(5)	(74)
Thai Bhat	**(1 573)**	**(2 073)**	(11 131)	(3 023)			(11 804)	(3 205)
Total		**(20 877)**		(94 707)		**(54 364)**		(60 742)

Amounts in brackets represent liabilities

At 31 December 2009, 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 R689 500 (2008: R4 687 000) 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 2009, 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 R4 156 800 (2008: R8 678 000) 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.

21 FINANCIAL INSTRUMENTS (continued)

21.2 Financial risk management (continued)

At 31 December 2009, 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 R1 019 800 (2008: R42 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 2009, 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 R2 039 200 (2008: R4 997 000) 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 2009, 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 R203 700 (2008: R302 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.

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 primarily at floating interest rates. Management evaluates the group's borrowings and exposures on a regular basis and utilises fixed and floating rates as it deems appropriate.

Effective interest rates on bank overdrafts are disclosed in note 13. Interest rates on other borrowings are disclosed in note 16.

At 31 December 2009, 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 R815 000 (2008: R1 834 000) lower.

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

	2009	2008
6 months or less	**49 662**	63 067
6 – 12 months		41 908
	49 662	104 975

For other borrowing exposures and related maturity dates refer to note 16.

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.

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

continued

21 FINANCIAL INSTRUMENTS (continued)

21.2 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

	2009	2008
Counterparties without external credit rating:		
Group 1	**937**	1 295
Group 2	**365 288**	349 479
Group 3	**18 306**	13 166
	384 531	363 940

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:

	2009	2008
Total	**282 205**	123 325

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 16 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 2009	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	**103 128**	**44 204**	**33 257**	**1 053**
Trade and other payables	**426 694**			
As at 31 December 2008				
Borrowings	164 764	110 627	85 297	44 959
Trade and other payables	525 559			

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 21.5.

21. FINANCIAL INSTRUMENTS (continued)

21.3 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.

21.4 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 2009 and 2008 were as follows:

	2009	2008
Total borrowings (notes 13 and 16)	**201 177**	304 226
Less: Cash and cash equivalents (note 13)	**(282 205)**	(123 325)
Net debt	**(81 028)**	180 901
Ordinary shareholders equity	**1 087 249**	1 020 074
Total capital	**1 006 221**	1 200 975
Gearing ratio	**(8%)**	15%

21.5 Derivative financial instruments

	GROUP			
	2009 R'000		2008 R'000	
At 31 December 2009	Assets	Liabilities	Assets	Liabilities
Forward foreign exchange contracts – fair value hedges	**160**	**9 835**	274	
	160	**9 835**	274	

Notes to the annual financial statements

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21.5 Derivative financial instruments (continued)

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

	R amount	Foreign amount	Average forward rate	Currency used	Period to maturity
US Dollar	55 165	7 369	7,486	USD	8 January 2010 – 29 April 2010
Euro	450 888	40 143	11,232	EURO	8 January 2010 – 29 April 2010
Japanese Yen	99 555	1 228 223	0,081	JPY	8 January 2010 – 30 April 2010
Australian Dollar	5 241	783	6,693	AUD	15 January 2010 – 31 March 2010
British Pound	2 838	218	13,018	GBP	8 January 2010 – 31 October 2010
	613 687				

	GROUP		COMPANY	
	2009 R'000	2008 R'000	**2009 R'000**	2008 R'000
22. CONTINGENT LIABILITIES				
Letters of support in respect of secured loans and overdrafts of subsidiaries	**3 675**	3 675	**3 675**	3 675
Guarantee in respect of subsidiaries' employee loans		533		
Lease commitments	**2 925**	1 186		
	6 600	5 394	**3 675**	3 675

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

Refer note 25 for details on subordination agreements with subsidiaries.

	GROUP 2009 R'000	GROUP 2008 R'000	COMPANY 2009 R'000	COMPANY 2008 R'000
23. COMMITMENTS				
Capital commitments	**53 384**	111 966		
Contracted:				
Plant, machinery, tools, jigs and dies	**28 398**	62 283		
Authorised by the directors but not yet contracted:				
Plant, machinery, tools, jigs and dies	**24 986**	49 683		
Unexpired portion of operating lease contracts	**129 182**	108 512		
Payable within one year	**20 463**	22 539		
Payable later than one year and not later than five years	**64 010**	71 076		
Payable thereafter	**44 709**	14 897		
	182 566	220 478		

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

24. 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	
	2009 R'000	2008 R'000
Post-employment medical benefit liability	(19 246)	(17 810)
Defined benefit asset/(liability)	19 962	(11 085)
	716	(28 895)

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% (2008: 6%) per year.

	GROUP		COMPANY	
	2009 R'000	2008 R'000	2009 R'000	2008 R'000
The amounts recognised in the income statement are as follows:				
Current service costs	683	241		
Interest costs	1 757	1 257		
	2 440	1 498		
Movement in the liability recognised in the balance sheet:				
At beginning of year	17 810	16 758		
Total expense per income statement as above	2 440	1 498		
Contributions paid	(735)	(171)		
Actuarial gain recognised in equity	(269)	(275)		
At end of year	19 246	17 810		
The amounts recognised in equity are as follows:				
Recognised actuarial gain	(269)	(275)		

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	836	1 540
Revised defined benefit obligation	20 082	17 706

The principal actuarial assumptions used were:

	2009	2008
Discount rate for obligation	9%	7%

Notes to the annual financial statements

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24. RETIREMENT BENEFIT INFORMATION (continued)

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 97% (2008: 94%) 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 2009 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. 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 2012.

	GROUP		COMPANY	
	2009 R'000	2008 R'000	**2009 R'000**	2008 R'000
Reconciliation of pension movement				
The amounts recognised in the balance sheet are determined as follows:				
Present value of funded obligations	**(166 257)**	(394 146)		
Fair value of plan assets	**186 219**	383 061		
Asset/(liability) in the balance sheet	**19 962**	(11 085)		
The movement in the defined benefit obligation for the year is as follows:				
Beginning of year	**394 146**	407 047		
Current service cost	**8 770**	16 516		
Interest cost	**24 483**	33 321		
Contributions by plan participants	**3 717**	7 621		
Actuarial gains	**(2 229)**	(26 498)		
Benefits paid	**(254 014)**	(43 861)		
Settlement	**(8 616)**			
End of year	**166 257**	394 146		
The movement in the fair value of plan assets for the year is as follows:				
Beginning of year	**383 061**	428 063		
Expected return on plan assets	**27 648**	41 368		
Actuarial gains/(losses)	**18 620**	(56 531)		
Employee and employer contributions	**10 904**	14 023		
Benefits paid	**(254 014)**	(43 862)		
End of year	**186 219**	383 061		
The amounts recognised in the income statement are as follows:				
Current service costs	**8 771**	24 138		
Interest costs	**24 481**	33 321		
Expected return on assets	**(27 647)**	(41 368)		
Contributions by planned participants	**(7 185)**	(14 024)		
Settlement	**(8 616)**			
	(10 196)	2 067		

24. RETIREMENT BENEFIT INFORMATION (continued)

	2009 R'000	2008 R'000	2007 R'000	2006 R'000	2005 R'000
The net pension fund asset/(liability) for the current annual and previous four annual periods can be analysed as follows:					
Present value of funded obligations	**(166 257)**	(394 146)	(407 047)	(382 242)	(286 810)
Fair value of plan assets	**186 219**	383 061	428 063	383 882	297 694
Asset/(liability) in the balance sheet	**19 962**	(11 085)	21 016	1 640	10 884
The principal actuarial assumptions used were:					
Discount rate for obligation	**9%**	7%			
Expected return on plan assets	**10%**	8%			
Salary increase	**7%**	5%			
Pension increase	**4%**	4%			
Inflation	**6%**	6%			

Actual return on plan assets for the year was 16,5%.

Settlement of Metair Pension Fund

With effect from 1 June 2009 members of the pension fund were given the following options:

a) To transfer their actuarial reserve value in the fund to the ABSA Compak Pension Fund where benefits will accrue on a defined contribution basis; or

b) To have their benefits in the fund made paid-up and to accrue benefits on a defined contribution basis in the ABSA Compak Pension Fund. In this instance no future service will accrue in the fund but the benefit is subject to salary increases; or

c) To remain in the fund and continue to accrue benefits in the fund in respect of future service.

This resulted in a gain on settlement of R8 616 000.

Asset description

The expected return on assets is based on an average balanced portfolio, unless there is a specific different long-term investment strategy. Short-term tactical investment positions are ignored (since these can be amended over time) as is the effect of recent market movements on the current investment distribution (since these can change on a daily basis). The long expected return used is 4%, compared to the current snapshot result of 3,7%.

	Long term %	Real return %	Weighted average %	Short term %	Real return %	Weighted average %
Equity and foreign	80	4,50	3,60	76	4,50	3,42
Bonds	15	3	0,45	6	3	0,17
Cash	5	0,50	0,03	18	0,50	0,09
			4,08			3,68

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continued

	GROUP		COMPANY	
	2009	2008	**2009**	2008
	R'000	R'000	**R'000**	R'000
25. 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			**147 000**	100 000
Lumotech (Pty) Ltd			**54 332**	54 332
Metair Share Trust			**12 500**	6 000
The Metair Share Incentive Trust			**47 000**	
FYF Funding Investments (Pty) Ltd			**25 000**	
Business Venture Investments No 1217 (Pty) Ltd			**1 200**	6 200
			469 032	348 532

26. 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, 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.

During 2009 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 in 2010 would grow compared to 2009 based on GDP growth forecasted adjusted for general economic conditions and the introduction of new vehicle models by OEMs.
- From 2011 volumes would grow based on forecasted GDP growth, adjusted for general economic conditions, industrial expectations and the introduction of new vehicle models by OEMs.
- The group would be able to recover inflation-related cost increases from its customers.

Growth rates applied by management range from 3,5% to 5% (2008: 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 discount rates applied range from 24,65% to 26,39% (2008: 24% to 30%) (post-tax 17,75% to 19%) (2008: 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 R4 269 000 (2008: R8 939 000). If the discount rates applied increased by 1%, the impairment charge would have increased by R6 093 000 (2008: R7 377 000).

26. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Estimated impairment of goodwill

The group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (refer to note 8 for details on estimates used).

27. 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.

	2009 R'000	2008 R'000
Purchases of goods and services:		
Denso Corporation	**26 938**	42 727
Yazaki Corporation and its subsidiaries	**190 218**	278 345
	217 156	321 072
Outstanding balance at year-end:		
Yazaki Corporation and its subsidiaries	**33 966**	39 044
	33 966	39 044

28. BUSINESS COMBINATIONS

28.1 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 of the group.

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:	2008
Purchase consideration:	R'000
– Cash paid	41 992
Total purchase consideration	41 992
Fair value of net assets acquired	41 992

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 outflow on acquisition	41 992	41 992

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28. BUSINESS COMBINATIONS (continued)

28.2 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:	2008 R'000
Total purchase consideration settled in cash:	43 121
Fair value of shares issued	27 379
Goodwill	15 742

Goodwill has subsequently been impaired. Refer note 8.

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

Incorporated in South Africa	Type	Issued share capital		% Direct (indirect) interest		Cost of shares	
		2009 R'000	2008 R'000	**2009 %**	2008 %	**2009 R'000**	2008 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		100		
Lumotech (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)**	(100)		
Management services							
Metair Management Services (Pty) Ltd	ordinary			**100**	100		
Business Venture Investments No 1217 (Pty) Ltd	ordinary			**100**	100		
FYF Funding Investments (Pty) Ltd	ordinary			**100**			
Properties							
SMSA Property (Pty) Ltd	ordinary	**3 000**	3 000	**(100)**	(100)		
ILM Investments (Pty) Ltd	ordinary	**1**	1	**(100)**	(100)		
Honeypenny (Pty) Ltd	ordinary			**(100)**	(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)		
Toyoda Gosei (Pty) Ltd	ordinary			**(20)**	(20)		
Vizirama 112 (Pty) Ltd	ordinary			**33**	33	**1 045**	1 045
						3 838	3 838

*Liquidated and deregistered in 2009.

Investments in subsidaries and associates

continued

	2009 R'000	2008 R'000
Indebtedness by subsidiaries to the holding company before impairment:		
Metindustrial (Pty) Ltd	**236 368**	223 218
Metair Management Services (Pty) Ltd	**127 821**	23 565
Lumotech (Pty) Ltd	**59 707**	79 707
Unitrade 745 (Pty) Ltd	**10 247**	10 247
Smiths Plastics (Pty) Ltd	**238 417**	238 417
The Metair Share Incentive Trust	**45**	
Business Venture Investments 1217 (Pty) Ltd	**2 134**	10 945
Metair Share Trust	**24 311**	15 699
	699 050	601 798

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 Limited will be held in the boardroom, Wesco House, 10 Anerley Road, Parktown, Johannesburg, on Wednesday 5 May 2010, at 14:00 for the following purposes:

Ordinary business

1. To consider and approve the annual financial statements for the year ended 31 December 2009.
2. To re-elect Mr CT Loock 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 A Joffe 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 L Soanes as director, who retires in terms of the articles of association, but, being eligible, has offered himself for re-election (note 1).

5. 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 Limited, to allot and issue such shares on such terms and conditions and at such times as the directors may at their discretion deem fit until the next annual general meeting.

Special resolution number 1

GENERAL AUTHORITY TO REPURCHASE THE COMPANY'S SECURITIES

"Resolved, as a special resolution, that the mandate given to the company in terms of its Articles of Association (or one of its wholly-owned subsidiaries) providing authorisation, by way of a general approval, to acquire the company's own securities, upon such terms and conditions and in such amounts as the directors may from time to time decide, but subject to the provisions of the Companies Act, 1973 (Act 61 of 1973), as amended, ("the Act") and the Listings Requirements of the JSE Limited ("the JSE"), be extended, subject to the following terms and conditions:

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

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

Directors and management – refer to page 8.
Major shareholders of the company – refer to page 22.
Directors' interests in the company's securities – refer page 23.
Share capital – refer page 81.

Notice to shareholders

continued

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 8 of this Annual Report, collectively and individually, accept full responsibility for the accuracy of the information pertaining to the above special resolution number 1 and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that the aforementioned special resolution/s contain/s all the information required by the JSE Limited.

Material change

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

Voting rights

Duly completed proxy forms must be received by the company at its registered office or by the Transfer Secretaries (Computershare Investor Services (Pty) Limited, 70 Marshall Street, Johannesburg, 2001 / P.O. Box 61051, Marshalltown, 2107) by no later than 30 April 2010 at 14:00.

Shareholders are referred to the circular attached which sets out the details of the specific share repurchase The Metair Share Incentive Trust.

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
17 March 2010

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

Notice to shareholders
continued

NOTE

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

Mr CT Loock

Mr Loock was previously a divisional director of Trident Steel. He has an engineering degree with a strong commercial background.

He was appointed to the Metair board as managing director in March 2006. He is also a director of all the Metair subsidiary companies.

Mr A Joffe

Mr Joffe is a chartered accountant. He has been with CoroCapital Limited since 1999.

Mr Joffe was appointed as non-executive director of Metair in December 2006.

He is a member of the Metair Board Remuneration Committee.

Mr L Soanes

Mr Soanes was managing director of Armstrong Hydraulics (Pty) Limited from February 1979 to February 1999. He retired from Armstrong in March 1999 and was appointed as non-executive director of Metair in May 1999. In terms of the Listings Requirements of the JSE Limited (section 3.84(f)), he is classified as an independent non-executive director of Metair.

He is a member of the Metair Board Remuneration 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 delcared.	March

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

Notes

Form of proxy

Annual general meeting of 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")

Important note concerning this form of proxy:

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

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

A shareholder entitled to attend and vote at the meeting may appoint one or more proxies of his/her own choice to attend, speak, and, on a poll, vote in his/her stead at the annual general meeting of the company to be held at 14:00 on Wednesday, 5 May 2010 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 CT Loock as a director	☐	☐	☐
3. Re-election of Mr A Joffe as a director	☐	☐	☐
4. Re-election of Mr L Soanes as a director	☐	☐	☐
5. 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) Limited, 70 Marshall Street, Johannesburg, 2001/PO Box 61051, Marshalltown, 2107), by no later than Thursday 30 April 2010 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) Limited, Ground Floor, 70 Marshall Street, Johannesburg, 2001 (P.O. Box 61051, Marshalltown, 2107) so as to be received by not later than 14:00 on Thursday, 30 April 2010.

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
words'worth
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