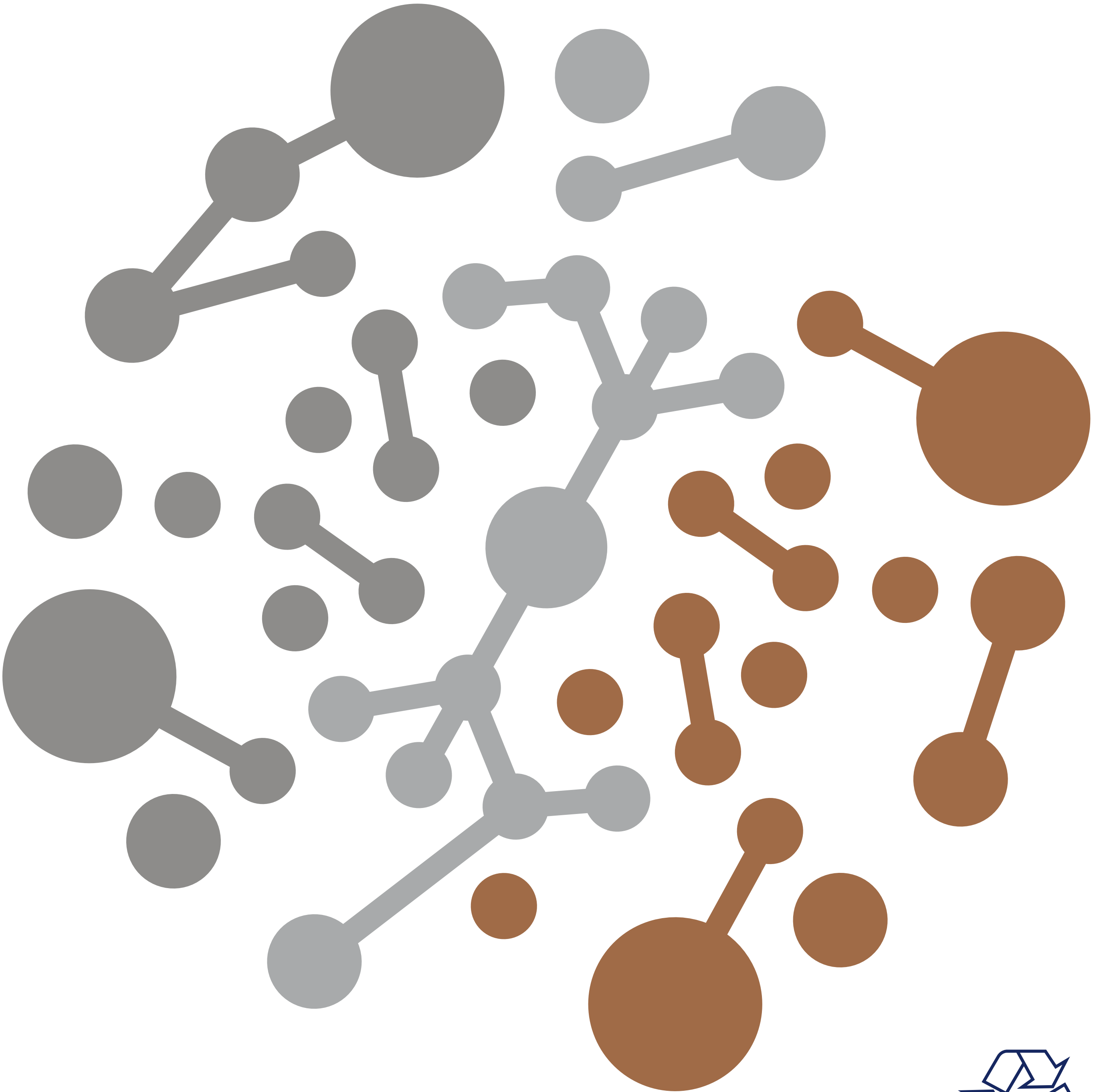
METAIR

INVESTMENTS LIMITED

automotive | industrial | retail

INTEGRATED ANNUAL REPORT 2019



Li-ion

Metair at a glance

Metair Investments Limited

(Listed on the Johannesburg Stock Exchange)

Metair Investments Limited (Metair, the company or the group) holds operations in South Africa, Turkey, Romania, United Kingdom, Kenya and Germany that manufacture energy storage products and automotive components primarily for automotive original equipment manufacturers (OEMs) and the automotive aftermarket. The operations are structured into two verticals:

Energy Storage Vertical

Produces and trades energy storage products and solutions, to OEMs, the automotive aftermarket and industrial customers.

Metair produced more than nine Gigawatt hours in 2019.

Products

- Automotive and industrial batteries
- Solar systems
- Backup systems
- Standby systems
- Charging systems
- Battery distribution networks
- Lithium-ion batteries and mining cap lamps
- Lithium-ion cells

Aftermarket retail customers:

- South Africa (Automotive components; Energy storage solutions)
- Turkey (Energy storage solutions)
- Romania (Energy storage solutions)
- Russia (Energy storage solutions)
- United Kingdom (Energy storage solutions)
- Middle East (Energy storage solutions)
- North Africa (Energy storage solutions)
- Germany (Energy storage solutions)
- East Africa (Energy storage solutions)

Original equipment manufacturers:

- South Africa (Automotive components; Energy storage solutions)
- Turkey (Energy storage solutions)
- Romania (Energy storage solutions)
- Russia (Energy storage solutions)
- Middle East (Energy storage solutions)
- North Africa (Energy storage solutions)
- Germany (Energy storage solutions)
- United Kingdom (Energy storage solutions)

Automotive Components Vertical

Produces and sells components mainly to OEMs in South Africa to manufacture cars and light commercial vehicles.

Metair produced parts for more than 600 000 vehicles in 2019.

Products

- Air-conditioning and climate control systems, air cleaners, wiper and washer systems, radiators, reserve tanks, charge air coolers, compressors and engine control units
- Radiators
- Air cleaners
- Wiper systems
- Electronic control units
- Starter motors
- Hydraulics, brake pads, brake discs and brake shoes
- Coil springs, leaf springs, stabiliser and torsion bars
- Headlights, tail lights and reflectors
- Plastic injection mouldings, plastic bins/storage and chrome plating on plastics
- Automotive cable, automotive wire and wiring harnesses
- Combination meter/instrument clusters
- Front-end modules, shock absorbers and struts

Key: Automotive components; Energy storage solutions

Contents

Strategy legs – Refer to page 27

Cover image and theme of the 2019 Integrated annual report

The image on the cover of Metair's integrated annual reports set the theme for the year and encapsulate the company's current focus and direction. The theme and cover image are introduced to Metair's leaders at the annual managing directors' conference in November. They shape the context of Metair's strategy execution for the year ahead.

The image on this year's cover is inspired by the successful installation of Metair's first lithium-ion cell manufacturing and assembly facility in Romania, which started production in November 2019. The image represents the various components of a lithium-ion battery – the cathode, anode, chemistry and the connectivity between all of the elements that collectively produce energy. Similarly, business requires connectivity and synergy between a range of components to create the energy that drives the organisation forward. These components include financial capital, technical expertise and experience, the relationships that connect and strengthen the organisation and, most importantly, our people. These elements work together to achieve synergistic value creation that benefits all stakeholders.

The lithium image also represents the automotive industry's primary response to concerns about global warming and climate change. The response entails a shift to electric vehicles, which are primarily powered by lithium-ion batteries. Metair's increased focus on diversifying and developing the energy storage business, which began in 2012 with the acquisition of Rombat, successfully diversified the organisation and brought balance to the business while creating a valuable asset in the process. However, competing on the global stage in the next phase of technological innovation will require significant capital. Following the strategic review, the board concluded that a possible managed separation of the two verticals could unlock value for stakeholders and needs to be investigated.

Salient features

REVENUE increased 9.4% to **R11.2bn**

EBITDA improved **4.7%**

HEPS increased 2.7% to **336c** per share

DIVIDEND PER SHARE OF 120c declared in 2020 in respect of the 2019 financial year

FREE CASH FLOW R544M

Cash generated from operations increased 40% to **R1.2bn**

FIRST lithium-ion cells produced at Metair's production line in Romania

±67 300 tonnes of lead recycled

Achieved a consolidated group B-BBEE **Level 2** and all South African subsidiaries at **Level 4** or better

Strategic review concluded and strategic direction changed

Water consumption per person hour worked improved **5.7%**

Group scope 1 and 2 carbon emissions per person hour worked increased to **11.7 kg CO_2e**

LTIFR improved to **0.77** in 2019 from 1.15 in 2018

R1.97bn as salaries, wages and other benefits (2018: R1.81bn)

R34.8 million was invested in training initiatives to further develop our human capital (2018: R28.2 million)

About this report

This report covers the period 1 January to 31 December 2019 and provides insight into the company's strategy and business model, operating context, material risks and opportunities, stakeholder groups and their interests, governance, operational performance and prospects. It is prepared primarily for current and prospective shareholders, providers of finance and stakeholders. Metair is committed to integrated thinking and the report therefore also includes disclosures that aim to meet the information needs of all of our stakeholders.

The report aims to provide information about the matters that most materially impact Metair's ability to create value over the long term. These are shown at the bottom of this page, contextualised in the table on pages 38-42 and discussed in more detail throughout the report. Consistent with prior years, material matters were identified and prioritised from a combination of the risk assessment process, stakeholder inputs and a review of regulations, guidelines, media and peer reports.

The conclusion of the strategic review at the end of 2019 has led to a material change in the strategy going forward. This report aims to balance reporting against the strategy in place for most of the year with insight into the rationale for the change and the outlook for the company under the new strategy in the medium- (two to five years) to long-term (more than five years) future.

Reporting guidelines and regulatory requirements

Metair's reporting meets the requirements of, or aligns with, the following codes, frameworks and regulations:

- The International Integrated Reporting Council's (IIRC) Integrated Reporting <IR> Framework
- The King IV Report on Corporate Governance™ for South Africa, 2016 (King IV™)
- International Financial Reporting Standards (IFRS)
- The JSE Listing Requirements
- The Companies Act, No. 71 of 2008 (as amended)

Sustainability information presented aligns with the GRI Sustainability Reporting Standards reporting guidelines although Metair does not report in accordance with the Standards. Metair has also produced climate change disclosure in line with the Task Force on Climate-related Financial Disclosures (TCFD), which is available on our website at www.metair.co.za.

Report boundary

Financial information in this report includes all Metair subsidiaries and associates in accordance with IFRS. Non-financial sustainability information, such as human resources statistics and environmental performance, does not include information for Associated Battery Manufacturers (East Africa) Limited (ABM), MOLL or Prime Batteries. Due to the relatively small size of these operations, this exclusion is not considered to have a material effect on the group's reported non-financial performance at present.

Hesto is reported in the annual financial statements as a managed associate, but is included fully in the non-financial reporting as Metair is responsible for the day-to-day management of the company. As explained on page 63, the basis for the calculation of the 2019 carbon footprint report was changed and the 2018 carbon footprint calculation was restated to provide a comparative figure that align with the revised approach.

Transformation information provided on pages 59 and 60 covers all South African subsidiaries and their material holdings, but excludes the non-South African operations: Rombat, Mutlu Akü, Dynamic, ABM, MOLL and Prime Batteries.

Apart from those areas addressed above, no significant changes to Metair's business occurred during the year that affect comparability against the 2018 report and no material restatements of information provided in previous reports have been made.

Assurance

The group's combined assurance model monitors key strategic risks, internal controls and other material areas. Various internal and external assessments support the integrity of the management, monitoring and reporting of data. External assurance of material information in this report includes:

- The consolidated and separate annual financial statements for the year ended 31 December 2019, which have been audited by PricewaterhouseCoopers Inc. Their report appears on page 131.
- Sustainability information has been externally assured by IBIS ESG Assurance (Pty) Ltd (refer to their report on page 114).
- External verification of Broad-Based Black Economic Empowerment (B-BBEE) performance is performed at a consolidated group level as well as at subsidiary level for the South African operations by Empowerlogic. The Metair group B-BBEE certificate and B-BBEE statutory report are available on our website at https://www.metair.co.za/sustainability/policies-and-reports.

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

Approval of the report

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

Metair's material matters

- Competitiveness
- Macro-economic and geopolitical factors
- Business partnerships
- Strategic alignment
- Human capital
- Natural environment
- Balanced business
- Technology and innovation

For further information regarding this report, please contact the company secretary, Sanet Vermaak:

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- Fax: +27 11 646 3102
- Email: sanet@metair.co.za

Who we are

Mission and vision

Our mission is to generate value for all stakeholders by managing and controlling businesses in the mobility and energy sectors that deliver quality and cost-competitive products through manufacturing, marketing and logistical excellence where technology-driven innovation is key.

ESTABLISHED 1948

LISTED ON THE JSE IN **1949**

We are driven by our core values and principles:

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

Refer to our governance section on page 69 for more information on our core values.

Metair operates two distinct business verticals: our traditional Automotive Components Vertical and, for the last decade, an Energy Storage Vertical. As at the end of 2019, the company holds investments in and manages 11 South African and six international operations that manufacture, assemble, distribute and retail energy storage solutions and automotive components in Africa, Europe, the Middle East, Turkey and Russia.

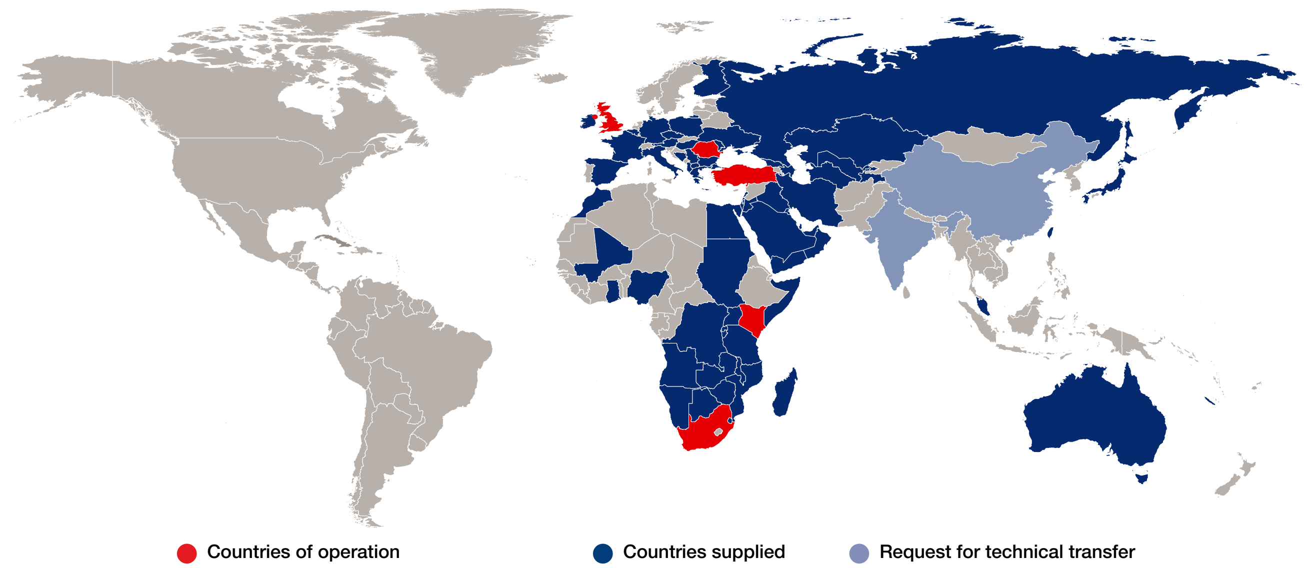
The Automotive Components Vertical comprises companies that produce original equipment (OE) components used in the assembly of new vehicles by OEMs in South Africa, as well as spare parts and other products used in the South African automotive aftermarket. These include brake pads, shock absorbers, lights, radiators and air-conditioners. The group also produces generic aftermarket products for use in imported vehicles.

The Energy Storage Vertical manufactures batteries for use in mobility applications and in the telecoms, utility, mining, retail and materials/products handling sectors. Automotive batteries are supplied to major automotive original equipment manufacturers (OEMs) in South Africa, Europe, Romania, Kenya, Turkey and Russia through subsidiaries in Romania (Rombat), Turkey (Mutlu Akü), United Kingdom (Dynamic Battery) and South Africa (First National Battery), and through our associates, MOLL, in Germany and ABM in Kenya.

Batteries are also sold into the automotive aftermarket through our unique aftermarket distribution channels and franchised retail networks. Most of our batteries are lead-acid based technology, but we have been producing lithium-ion cap lamps since 2013 and lithium-ion automotive starter batteries in Turkey since 2017. Prime Batteries in Romania acts as an incubator and research and development centre for lithium-ion battery development and, together with Rombat, successfully completed the installation of the group's first lithium-ion battery cell manufacturing and assembly facility in Bucharest at the end of 2019.

Aftermarket products are exported to approximately 46 destinations across Africa, Europe, the Middle East, Turkey and Russia. Non-automotive products are mainly sold into sub-Saharan Africa and Turkey.

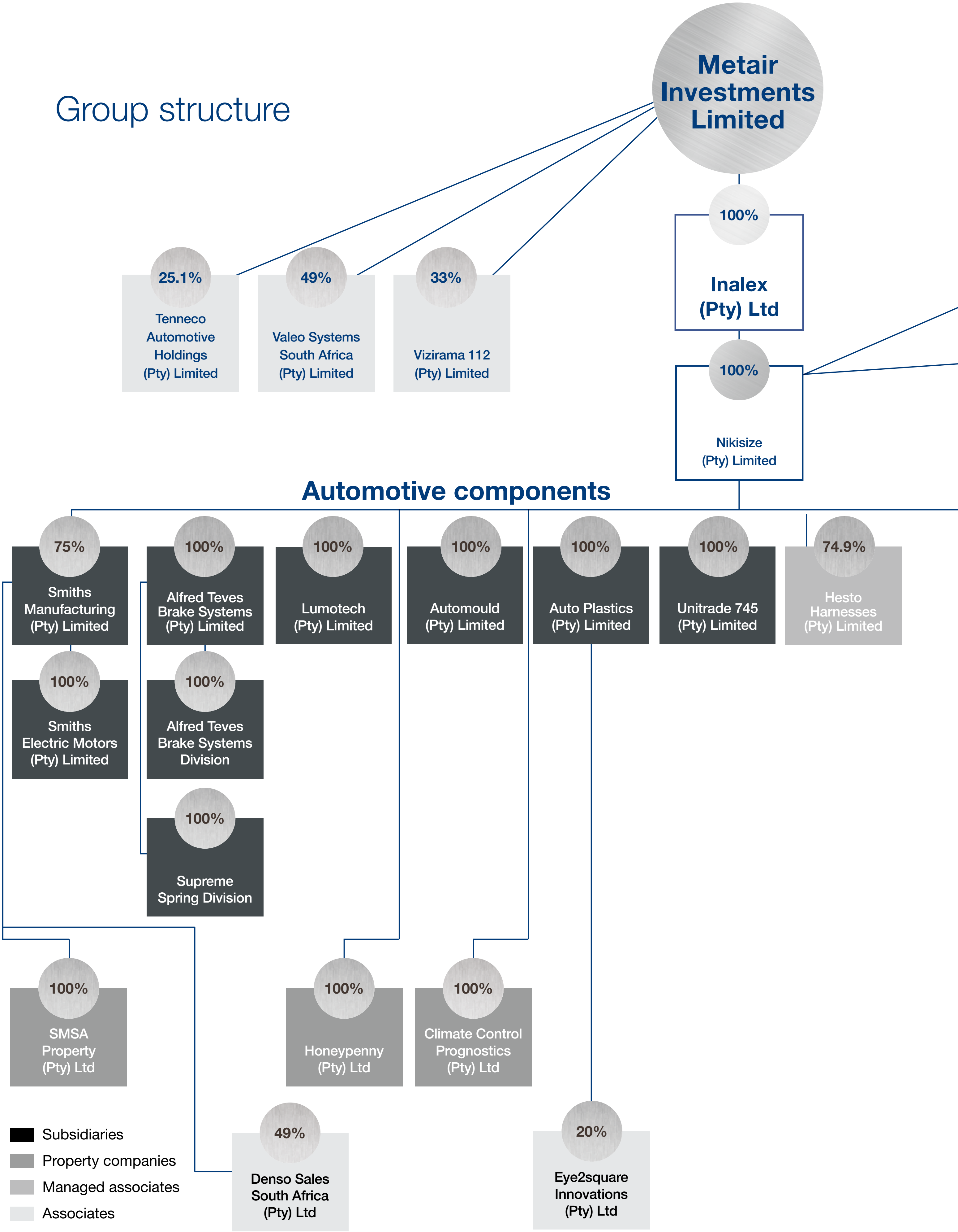
Given that the two verticals occupy different strategic positions, Metair completed a strategic review process in 2019 and is currently investigating the best options for separating the two verticals and potentially unlocking value for stakeholders. Shareholders will decide on the future direction of the business once the board has selected the best option and presented it to shareholders.

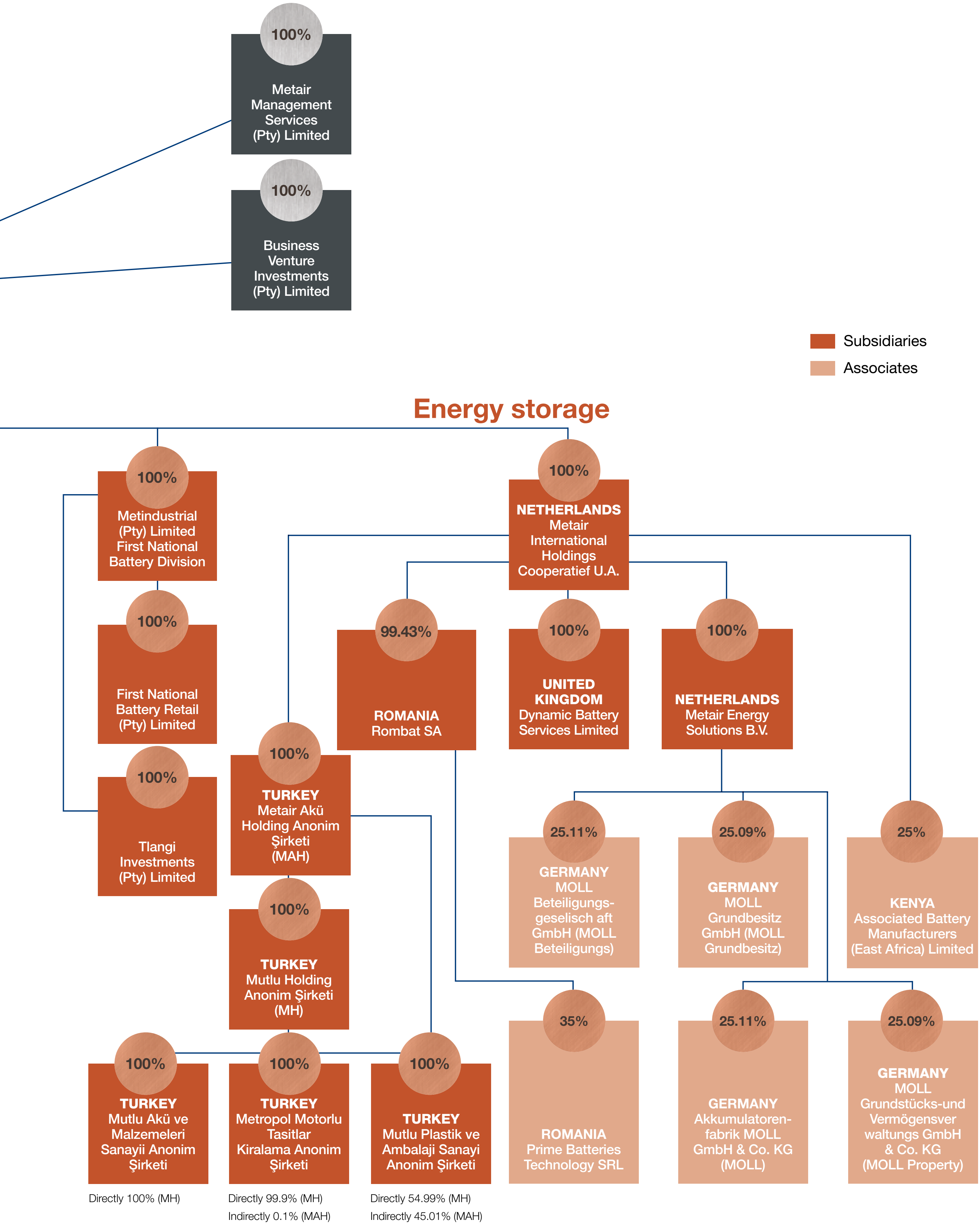


Key businesses

COMPANY	OWNERSHIP	KEY BUSINESS AREA AND PRODUCTS	IP IN PRODUCT DEVELOP-MENT	MANUFAC-TURING PARTNER-SHIPS	KEY OE RELATIONSHIPS
Energy storage vertical					
Mutlu Akü	100.0%	Batteries, solar systems, backup systems, standby systems, charging systems	✓		
First National Battery	100.0%	Batteries, solar systems, backup systems, standby systems, charging systems, Battery Centre franchise	✓		
Rombat	99.4%	Batteries, solar systems, backup systems, standby systems	✓		
Dynamic Battery Services	100.0%	National and international distribution of key battery group products			
Prime Batteries	35%	Lithium battery production for electric vehicles and electric energy storage. Development of new lithium battery technologies	✓		
Akkumulatoren-fabrik MOLL GmbH & Co. KG	25.1%	Starter batteries to the automotive industry and aftermarket, stationary batteries, solar systems, components, lithium batteries	✓		
Associated Battery Manufacturers (East Africa)	25.0%	Automotive and solar batteries		✓	
Automotive Components Vertical					
Smiths Manufacturing	75.0%	Air-conditioning and climate control systems, air cleaners, wiper and washer systems, radiators, reserve tanks, charge air coolers, compressors, engine control units		✓	
Hesto Harnesses	74.9%	Wiring harnesses, instrument cluster/combination meters, moulded parts		✓	
Lumotech	100.0%	Headlights, tail lights, reflectors and plastic injection mouldings	✓	✓	
Supreme Spring Division	100.0%	Coil springs, leaf springs, stabiliser bars, torsion bars	✓		
Automould **Smiths Plastics**	100.0%	Plastic injection moulding, chrome plating, body colour painting and assembly		✓	
Unitrade	100.0%	Automotive cable, automotive wire	✓		
ATE	100.0%	Brake pads, brake discs, brake shoes, hydraulics and other braking components	✓		
Valeo SA	49.0%	Front end modules		✓	
Tenneco Automotive	25.1%	Shock absorbers, struts		✓	

Group structure




100%
Metair Management Services (Pty) Limited
100%
Business Venture Investments (Pty) Limited
Subsidiaries
Associates
Energy storage
100%
Metindustrial (Pty) Limited First National Battery Division
100%
First National Battery Retail (Pty) Limited
100%
Tlangi Investments (Pty) Limited
100%
NETHERLANDS
Metair International Holdings Cooperatief U.A.
99.43%
ROMANIA
Rombat SA
100%
UNITED KINGDOM
Dynamic Battery Services Limited
100%
NETHERLANDS
Metair Energy Solutions B.V.
100%
TURKEY
Metair Akü Holding Anonim Şirketi (MAH)
100%
TURKEY
Mutlu Holding Anonim Şirketi (MH)
25.11%
GERMANY
MOLL Beteiligungs-geselisch aft GmbH (MOLL Beteiligungs)
25.09%
GERMANY
MOLL Grundbesitz GmbH (MOLL Grundbesitz)
25%
KENYA
Associated Battery Manufacturers (East Africa) Limited
100%
TURKEY
Mutlu Akü ve Malzemeleri Sanayii Anonim Şirketi
100%
TURKEY
Metropol Motorlu Tasitlar Kiralama Anonim Şirketi
100%
TURKEY
Mutlu Plastik ve Ambalaji Sanayi Anonim Şirketi
35%
ROMANIA
Prime Batteries Technology SRL
25.11%
GERMANY
Akkumulatoren-fabrik MOLL GmbH & Co. KG (MOLL)
25.09%
GERMANY
MOLL Grundstücks-und Vermögensver waltungs GmbH & Co. KG (MOLL Property)
Directly 100% (MH)
Directly 99.9% (MH)
Indirectly 0.1% (MAH)
Directly 54.99% (MH)
Indirectly 45.01% (MAH)

What we do

Material operations and market segments

The information on the pages that follow shows the major operations, revenue contribution, revenue split and the percentage of Metair's holding in the subsidiaries/associates.

Energy Storage Vertical

Local automotive | Export | Local industrial

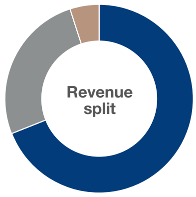
Mutlu Akü

100%
Holding

Products
Automotive and industrial batteries

Locations
Istanbul and Gediz, Turkey

27% Group revenue contribution



26%
4%
70%

Mutlu Holding

100%
Holding

Products
Automotive and industrial batteries

Locations
Istanbul, Turkey

Mutlu Plastik

100%
Holding

Products
Plastic parts of batteries, covers and lids

Location
Istanbul, Turkey

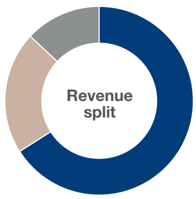
Metindustrial

First National Battery division

100%
Holding

Products
Batteries, solar systems, back-up systems, standby systems, charging systems, Battery Centre franchise.

17% Group revenue contribution



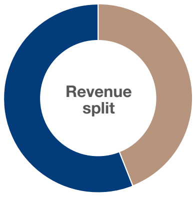
13%
21%
66%

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

Rombat

99.4%
Holding

10% Group revenue contribution



56%
44%

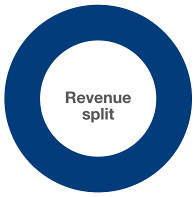
Products
Batteries, battery distribution networks

Locations
Bistrita and Copsa Mica, Romania

Dynamic Battery

100%
Holding

1% Group revenue contribution



100%

Products
Batteries, battery distribution networks

Locations
Lancashire, Wiltshire and Leicestershire, United Kingdom

Prime Batteries

35%
Holding

Products
Lithium batteries, research and development and technology incubator

Location
Bucharest, Romania

Akkumulatorenfabrik
MOLL GmbH & Co. KG

25.1%
Holding

Products
Starter batteries, stationary batteries, solar systems, components and lithium batteries

Location
Bad Staffelstein, Germany

Associated battery manufacturers
(East Africa) Limited

25%
Holding

Products
Automotive and solar batteries

Location
Kenya

What we do (continued)

Material operations and market segments

Automotive Components Vertical

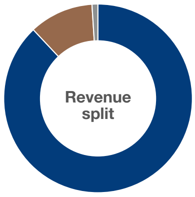
Local automotive | Non-automotive | Local aftermarket | Export

Location
New Germany, South Africa

Smiths Manufacturing

75%
Holding

15% **Group revenue contribution**



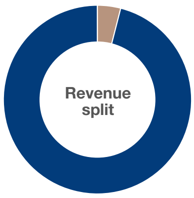
1%
11%
88%

Products
Air-conditioning and climate control systems, washer systems, reserve tanks, charge air coolers, radiators, air cleaners, wiper systems, electronic control units, starter motors and compressors

Hesto

74.9%
Holding

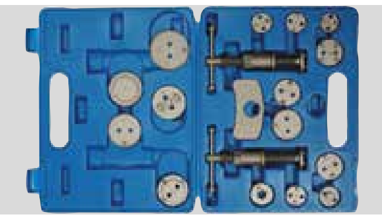
10% **Group revenue contribution**



4%
96%

Products
Wiring harnesses, combination meter/instrument clusters, moulded parts

Locations
KwaDukuza, South Africa

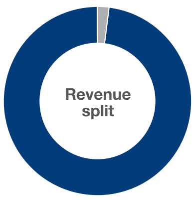


Locations
Boksburg and Nigel, South Africa

Alfred Teves Brake Systems including Supreme Spring

100%
Holding

1% **Group revenue contribution**



2%
98%

Products
Brake pads, brake discs, brake shoes, hydraulics, and other braking components

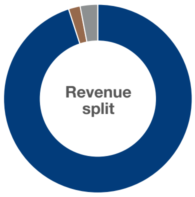
Supreme Spring

Products
Coil springs, leaf springs, stabiliser bars and torsion bars

Locations
Boksburg and Nigel, South Africa

5%

Group revenue contribution



3%
2%
95%

Lumotech

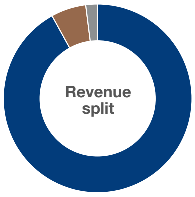
100%

Holding

Location
Uitenhage, South Africa

7%

Group revenue contribution



2%
6%
92%

Products
Headlights, tail lights, reflectors and plastic injection mouldings

Automould
includes Smiths Plastics

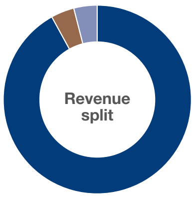
100%

Holding

Location
New Germany, Westmead and East London, South Africa

6%

Group revenue contribution



4%
4%
92%

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

Unitrade

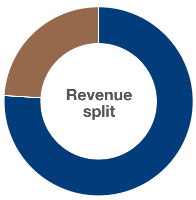
100%

Holding

Location
KwaDukuza, South Africa

1%

Group revenue contribution



24%
76%

Products
Automotive cable, automotive wire

What we do (continued)

Material operations and market segments

Automotive Components Vertical

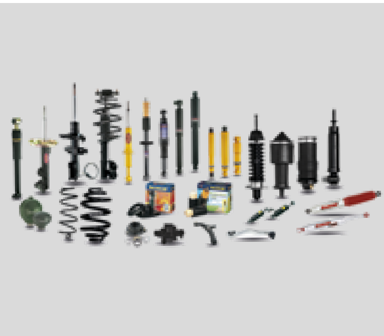
Local automotive | Non-automotive | Local aftermarket | Export


Valeo Systems
South Africa

49%
Holding

Products
Front-end modules

Location
Uitenhage, South Africa



Tenneco Automotive Holdings SA

25.1%
Holding

Products
Shock absorbers, struts, track control arms

Location
Port Elizabeth, South Africa

How Metair creates value

Metair generates value for all stakeholders by managing and controlling businesses in the mobility and energy sectors to deliver quality and cost-competitive products. We leverage the contributions of our two verticals to deliver sustainable growth for our key stakeholders (page 35). The group undertakes a balanced and focused approach to value creation that involves various tradeoffs between the six capitals which drive value creation.

Value drivers

Financial capital

The funding and shareholder equity that is used to support our operational and business activities. This also comprises the funds reinvested in the group, return on investments and revenue generated from our operations.

Intellectual capital

Our manufacturing operations are dependent on various software and licensing rights and agreements.

Human capital

Our business is dependent on the skills, experience, productivity, wellness and motivation of our leadership, employees, contractors and service providers.

Social and relationship capital

Our business is based on trust and mutually beneficial relationships with our stakeholders.

Natural capital

Metair's business operations are energy intensive and require substantial quantities of water. We use lead which can have a significant environmental and social impact if not managed responsibly.

Manufactured capital

We purchase, develop and maintain property, plant and equipment which enables us to manufacture energy storage solutions and automotive components.

Underpinned by good governance

Our value creation is underpinned by good corporate governance (page 69). This ensures accountability through reporting and disclosure, effective risk management, clear performance management, transparency and ethical and effective leadership. As a responsible corporate citizen, Metair is committed to the Sustainable Development Goals (SDGs) and ensures our environmental impact is limited.

Our business model

Capital inputs

Manufacturing inputs

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

Financial capital

R4.3 billion equity
R2.2 billion borrowings

Manufactured capital

The buildings, physical and IT infrastructure, machinery and tooling at our 16 operations in six countries.

Human capital

9 287 employees and contractors. Our culture of manufacturing excellence and custodianship. The skills, experience and commitment of Metair's leadership, management and employees.

Intellectual capital

Our brands and the skill and experience of the technical experts in the group and the work done in our research and development divisions and technology incubators.

Social and relationship capital

Our commitment to custodianship and ethical business practices, which we demonstrate in our relationships with stakeholders. The trust built up over time with our technology partners is a key asset required to support our customers.

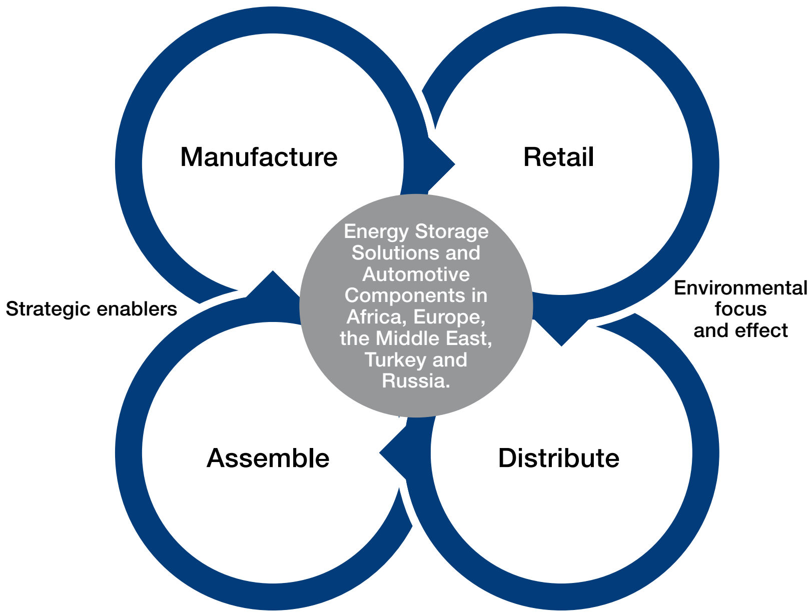
Natural capital

The land on which our facilities stand, the air around us and key inputs such as water, raw materials and energy.

Our mission

Generate value for all stakeholders by managing and controlling businesses in the mobility and energy sectors that **deliver quality and cost-competitive products**

Value-adding business activities



Energy Storage Vertical

Outputs

1. Lead-acid auto batteries
2. Lithium-ion auto batteries
3. Telecoms solutions
4. Mining solutions
5. Materials handling solutions

CUSTOMERS

Original Equipment Manufacturers
Aftermarket
Industrial

ISO 50001 | ISO 9001 | ISO 18001 | ISO/IATF 16949 | ISO 14001

Automotive Components Vertical

Outputs

1. Brake systems
2. Shock absorbers
3. Lighting
4. Radiators
5. Air-conditioners
6. Suspension parts
7. Wiring harnesses
8. Plastic parts

CUSTOMERS

Original Equipment Manufacturers
Aftermarket
Non-auto customers

Trade-offs in 2019

- Limited shareholder appetite for the future investment of **financial capital** that would be required to pursue opportunities in the global energy storage market was a key consideration in the strategic review.
- R150 million allocated to share repurchases in the last two years to unlock shareholder value and strengthen **social and relationship capital,** reducing the financial capital available to invest in the **manufactured capital** of the group.
- Investments in research and development build **intellectual capital** around lithium-ion technology, develop our **human capital** and deepen our relationships with OEMs.
- The extended wage negotiations with the trade unions that represent our employees require a balance between the financial expectations of employees, shareholders and the business, and their successful conclusion depends on the quality of relationships between parties.
- Supporting our key OEM customers through the next round of facelifts and model launches will require significant short-term investment of **financial capital** in tooling **(manufactured capital)** and training **(human capital)** to generate returns in the medium term and build our relationships with our business partners and customers.
- Effective allocation of **financial capital** to achieve a sustainable return on invested capital is essential for achieving the group's strategic goals and a key stakeholder concern. Investments in manufactured capital are necessary to improve cost efficiencies, grow the group's operational footprint and product range. Investments that improve manufacturing efficiencies reduce the use of water and energy consumed and waste created, reducing our depletion of **natural capital.**
- R172.3 million allocated to manufactured capital to install a state of the art lithium-ion coating and cell assembly manufacturing line in our facilities in Romania. This facility will also increase **intellectual capital** regarding lithium-ion battery production.

Capital outcomes

FINANCIAL CAPITAL

- R3.44 million in wealth created for stakeholders
- R1.97 billion in remuneration paid to employees
- A further R46 million shares repurchased during 2019, completing the R150 million share buyback
- Dividend of 120 cents per share declared

MANUFACTURING CAPITAL

- R760 million increase in manufacturing capital through capital expenditure
- Wear and tear on manufacturing equipment

HUMAN CAPITAL

- Group LTIFR improved to 0.77
- Absenteeism improved to 3.2%
- Staff attrition increased to 9.7%
- R35 million invested in employee training spend
- 91.9% HDSA staff
- 33.3% female representation

INTELLECTUAL CAPITAL

- R28.0 million invested in research and development in 2019
- Improved technical skill and experience in the group
- Focus on succession planning to develop the next generation of leadership and technical expertise
- Development of lithium-ion batteries for automotive and industrial use
- Successful installation of the lithium-ion battery cell manufacturing and assembly facility in Romania

SOCIAL AND RELATIONSHIP CAPITAL

- R18.9 million invested in CSI projects
- Consolidated group B-BBEE Level 2 achieved
- Relationship with UWC to develop intellectual capital around lithium-ion technology

NATURAL CAPITAL

- ±67 300 tonnes of lead recycled
- 2019 carbon footprint 641 44 1tCO_2e
- 11 031 tonnes of non-hazardous waste recycled

Directors and officers of the company

SG PRETORIUS (72)

Independent non-executive chairman
M Comm (Business Economics)
Appointed to the board in 2014

NOMCO SAEC 6

Mr Pretorius holds an M Comm Business Economics from the University of the Free State and served as managing director of Toyota SA Marketing and then as chief executive officer of McCarthy Ltd. He retired as an executive director of McCarthy and its controlling shareholder, Bidvest, on 1 March 2011.

He has received numerous national marketing and leadership awards including Marketing Person of the Year and Boss of the Year. He holds honorary professorships at the University of Johannesburg, University of Pretoria and University of the Free State, and honorary doctorates in marketing from the Durban University of Technology and the Central University of Technology. Brand is a Fellow in Leadership at the Gordon Institute of Business Science and serves on the boards of trustees of the READ Educational Trust, Partners for Possibility and the business incubator InvoTech. Mr Pretorius serves as non-executive director on the boards of Agrinet and Italtile Ltd. Mr Pretorius was appointed as an independent non-executive director to the Metair board in January 2014 and as chairman on 1 July 2015. He was appointed to the social and ethics committee with effect from 14 June 2018 and the nominations committee with effect from 27 September 2018.

CT LOOCK (55)

Chief executive officer
B Eng (Industrial)
Appointed to the board in 2006

SAEC 14

Mr Loock is a professional industrial engineer with supplementary business and economic studies. He obtained his engineering degree from the University of Pretoria in 1986.

His 34 years of mining and manufacturing experience started at Dorbyl Automotive Technologies and SASOL Coal. The listing of two family businesses on the local securities exchange gave him insight into managing and growing publicly owned businesses. His career path as trainee engineer, planning manager, production manager and general manager at Dorbyl Engineering and Sasol Mining prepared him for various executive director roles in Scharrighuisen Mining Limited, Scharrighuisen Industrial Holdings Limited, Dorbyl Limited and Trident Steel (Pty) Limited. Growing and expanding listed businesses on the JSE in the role as CEO built his deal making, mergers and acquisitions expertise and deeper financial experience. He was appointed as the CEO of Metair in May 2006. He serves as the Chairman and non-executive director of all local and international Metair subsidiaries and associated companies.

S DOUWENGA (40)

Chief financial officer
B Comm (Hons) CA (SA)
Appointed to the board in 2014

IC 7

Mr Douwenga qualified as a Chartered Accountant in 2003 after completing his articles with PwC, and then spent approximately eight years in PwC's deals division where he gained extensive experience in acquisitions across various sectors within Africa and Europe. Mr Douwenga first started working with Metair in 2011 during the Rombat acquisition, and was subsequently appointment as business development director at First National Battery during 2013 where he was primarily involved in operational and financial evaluation and execution of new acquisitions, most notably Mutlu Akü in Turkey. He was subsequently appointed as chief financial officer in 2014.

Years of service

AC	Audit and risk committee	REMCOM	Remuneration committee	IC	Investment committee
		SAEC	Social and ethics committee	NOMCO	Nominations committee
	Committee chairperson		Executive directors		Non-executive director

TN MGODUSO (63)

Independent non-executive director
MA (Clinical Psychology)
Appointed to the board in 2016

REMCOM NOMCO 4

Ms Mgoduso started her career as a clinical psychologist, during which time she lectured at universities and practiced both in South Africa and abroad. She served as group HR executive at Transnet SOC Ltd and then as chief executive officer of Freight Dynamics. She later joined Imperial Logistics as group transformation executive. She left Imperial Logistics to serve as managing director of Ayavuna Women's Investments. After her time at Ayavuna, she spent time in strategic consulting and infrastructural development. She is currently on the boards of BIOSS Southern Africa, Ayavuna Trust, Assore Ltd, SAA SOC and Zimplats, where she also chairs the remuneration committee. She is the chairman of Jojose Investments. She is the chairman of the remuneration committee at the Competition Commission. Ms Mgoduso was appointed to the Metair board on 1 March 2016 and serves as chairperson of the remuneration committee. She was appointed to the nominations committee with effect from 27 September 2018 and was appointed as lead independent director with effect from 17 February 2020.

PPJ DERBY (49)

Independent non-executive director
BSc (Hons) (Economics), MBA
Appointed to the board in 2016

SAEC IC REMCOM 4

Ms Derby's wide range of expertise has been shaped by her experience as an entrepreneur as well as senior strategic positions held in government over a period of 20 years. She served as chief operating officer of Trade and Investment South Africa, chief operating officer in the Department of Trade and Industry and as the director-general of the Department of Public Enterprises. She served as an executive director at Aurecon (2016-2019), where she remains as a non-executive director. She is a co-founder and an executive of Ubu Investment Holdings (2010–present), a company focusing on advisory and project development in infrastructure, investment in advanced manufacturing and strategic advice in the development of key economic infrastructure and strategic sectors in Africa. She serves on the board of Ubu Investment Holdings and is the chairperson at Open Saldanha. In October 2018 she was appointed to the board of SAFCOL, a state-owned forestry company. Ms Derby was appointed to the Metair board on 1 March 2016 and was appointed chairperson of the social and ethics committee with effect from 20 October 2016. She was appointed to the remuneration committee with effect from 31 December 2018. She has served as a member of the National Executive Committee of NAACAM since 1 September 2017. Following her appointment as Group Chief Executive Officer of Transnet SOC at the end of January 2020, Ms Derby resigned from the Metair board and the social and ethics, investment and remuneration committees on 3 February 2020.

HG MOTAU (45)

Independent non-executive director
CA(SA), MPhil Development Finance
Appointed to the board in 2016

AC IC 3

Ms Motau is a Chartered Accountant and also holds an MPhil in Development Finance from the University of Stellenbosch. She currently serves as an independent non-executive director on the boards of Harmony Gold Mining Ltd and Merafe Resources Limited. In addition, she serves as a non-executive credit committee member of FirstRand Financial Institutions Credit Committee, the Industrial Development (IDC)'s Special Credit Committee and an audit committee member of the Auditor General of South Africa's office. She previously worked as an Audit Partner at KPMG's Energy and Natural Resources Division until March 2015. Furthermore, Ms Motau has held various management and advisory roles at organisations that include Blue IQ Investments, the National Treasury of South Africa and the IDC. She was appointed to the Metair board on 1 November 2016 and is a member of the audit and risk committee and the investment committee.

Directors and officers of the company (continued)

B MAWASHA (42)

Independent non-executive director
BSc (Eng), ADP, MDP, GCC
Appointed to the board in 2018

AC | IC | NOMCO | 2

Mr Mawasha has been CEO of Kolobe Nala Investment Company (KNI) since April 2019. Prior to KNI, he was Country Head – South Africa for Rio Tinto and Managing Director of Richard Bay Minerals. He previously held leadership, operational and technical roles at Anglo American (Kumba Iron Ore), the De Beers Group and AngloGold Ashanti. Mr Mawasha is passionate about education and the development of others. He is a member of the Witwatersrand University Mining Advisory Council. In 2017, he was selected as a Young Global Leader of the World Economic Forum.

Mr Mawasha was appointed to the Metair board and the audit and risk committee on 1 March 2018. On 2 May 2019, he was appointed as chairman of the investment committee and member of the nominations committee.

CMD FLEMMING (63)

Independent non-executive director
B Comm, Bachelor of Law, B Prok, AMP Harvard
Appointed to the board in 2019

NOMCO | AC | 1

Mr Flemming joined African Oxygen Limited in the gases division in 1985 as the Financial Systems Manager for the Witwatersrand. He was appointed as the financial executive for the healthcare division of African Oxygen Limited in 1994 and as general business manager in 1997. Following the merger with the listed entity Presmed, the merged company was listed on the Johannesburg stock exchange in 1999. Mr Flemming was appointed CEO of Afrox Healthcare in 2002. The company was taken private in 2005 and relisted in 2010 as Life Healthcare and Mr Flemming served as CEO until his retirement in 2014. He serves as a non-executive director on the board of Medicover AB, an unlisted healthcare service company operating in Eastern Europe, the UK and India. He was appointed to the Metair board on 1 March 2019 and as the chairman of the audit and risk committee on 2 May 2019. Mr Flemming was appointed to the nominations committee on 17 February 2020.

S SITHOLE (47)

Independent non-executive director
BAcc (Hons), CA(SA), CA(Z) Program for Leadership Development (Harvard Business School), Diploma in Banking (UJ)
Appointed to the board in 2019

REMCOM | NOMCO | 1

Mr Sithole is the CEO and Co-Founder of Value Capital Partners Pty Limited (VCP). Prior to starting VCP, he was at Brait for more than eight years as the financial director of the Brait Group and later as executive director – Capital & Treasury. Prior to Brait, Mr Sithole was a partner at Deloitte, where he spent six years as an audit partner and departed the firm as group leader for the Financial Services Audit Practice in Johannesburg. He currently also holds directorships, among others, in Altron, Adcorp and Sun International. Mr Sithole was appointed to the Metair board on 1 March 2019 and to the remuneration and nominations committees on 2 May 2019.

Years of service

AC	Audit and risk committee	REMCOM	Remuneration committee	IC	Investment committee
		SAEC	Social and ethics committee	NOMCO	Nominations committee
	Committee chairperson		Executive directors		Non-executive director

MH MUELL (59)

Independent non-executive director
Diplom-Betriebswirt (BA)
Appointed to the board in 2019

REMCOM SAEC 1

Mr Muell holds a Diplom-Betriebswirt (BA) from Berufsakademie Stuttgart, Germany, equivalent to a Bachelor of Commerce. He has over 30 years of experience in the motor industry and is the co-founder and CEO of Scientrix Holdings Limited (Scientrix). Prior to Scientrix, Mr Muell was the President and CEO of Mercedes-Benz Argentina S.A and held various other executive positions within the Daimler Group in Germany, Turkey, South Africa, Mexico and Argentina. He has multinational and broad cross functional management experience in the fields of finance and controlling, logistics, procurement, strategic planning, sustainability and stakeholder management. Mr Muell was appointed chairman of the social and ethics committee and as a member of the remuneration committee on 17 February 2020.

N MKHONDO (36)

Independent non-executive director
BAcc, CA(SA), MBA
Appointed to the board in 2019

IC 1

Ms Mkhondo is an Investment Director at Value Capital Partners Pty Limited ("VCP"). Prior to joining VCP, Ms Mkhondo was a seasoned investment banking and corporate finance professional, having spent time at Goldman Sachs International Plc and Anglo American Plc (both based in the United Kingdom) where she was responsible for mergers and acquisition execution, investment evaluation and strategic long-term financial planning. During her time at Goldman Sachs and Anglo American, Ms Mkhondo executed cross-border transactions in the consumer/retail, healthcare, real estate and metals and mining sectors across the United Kingdom, Africa and the Americas. Ms Mkhondo is a Chartered Accountant (SA) by profession, having begun her career in the Audit and Advisory Financial Institutions Services Team at Deloitte & Touche, in Johannesburg. In addition, Ms Mkhondo has an MBA from the London Business School, where she was a Mo Ibrahim Scholar. Ms Mkhondo was appointed as an independent non-executive director of the company and as a member of the investment committee on 28 June 2019.

SM VERMAAK (54)

Company secretary
B Comm (Fin M) AIRMSA

21

Ms Vermaak joined the company in August 1998 and was appointed as company secretary in March 2001 and group finance manager in July 2003. From 1 April 2015, she shifted focus from finance and was appointed as group risk and compliance manager. She completed her B Comm Financial Management degree (cum laude) in 2005 on a part time basis and has more than 21 years' experience in the listed company environment.

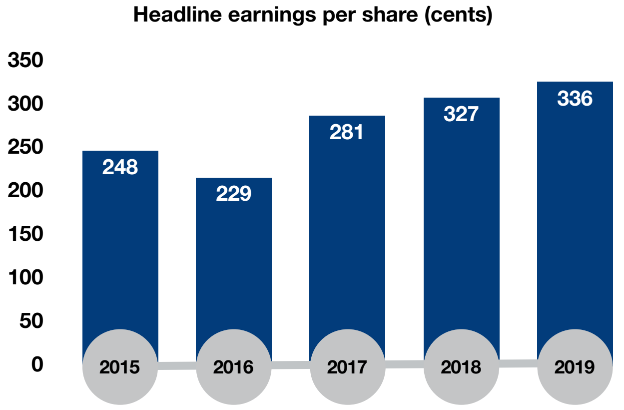
Financial performance

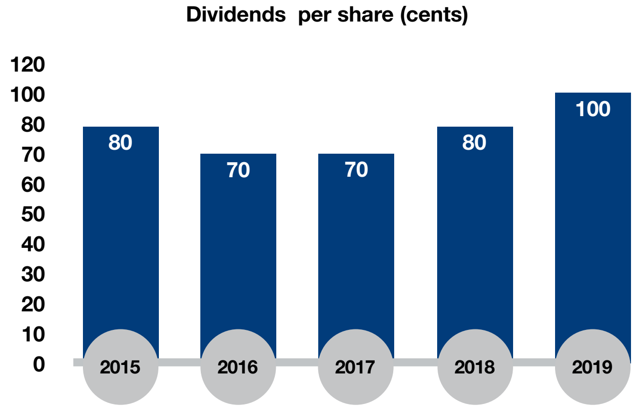
For the year ended 31 December 2019

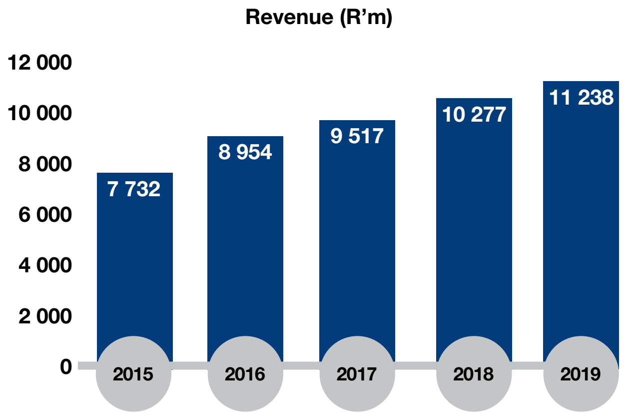
	2019 R'000	2018 R'000	2017 R'000	2016 R'000	2015 R'000
Revenue	**11 237 995**	10 276 966	9 516 657	8 953 710	7 732 479
Profit before taxation	**871 369**	899 329	775 814	606 492	744 738
Impairment charges/ (reversals)	**25 351**	1 031	0	1 122	0
Interest paid	**259 875**	210 056	200 867	187 905	136 277
Preference dividend	**60 532**	59 206	92 107	102 583	91 934
Profit/(loss) attributable to ordinary shareholders	**624 186**	667 377	556 182	447 930	527 423
Total equity	**4 310 786**	4 287 721	4 195 537	4 179 573	4 974 544
Interest-bearing debt	**2 196 411**	1 841 794	1 801 495	1 897 565	1 964 972
Property, plant and equipment	**2 707 381**	2 538 145	2 605 737	2 857 131	3 327 427
Current assets	**4 906 321**	4 493 253	4 071 600	3 780 361	4 114 699
Total assets	**8 967 335**	8 422 000	8 105 218	8 031 150	9 040 460
Number of shares in issue	**198 986**	198 986	198 986	198 986	198 986
Weighted average number of shares in issue	**191 904**	197 284	197 987	197 784	197 216
Net asset value per share (cents)*	**2 186**	2 167	2 059	2 059	2 468
Basic earnings per share (cents)	**325**	338	281	227	267
Headline earnings per share (cents)	**336**	327	281	229	248
Dividend per share (cents) declared and paid	**100**	80	70	70	80
Dividend cover (times) (calculated on headline earnings on prior year)	**2,8**	3,5	3,3	3,5	3,8
Return on invested capital after net profit as a % of average total shareholders' funds (ROIC)	**13,0**	13,0	11,8	9,1	10,4
Net profit as a % of average total shareholders' funds (ROE)	**15,3**	16,5	12,3	10,2	12,3
Total shareholders' funds as a % of total assets	**48,1**	50,9	51,8	52,0	55,1
Interest cover (times)	**4**	5	4	4	6
Staff complement	**6 166**	6 089	5 968	5 955	5 526

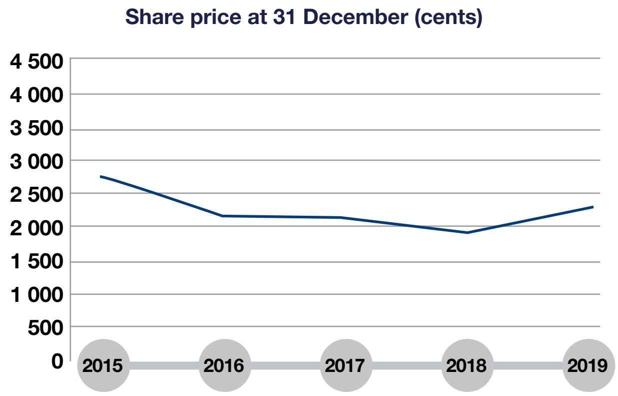
Notes:

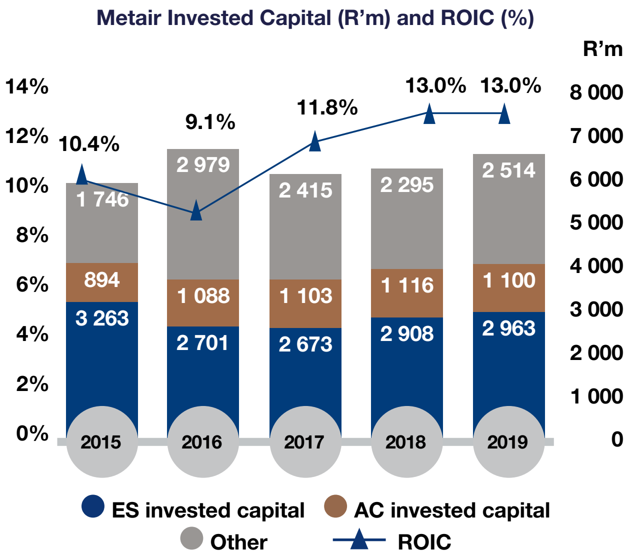
** Calculated on ordinary shareholders equity and number of shares in issue excluding treasury shares.*


Headline earnings per share (cents)
350
300
250
200
150
100
50
0
248
229
281
327
336
2015
2016
2017
2018
2019


Dividends per share (cents)
120
100
80
70
60
50
40
30
20
10
0
80
70
70
80
100
2015
2016
2017
2018
2019


Revenue (R'm)
12 000
10 000
8 000
6 000
4 000
2 000
0
7 732
8 954
9 517
10 277
11 238
2015
2016
2017
2018
2019


Share price at 31 December (cents)
4 500
4 000
3 500
3 000
2 500
2 000
1 500
1 000
500
0
2015
2016
2017
2018
2019


Metair Invested Capital (R'm) and ROIC (%)
R'm
14%
12%
10%
8%
6%
4%
2%
0%
8 000
7 000
6 000
5 000
4 000
3 000
2 000
1 000
0
10.4%
9.1%
11.8%
13.0%
13.0%
1 746
2 979
2 415
2 295
2 514
894
1 088
1 103
1 116
1 100
3 263
2 701
2 673
2 908
2 963
2015
2016
2017
2018
2019
ES invested capital
AC invested capital
Other
ROIC

Awards

First National Battery

TSAM Runner Up Award – Quality Management

Mutlu Akü

- Social Media Data Analytics Awards Turkey – Automotive Supply Industry Winner 2019
- LOB'IN Turkey 32nd International Consumer Quality Summit Award 2019 – Trusting Brand

Hesto

- TSAM Superior Award – Safety
- TSAM Superior Award – Localisation
- TSAM Achievement Award – VA/VE
- TSAM Runner Up Award – Transformation
- ILembe District Municipality Mayor's Award for Business Excellence

Rombat

- 2019 Romanian Chamber of Commerce and Industry Top Companies Awards – First Place Battery Manufacturing, Large Industry
- Ministry of Internal Affairs, Emergency Situations Department – Professional Competition of Voluntary and Private Services for Emergency Situations (County stage) – Third Place (General Ranking) and Third Place (Intervention Device)

Smiths Manufacturing

- TSAM Superior Award – Conversions and Accessories

- TSAM Supplier Achievement Award – Parts and Accessories

- TSAM Supplier Achievement Award – Localisation

- TSAM Supplier Achievement Award – Transformation

- TSAM Supplier Achievement Award – Value Analysis

Supreme Spring

- TSAM – Supplier Runner Up Award – Parts and Accessories

- TSAM – Supplier Award – Transformation

- Isuzu – Quality Basics Level A

- TPM Facilitators Course – Best Team Presentation

Strategic review

Metair's strategy

Responsibility for the strategy

In collaboration with the board, management is responsible for developing and refining Metair's strategy. The board reviews and approves the strategy as well as the policies and processes that enable the execution of the company's core purpose and alignment with our values. Management is responsible for implementing the strategy and the board provides ongoing oversight to ensure the company's core purpose aligns with our values.

Our strategy has always been driven by the needs of our customers, developments in automotive markets and technological developments, and the expectations of our key stakeholders (see page 35). We also assess the strategy's impact on the six capitals defined by the IIRC's <IR> Framework, the risks and opportunities facing the company and the extent to which it supports long-term sustainability.

Management sets medium-term strategies with clear targets that align with the long-term strategy to provide the medium-term focus and context for the company. Short-term KPIs are set and reported back on at the annual managing director's conference to drive accountability and implementation.

Historical context

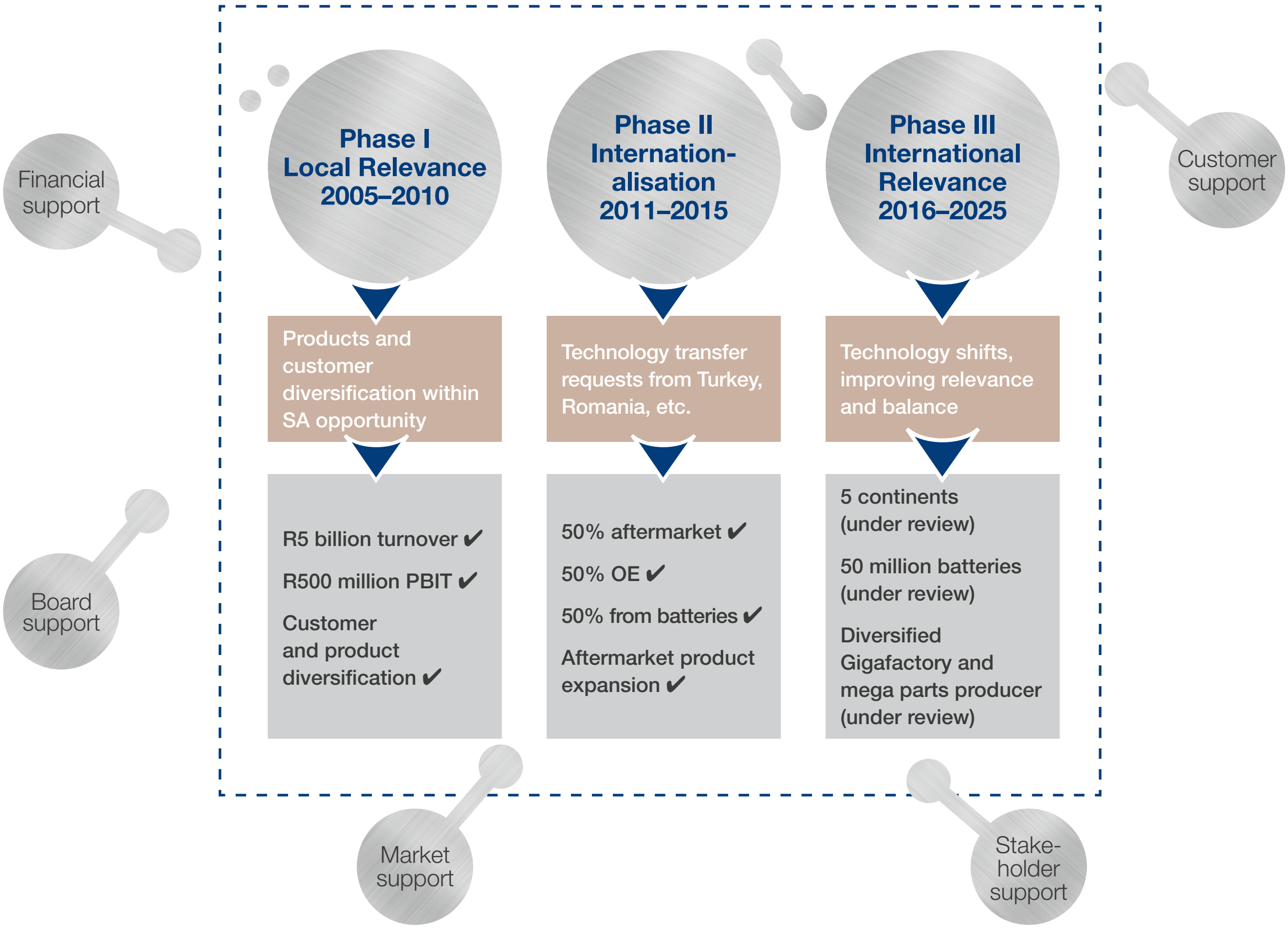
From its start 70 years ago as a supplier of products to Toyota SA, Metair has grown and diversified to supply a broad range of automotive components and energy storage solutions to all seven OEMs in South Africa. Metair's production facilities in South Africa, Turkey, Romania and Kenya, and our presence in the UK and Germany, provide access to markets in Africa, Western and Eastern Europe and the Middle East.

The company's aftermarket business services the growing total vehicle parcs in the countries we access with annuity products, most notably batteries, but also products such as brakes, filters, spark plugs and heat-exchange-product spares in South Africa. Non-automotive products serve various industries, including telecommunications, utilities, mines, retail and materials/products handling sectors.

Since 2005, the strategy has focused on improving the company's sustainability by diversifying our client base, product lines and the geographies in which we operate. In 2012, we began an expansion into Romania and Turkey to get closer to the home markets of some of our biggest customers and access leading technologies. This proximity has provided exposure to the latest developments in the current seismic shifts in the automotive industry.

The impact of the shift to electric vehicles (EVs)

Lithium-ion batteries are a key component in the accelerating shift towards full EV. However, technology providing real-time environmental monitoring at the level of individual vehicles may extend the use of existing internal combustion engine (ICE) technology where this is able to meet the increasingly stringent



emission limits. Lead acid automotive battery technology will remain relevant in the medium-term in the vehicles currently on the road, and Start/Stop battery storage solutions have an important role in reducing emissions from ICEs during the shift to full EV technology.

Metair's Energy Storage Vertical can support leading technology applications such as lithium-ion across all product ranges in electrical and all systems in all forms of mobility. The vertical has access to the latest developments in lithium-ion battery technology through our investment in Prime Batteries, Rombat's lithium-ion battery production facility, our relationships with various tertiary research institutions and close interactions with OEMs to develop the next generation energy solutions.

The majority of Metair's automotive component products remain relevant in EVs, particularly wiring harnesses, lighting units, heating and cooling systems and springs, and the increasing complexity required in these components increases their unit value. The supportive policy framework in South Africa, global trade dynamics and OEM manufacturing decisions are supporting long-term growth in the South African automotive industry. All of Metair's major South African OEM customers are introducing new models in the next two to five years. However, uncertain customer demand across vehicle platforms and the need for OEMs to provide regular facelifts to existing models makes accurate forecasting of volumes increasingly challenging and suppliers will have to become increasing flexible.

To adjust for these developing trends, Metair's strategy was refined in 2018 to:

Strategic review

Phase III of the previous strategy started in 2016 with a goal to grow into five continents in five years and produce 50 million batteries to become a diversified Gigafactory in our energy vertical and a mega parts supplier in our Automotive Components Vertical.

Energy Storage Vertical
Revised strategic direction moved away from Giga factory aspirations to Li-ion technology readiness and maintaining lead acid relevance.

Automotive Components Vertical
Nurture our automotive components business with participation in selected growth opportunities and to be a mega parts supplier in the South African environment.

But, following the cancellation of the TAB transaction in 2018, ongoing concerns about volatility in Turkey and the fallout from corporate failures in South Africa, Metair implemented a process to strengthen the board and review our strategy with a goal of enhancing shareholder value. The externally facilitated strategy review process used the architecture designed by Roger Martin for strategy development in which the board answered five critical questions:

1. What are Metair's winning aspirations?
2. Where are the markets we want to be in?
3. How do we win in those markets?
4. What capabilities and capacities do we require to win?
5. How do we manage and control the process?

Our winning aspirations for the group can be classified into four major themes:

Sustaining relevance in a fast-changing competitive world	Delivering above-average, balanced and sustainable returns to our shareholders
Operating at the highest standards when it comes to people, the environment, health and safety	Being an ethical, value-driven and responsible organisation

Achievement of these strategic aspirations is supported by Metair's strategic enablers:

Energy Storage Vertical

Geographical position	Market position and branding	Distribution network	Property portfolio
Recycling system	Manufacturing excellence	Marketing excellence	

Automotive Storage Vertical

Partnership value proposition	Government APDP system	Market access
Localisation opportunity	B-BBEE status	Manufacturing excellence
Local commodities	Planned new vehicle launches	Africa market focus and access

On the completion of the strategic review process, the board concluded that the two business verticals are in different strategic positions and that a managed separation of the two verticals will unlock value for stakeholders. In December 2019, we disclosed to the market that we had received unsolicited expressions of interest for the Energy Storage Vertical, and in particular, Mutlu Akü in Turkey. The board is exploring the best way to unlock shareholder value, including keeping the business as a separate vertical or potentially selling it, and is engaging with shareholders on this matter. Until a final decision is made, Metair remains focused on maximising the value potential for the Energy Storage Vertical and on executing on the growth and expansion opportunities available for the Automotive Components Vertical.

Strategic review (continued)

Strategy execution in 2019

Given that the strategy review concluded in December, Metair followed the existing strategy during 2019. Consistent with prior years, the strategy is executed through the key strategic focus points discussed below. Performance against the subsidiary and group key performance indicators agreed at the annual managing directors' conference at the end of 2019 are shown on page 44.

Metair's 2018/2019 strategic focus points

Balance business by building and expanding the Energy Storage Vertical

Building the Energy Storage Vertical improves balance in the business as Metair moves with the technological requirements of the shift to electric vehicles and lithium-ion technology.

Nurture the original equipment (OE) business in South Africa and expand the original equipment manufacturer (OEM) customer base

Technical cooperation with OEMs enhances our manufacturing expertise and the long OE product lifecycles create relatively predictable production volumes and revenue outlooks. The next generation of energy storage solutions will be developed in close collaboration with OEM customers and it is important to maintain strong relationships with our customers. The outlook for the South African automotive industry is positive, with OEMs investing significant capital to expand their facilities for model changes and additional models in the next two to five years.

Focus intently on cost

Cost competitiveness is the primary consideration in tendering for contracts with OE customers and production efficiencies must be managed extremely closely to ensure that we can win business at a reasonable economic return.

Secure and grow the aftermarket product range

Metair's aftermarket business produces spare parts and other products needed to keep vehicles on the road, including generic parts for the increasing pool of imported vehicles.

Grow our Africa footprint

Africa represents an attractive energy storage and automotive aftermarket opportunity that will continue to grow. We already have a presence in East Africa through ABM and continue to investigate further opportunities for growth on the continent.

Response to disruptive technologies

The automotive and energy storage industries are changing at an extremely rapid rate and we need to understand the likely impact of new technologies on our business model so that we can decide how to participate. We are prioritising the design and production of lithium-ion energy storage solutions in close collaboration with OEM customers.

To establish the principle of being an exemplary custodian within every employee that underpins the group's core social and ethical values

The principle of custodianship defines Metair's approach to business and sustainability, and forms the basis for the group's social and ethics framework.

Globalise the company by way of overlaying the energy solutions offering across the full mobility spectrum in both developed and emerging economics

Through our relationships with Prime Batteries, MOLL and Chaowei, Metair has broad entry into many developed and developing markets across the range of mobility options, from full electric vehicles to electric locomotives and e-bikes.

Develop and deploy leading technology for niche applications into new and existing markets

Establish and nurture partnerships with leading companies in our field of applicable technologies ranging from wiring harnesses, heat exchangers, lighting solutions, plastic parts, ride control and lithium-ion technologies to be applied in the markets that we operate in.

Chairman's statement

"Increasing global uncertainty is the new normal. Leadership and business strategy have to evolve fast to adapt and to ensure future relevance and competitiveness. We must embrace disruption, but above all create an environment of trust. In a world where the integrity of business is constantly being questioned, trust is both the key differentiator and the biggest unseen disruptor."

BRAND PRETORIUS – Chairman

Metair's strategic arc over the last 15 years represents an excellent case study of a well-conceived strategy implemented effectively over time. This transformed Metair from a small, single-customer and locally-focused company into a global company with a diversified and robust business model.

The company's global expansion started at a time of uncertainty in the future of the automotive industry in South Africa and the development of the Energy Storage Vertical diversified earnings, products and geographies. In the years that followed, it also provided earnings stability during a period of disruptive changes in the automotive components businesses.

At the end of 2019, it is clear what is required to sustain the momentum in the Energy Storage Vertical and take it to the next level. While the business holds an excellent position in the market, it operates at the nexus of technological disruption as automotive energy storage solutions shift rapidly from lead-acid to lithium-ion. Some of the Metair operations are located in areas of current geopolitical uncertainty and from a strategic perspective we need to contain country risk. It is also a reality that further expansion of our lithium-ion production capacity to attain economies of scale will require significant capital. It is unlikely that our current shareholders would be willing to provide sufficient additional capital for the substantial upscale of lithium-ion production.

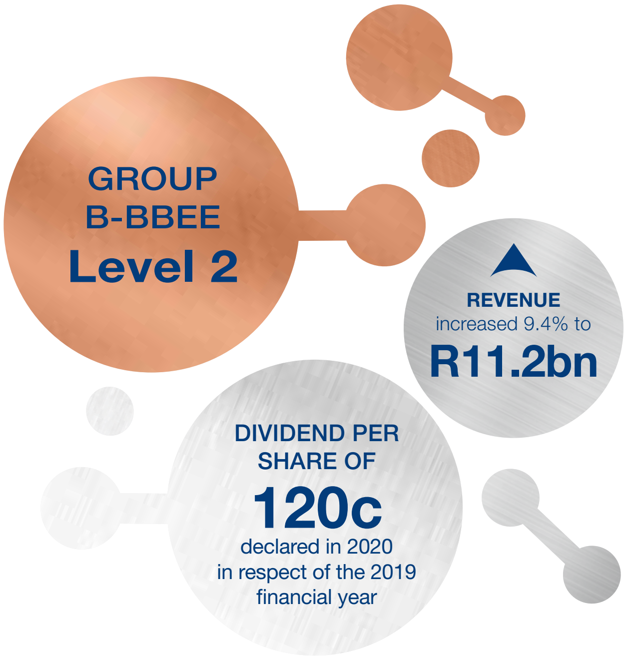
At the same time, the prospects for the South African automotive industry are very positive. The policy environment to 2035 is supportive and stable, and the export-driven volume outlook is most encouraging. Our original equipment manufacturer (OEM) customers are investing significant capital to expand their facilities for the next round of model changes, as well as to produce some additional model ranges. They have also made a substantial commitment to supporting the transformation of the industry. Government is using the success of the automotive industry as a template for development plans in other sectors.

Within this positive outlook, Metair is positioned very favourably. We have a diversified customer base, strong technology partners and excellent relationships with our customers built up over many years. Our well-known ability to manage disruptive model changes in an effective manner provides us with a meaningful competitive advantage.

At this point in its history, Metair finds itself at a crossroads. The strategic review initiated at the start of 2019 concluded that the two verticals represent quite different value creation opportunities for shareholders, which gave rise to some confusion in the minds of both shareholders and potential investors. As the board investigated the various opportunities presented to realise maximum value from the Energy Storage Vertical, it became clear that the disposal of this business unit would be in the best interests of our shareholders. Returning to our roots in the Automotive Component Vertical not only reduces risk, but also provides a strong platform for sustainable growth. In addition, we are confident that we can raise the capital required to grow this vertical primarily from internal sources.

An urgent need for cooperation

South Africa as a country also finds itself at a critical crossroad. The macroeconomic environment is depressed and government debt levels are escalating to unacceptably high levels. There is enormous concern about the sustainability of the majority of state owned entities. Policy uncertainty regarding asset security is prevailing and the independence of the South African Reserve Bank appears to be under threat. Load shedding has had a significant impact on the economy, and on business and consumer confidence. If unemployment is not urgently addressed, the stage is set for



massive social unrest. While the political leadership in the country appears to be moving in the right direction, progress is slow and frustration is rising. Decisive corrective action is urgently required.

At the dawn of our democracy there was hope that a golden triangle could be created between government, business and labour to work together to attain a common vision of a prosperous and stable country. During 2019, we saw good cooperation between the three partners in the constructive engagements around the APDP review and the approval of the equity equivalent clauses for multinational OEMs. However, labour issues are too often driven in a disruptive and uncooperative manner. The eight-day illegal strike at Toyota at the start of 2020 is a case in point.

Despite the concerns about the country's future, Metair remains committed and is contributing where it can. We are investing in building capacity to support the growth in the automotive sector and creating jobs in areas where unemployment is high. Our corporate social investment initiatives support socioeconomic development in the communities around our operations.

Financial performance

South African motor vehicle sales reflected the weak economic conditions and resumed the declining trend of the past five years, falling 3% to 536 626 in 2019. Exports grew to another record, increasing 10% to 386 863 and supporting vehicle production growth of 5% to around 640 000 vehicles. The Automotive Component Vertical benefited from good volumes although production efficiencies were affected by volatile demand.

International trade dynamics remain complex and despite the ongoing political and socio-economic issues in Turkey, Mutlu Akü delivered an excellent in-country operating result. Rombat traded well despite difficult trading conditions and First National Battery showed a good turnaround. Taking the trading conditions into account, the results delivered by the Energy Storage Vertical were positive.

At the group level, revenue increased 9.4% to R11.2 billion in 2019 (2018: R10.28 billion) largely due to strong manufacturing volumes and growing market share in the automotive components vertical, which grew revenue by R575 million. A significant increase in automotive batteries sold by the energy storage vertical improved energy storage revenue by R472 million. Group operating profit (PBIT) improved by 1% to R1.018 billion (2018: R1.009 billion) at an operating margin of 9.1% (2018: 9.8%).

Governance activities and board changes

Good governance is a key driver of sustainable value creation as it is the system by which our business is directed, grown and controlled, and the way we ensure accountability, transparency and honesty. Our approach to good governance takes into account the interests of all stakeholders and drives both performance and conformance. The board sets the ethical tone for the organisation and is committed to fair dealing and integrity in the conduct of our business, with a zero-tolerance stance on bribery, corruption and unethical behaviour.

The board plays an essential role in strategy development and oversight of its execution and was integrally involved in the strategic review. The outcome of the review indicated that there should be a reset of the roles and responsibilities of the board and senior management, to align with the new direction.

During the year, we welcomed Mr Sam Sithole and Ms Nono Mkhondo to the Metair board. In addition to extensive investment and corporate finance experience, they bring an engaged shareholder perspective to board deliberations in light of their directorships in Value Capital Partners (VCP), which holds 18.95% of Metair's issued share capital. Capital allocation is a key part of VCP's mandate and their introduction brought an additional focus on past, current and future capital allocation both from a strategic and operational point of view.

Mr Michael Flemming brings a strong financial and legal background as well as experience in executive management and leadership, and shareholders approved his appointment as chair of the audit and risk committee. Mr Manfred Muell has a long history in the automotive industry particularly in developing markets and he boasts outstanding expertise in strategy development. The board is considerably enriched by their addition. Mr Paul Moeketsi was appointed to the board in March and stepped down in June 2019. The board thanks him for his contribution. Mr Jonathan Best retired from the board in May and we thank him for his extremely valuable service to the company over the past ten years and wish him well in his future endeavours.

At the end of January 2020, the Ministry of Public Enterprises announced that Ms Portia Derby had been appointed as Group Chief Executive of Transnet SOC and she consequently tendered her resignation from the Metair board and the committees on which she served. Ms Derby has been a non-executive director since 2016 and we thank her for her valuable contribution to the Company and wish her well in her new role.

We continue to strengthen and diversify the boards of subsidiary companies and are in the process of adding two Metair board members to the independent board of Mutlu Akü .

Chairman's statement (continued)

The board's activities during the year under review also included a review of all board charters, committee charters, terms of reference and policies to ensure that these remain relevant and support value creation. The annual board evaluations were expanded to include peer evaluations to encourage further improved board performance.

ESG performance

Stakeholder engagement provides a broader context and range of considerations that add value to our strategy and board discussions. Engagements happen at various levels in the company on an ongoing basis, both formally and informally. At a board level, we engage with shareholders on a regular basis, at the AGM, at results presentations, at the Investor Days in August 2019 and on a one-on-one basis as and when required.

Metair's strategic pillar of custodianship drives our commitment to environmental stewardship and social responsibility. Despite volume volatility, we are pleased to report that our energy and water efficiency metrics continue to improve. Our human capital – the people that work in our factories and offices – represent a very powerful competitive advantage. We value them and invest heavily in their development. Workplace safety is an ongoing priority and we are pleased to report an improvement in our lost-time injury frequency rate.

Outlook

The focus of the board in 2020 will be on ensuring high levels of governance and oversight while the change in strategic direction is finalised and executed. Medium- to long-term prospects for the South African automotive sector look positive, particularly from an export point of view. Metair is well positioned to grow its market share in all the segments in which it competes.

While the APDP provides very positive policy support for the industry, the broader socio-economic and political environment in South Africa is concerning. There is a desperate need for decisive leadership and the "golden triangle" needs to strengthen and commit fully to economic growth and job creation.

Dividend

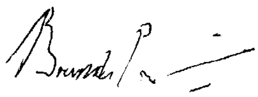
In line with our dividend policy of ensuring that dividend cover remains between two and four times, the board approved a cash dividend of 120 cents per ordinary share in respect of the 2019 financial year (2018: 100 cents per share).

Appreciation

I would like to thank my fellow board members for their valuable contribution during the year. I am privileged to work with such a wise, knowledgeable and diligent team.

I thank our CEO, CFO and the Metair executive team for their efforts – they are a small team that provides inspirational leadership and delivers remarkable results. The management of our subsidiary companies and the group's entire workforce have my sincere gratitude for their dedication and resilience in what has been another challenging year. The quality and commitment of our human capital represent our most potent competitive advantage.

As always, we are extremely grateful to our customers for their much appreciated patronage and regard the opportunity to work with them in the spirit of true partnership as a privilege.



Brand Pretorius

CASE STUDY

Left to right: David Chetty (Smiths), Dean Muller (Smiths), Colin Naidoo (Enermous), Paul Kenny (Smiths), Sugeshnee Naidoo (Enermous), Kim Nisbet (Toyota), Theo Govender (TSAM), Nonceba Biyela (TSAM), Steve Dawson (TSAM).

Smiths Manufacturing – Enterprise Development Programme

B-BBEE is an integral part of Smiths Manufacturing's daily operations with local purchasing sourcing suppliers in support of enterprise and supplier development (ESD).

Enermous, a 100% Black female-owned company, provided an ideal opportunity as an ESD candidate. Enermous previously supplied foam seals to the white goods market and Smiths Manufacturing identified their potential to become a supplier into the automotive market.

Smiths Manufacturing implemented a development program with Enermous that attracted the attention of Toyota. This led to a formal agreement between Toyota, the Automotive Supply Chain Competitiveness Initiative (ASCCI), Smiths Manufacturing and Enermous. Productivity and quality improvements as a result of the development programme allowed Smiths Manufacturing to start placing business with Enermous in 2018.

In 2019, Toyota invited Enermous to showcase their product range and capabilities at the NAACAM Show, which resulted in many enquiries from potential customers. This has enabled them to grow their business and develop their footprint in the automotive industry.

Enermous has continued to grow, their staff complement has increased and further capital has been invested to support this growth.

Towards the end of 2019, Enermous was invited as a special guest to the Metair purchasing conference, resulting in further exposure to group companies. At the conference Enermous demonstrated a pressure sensitive adhesive (PSA) which they manufacture that could offer a solution to the local industry and provide a competitive advantage against imported PSA.

Smiths Manufacturing was presented with an Enterprise and Supplier Development Participation Award by Toyota in recognition of their support of this initiative.

CEO's report

"Navigating the new world of mega trends, shifts, demands and markets complicated by major tensions in trade, political power, economic systems equity and life balance requires a special kind of business. It must be fully-connected, responsive, agile, principled and technology-based, and guided by a commitment to best practice in governance, environmental impact, sustainability, health and safety. It needs capable, intelligent, committed, ethical, knowledgeable and exemplary leaders motivating highly-efficient, well-trained, fairly-treated teams that know best when, how and where to respond."

THEO LOOCK – CEO

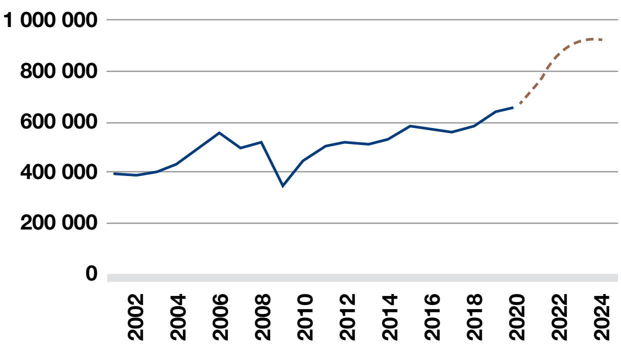
Metair enters 2020 and a new decade with a number of exciting opportunities, including the valuation of our Energy Storage Vertical. This will give shareholders a platform to decide the company's future direction.

The start of the last decade and my entry into Metair in 2006 could not have been more different, coming on the heels of the global financial crisis, with automotive vehicle manufacturing falling to its lowest level in 15 years. Leading vehicle manufacturers were considering closing their manufacturing facilities in South Africa and the World Trade Organisation required a review of the South African Automotive Industry incentive program (MIDP).

Metair held a strategic "Last Car" conference to consider our best strategic response in the event that the models being produced that year would be the last made in South Africa.

But over the course of the decade that followed, Metair successfully grew and diversified its customer base and product portfolio, both locally and internationally, and in the original equipment manufacturer (OEM) and aftermarket segments of the business. As we expanded and strengthened the Automotive Component Vertical, we built the Energy Storage Vertical.

South African motor vehicle production



Innovation in automotive technology

Over the last few years, growing global concerns about climate change and increasing environmental awareness have driven the development and innovation of major technology shifts in the automotive industry. As mobility solutions shift towards electrification, connectivity, autonomous driving and shared ownership, Metair needs to consider its response.

The board announced that it believes a managed separation of the two verticals will unlock value for shareholders. This decision coincided with unsolicited expressions of interest for the Energy Storage Vertical and in particular for Mutlu Akü in Turkey.

The Energy Storage Vertical has become a valuable international asset over the last decade and it is the ideal time for shareholders to evaluate the best option for the future of the company.

The next decade holds exciting opportunities for the South African automotive industry. Our diversified customer base is investing in new model launches and manufacturing facilities in South Africa, with forecast growth in local vehicle manufacturing of 40% over the medium term.

With the finalisation of the Automotive Production and Development Program (APDP) industry framework, policy clarity and security built over the last decade supports future growth. World trade movements and technology trends establish South Africa as a preferred manufacturing destination for internal combustion engine derivatives. We have good access into target markets and represent the ideal gateway to access the anticipated African growth opportunity.

Metair's automotive component businesses are well positioned to benefit from this growth. In addition to increased volumes from existing customers, we have been gaining more clients and business. As components become more complex, so their value increases and Metair should benefit from deeper localisation requirements for automotive components.

2019 performance

Metair delivered a record performance in 2019 in a changing and challenging market. Headline earnings increased to 336 cents per share compared to 327 cents in 2018, laying a sound foundation for the planned execution on awarded business opportunities, especially in South Africa. Cash generation improved to R1.2 billion.

Group revenue of R11.2 billion represents a 9.4% increase on 2018 and operating profit grew 0.9% as profit from the Automotive Components Vertical increased 5.7% and the Energy Storage Vertical delivered a decline of 3.7%.

Group margin declined to 9.1% (2018: 9.8%) and earnings before interest, tax, depreciation and amortisation (EBITDA) including equity earnings increased by 4.6% to R1.4 billion. Gearing remains appropriate at a net debt/equity ratio of 31% and group borrowings from third parties increased to R2.2 billion from R1.84 billion in 2018.

Automotive Components Vertical (including Hesto)

Turnover from the automotive components businesses increased by 11.3% to R5.6 billion on improved volumes, supported by exports and the continued expansion and deepening of localisation. Production efficiencies were affected by volume variations as OEM customers become more market reactive and with increasing proportions of exports, increased production flexibility appears to be the new normal. Although negotiations were protracted, we are pleased the industry secured a new three-year wage deal during this critical phase of production expansion in South Africa. The Automotive Component Vertical increased PBIT contribution by 5.7% to R538 million, with margins declining to 9.5% due to volume fluctuations caused by market requirements as well as labour negotiations.

While vehicle production volumes for 2020 are forecast to be static or slightly down, the long-term outlook looks far stronger. Metair group companies have been successful in securing major contracts arising from the new vehicle launches planned to service the export and local markets over the next three years.

The biggest impact will be at Hesto Harnesses where Metair secured the supply of the full spectrum of wire harnesses to a range of new customers. This could see employment rise by 3 200 employees with a capital investment of approximately R500 million, securing turnover over the planned model life period of seven years of between R12 to R14 billion.

The final impact will depend on model launch volumes that are under discussion with customers and will be disclosed to the market when finalised.

This job creation opportunity made possible by the deepening local content requirements and the Automotive Production and Development Programme ("APDP") is positive both for Metair and for the country.

Metair is fortunate that almost all its subsidiaries were awarded their respective product portfolio for the new vehicle, namely head and tail lights, shock absorbers, wire harnesses, batteries, plastic parts and suspension control parts.

We also secured a similar basket of products for the Toyota new model project for production at Toyota South Africa's Durban operations from August 2021.

Metair's associate company Valeo SA secured the manufacture and supply of the heating, ventilation and cooling (HVAC) module business and radiator business from Mercedes Benz for the planned production of 160 000 units a year in East London from April 2021.

The launch of the new Nissan, VW and Isuzu models complete the range of new business secured by other group subsidiary companies.

Effective delivery on these launches will require close collaboration with our business partners and customers, as well as capital expenditure and training. Metair is investing in additional training and capacity to offset the complexity, frequency and intensity of the upcoming cycle. In costing these launches, we take a conservative view on forecast volumes to ensure that we meet our investment criteria even on lower volumes than forecast. We are also identifying more measured ways to manage volume risk, including ensuring that value can be released from model-specific equipment should forecast volumes not materialise.

The three-year wage agreements in South Africa that came up for renegotiation in 2019 were finally concluded in January 2020. This represented the last significant internal hurdle in our Automotive Component Vertical to deliver on the expansion and growth opportunities over the next three years. Our focus can now switch to ensuring the successful execution and effective implementation of all the agreed projects.

Energy Storage Vertical

Mutlu Akü produced another strong in-country performance in the context of ongoing challenging global political and trade conditions, delivering a 26.3% increase in turnover and 5.7% increase in local currency profitability on strong aftermarket demand and good growth in exports. Export margins declined, however, due to a loss-making export contract. The Turkish Lira (TL) was less volatile than during 2018 and averaged 8.8% weaker against the Rand over the period. In Rand terms, excluding once-off insurance gains in 2018, Mutlu Akü reported a 5% increase in profitability.

Conditions in Romania were subdued and Rombat reported a 28.6% decline in Rand contribution to R77 million. Rombat successfully completed Metair's first lithium-ion cell manufacturing facility.

Despite low industrial demand, First National Battery produced a marginally improved result after considerable attention over the last few years. The Energy Storage Vertical reported a growth in revenue of 7.4% to R6.9 billion, slightly decreased profit by 3.6% to R666 million and sold 7.534 Gigawatt hours of our total installed capacity of 12.4 Gigawatt hours.

Integrated value creation

The successful installation of Metair's first lithium-ion cell manufacturing and assembly facility in Romania represents an important highlight for

CEO’s report (continued)

the Energy Storage Vertical. The facility has the capacity to produce between 600 000 and 1-million cells a year depending on the chemistry used. Half of this production will be used by Prime Batteries, our associate, in niche applications, such as buses and ferries.

The lithium-ion technology is also the inspiration for the cover image and theme of this report. The image references the connectivity and integration of the components of a lithium-ion battery that together create energy. In the same way, the connectivity and synergy between the elements of a business create the energy that drives the organisation forward.

These elements include the capital available to Metair and our people, who represent a key asset of the company. The relationships built up between our people, our business partners and our OEM customers are essential components of successfully supporting the model launches in the Automotive Component Vertical.

Connection and alignment between the company’s activities and aspirations and those of its shareholders was a key driver of the strategy review to ensure ongoing backing and access to capital.

Metair is also integrally connected with the natural environment around us. The response of the automotive industry to climate change shaped developments in the components Metair manufactures and our strategy to create value in the long-term. Manufacturing excellence includes the need to maximise the efficiency with which we use our inputs, which include raw materials, energy and water. It also involves increasing recycling, and minimising and responsibly managing waste and emissions. The increase in electricity per person hour worked (PHW) was limited to 0.6% and water use per PHW decreased 6% on 2018.

The ongoing electricity supply interruptions affect production stability and increase costs. The future profitability of South African industry depends on consistent and reliable supply of power from Eskom. The condition of electricity and water infrastructure is also a concern, with low water pressure affecting the performance of some fire safety equipment.

I am pleased to report that our safety performance resumed its trend of improvement with the lost-time injury frequency rate improving to 0.77. Hesto, which has the most employees in the group, reported zero lost-time injuries for the third consecutive year, a remarkable achievement.

Transformation of the South African economy is essential for the long-term sustainability of the country. The agreement between government and the OEMs that created a R6 billion fund to develop black-owned companies in the automotive supply value chain is a very positive development for the industry. Local content requirements increase under the APDP from 2020 and Metair is well positioned as a consolidated Level 2 contributor under the B-BBEE Codes, with all of our South African operations at or better than the minimum required B-BBEE Level 4.

The recently concluded wage negotiations in Turkey and South Africa once again highlight the importance of constructive engagements that ensure the ongoing sustainability of the company and re-emphasise the extreme levels of financial and social stress on workers. It is a positive for our industry that average wage levels are considerably above the country’s minimum wages and that it is one of the few industries currently creating jobs.

Outlook

In the Energy Storage Vertical our focus in the year ahead will be on finalising and optimising our potential value extraction for shareholders under the new strategy.

The Metair Automotive Components Vertical enters a critical phase of investing into its future for the next 12 to 18 months as we establish greenfield and brownfield facilities to secure future growth while aiming to sustain our current performance, excluding any extraordinary once-off project and/or event costs. Project management and containment of pre-production, preparation and launch costs will be critical during this period.

South Africa’s automotive industry has the opportunity to enter an exciting growth phase enabled by major trend shifts in the industry and our specific market access position from South Africa. South Africa must protect its market access and government needs to carefully consider its position regarding legislation like the Copyright Amendment Bill that will weaken our standing in the protecting of intellectual property rights. This could bring about a review of the special access South Africa has into the US under the generalised system of preferences (GSP) and Africa Growth and Opportunity Act (AGOA).

The industry needs to remain diligent in its efforts to mitigate any potential negative long-term effect on supplies out of China due to the COVID-19 (“coronavirus”).

Year to date trading has been challenging due to external factors like a labour disruption at a major customer, Eskom power disruptions as well as initial customer and market volume declines. Markets could further be impacted by the fall out caused by the coronavirus.

Metair’s management will have to remain flexible in the roles required to achieve these objectives.

Appreciation

Thank you to our Chairman and the board for their guidance and commitment to mapping out the best path forward for Metair.

We are grateful to our employees – our associates – who applied themselves in delivering against the strategy despite the volatile and uncertain economic and labour conditions during the year. The Metair management team adds an enormous amount of value to the company despite being such a small team and we would like to thank them for their diligence and strong contribution again this year.

Our technology partners recognise the importance of the opportunity presented to Metair and we thank them for their close collaboration. We also appreciate the increased focus on a partnership approach by our OEM customers.

It is also important that we recognise that the current strength of Metair is attributable in no small part to the intelligence with which the business was initially designed by the company’s founder, Dr Albert Wessels, all those years ago. That it has lasted so long and continues to thrive is a tribute to his foresight and intellect.

CT Loock
Chief executive officer

Key stakeholder relations

Metair's stakeholders are those individuals or groups that are impacted by our business, or who have an impact on our business, and who affect our ability to deliver on our strategic objectives. We recognise that the group's ability to create long-term sustainable value requires integrated thinking that takes into account the needs, interests and expectations of our stakeholders.

The board is responsible for stakeholder engagement and sets its direction in the company. Stakeholder engagement is a standing item on the board agenda and directors are informed of all material engagements and their outcomes.

The group stakeholder engagement policy and Metair's code of conduct emphasise equitable treatment of all stakeholders and apply to all group companies.

Engagements are handled at the relevant levels in the company by the function to which they most closely relate. Stakeholders are engaged as necessary and kept appraised of progress in resolving any issues. Feedback from these interactions provides input into strategy, helps to determine and prioritise material matters and key risks, and assists us to refine company policies and governance structures. We welcome and appreciate stakeholder input and are committed to ensuring that the trade-offs between the interests of various stakeholder groups, as well as the trade-offs with the long-term interests of the company, remain key considerations.

Key stakeholder groups

Our stakeholders can be classified into four groups – internal stakeholders, stakeholders with whom we have direct interactions on a day-to-day basis, industry stakeholders and the broader society.

The table in Appendix I of this report shows Metair's key stakeholder groupings, their main concerns, how these are addressed and the channels available for engagement.

Stakeholder engagement in 2019

Labour expectations

Pressure on wages in all of our major manufacturing countries persists. In Romania, migration of workers since the country joined the EU has led to an exit of skills and wage inflation for those that remain. While reduced from last year, the consumer price inflation rate in Turkey remains high and the socio-political environment is complex. Socio-economic conditions in South Africa are challenging and wage negotiations are often militant and politicised.

Wage increases ahead of productivity gains compromise the viability of a business and can ultimately lead to job losses if the business closes down or switches to automated manufacturing. We are, however, aware of the many challenges facing our workforce, particularly the effects of stoppages and short-time due to strikes or volume uncertainty, and remain committed to fair remuneration for our workers.

Wage negotiations in Turkey were settled in April in line with inflation and the next round of negotiations started in December 2019 to set wages for 2020, with union demands currently well ahead of inflation.

There were three wage agreements up for negotiation in the South African automotive industry in 2019. Negotiations for the automotive component sector started in April, were delayed while the unions concluded their agreement with the OEMs, and were finally concluded late in January 2020.

First National Battery lost 52 workdays to a strike during 2019.

Engagements with shareholders

In March 2019 we welcomed two directors onto the Metair board from Value Capital Partners (VCP), an engaged shareholder holding 18.95% of Metair's shares. These appointments provide a shareholder perspective to board deliberations. The board is committed to ensuring that the expectations of all stakeholders, including different shareholder groupings, are considered and appropriately balanced.

In 2018, Metair initiated a share buyback programme to address the undervaluation of the share price. At the end of December 2018, 3% of the company's shares had been bought back at a cost of R104 million. The programme completed in May 2019, having acquired 3.97% of the company's share capital at a cost of R150 million.

Key stakeholder groups

INTERNAL
Employees

DIRECT
Shareholders
Analysts
Customers
Suppliers
Consultants
Partners

INDUSTRY
Industry bodies
Trade unions

BROADER SOCIETY
Government
Media
Communities

Key stakeholder relations (continued)

In August 2019, Metair hosted investor technology days at operations in Durban, Port Elizabeth and East London, which included presentations on the latest developments in the automotive and energy storage industries, and how these affected the operating companies. Non-executive directors attended the presentations to interact with shareholders and investors.

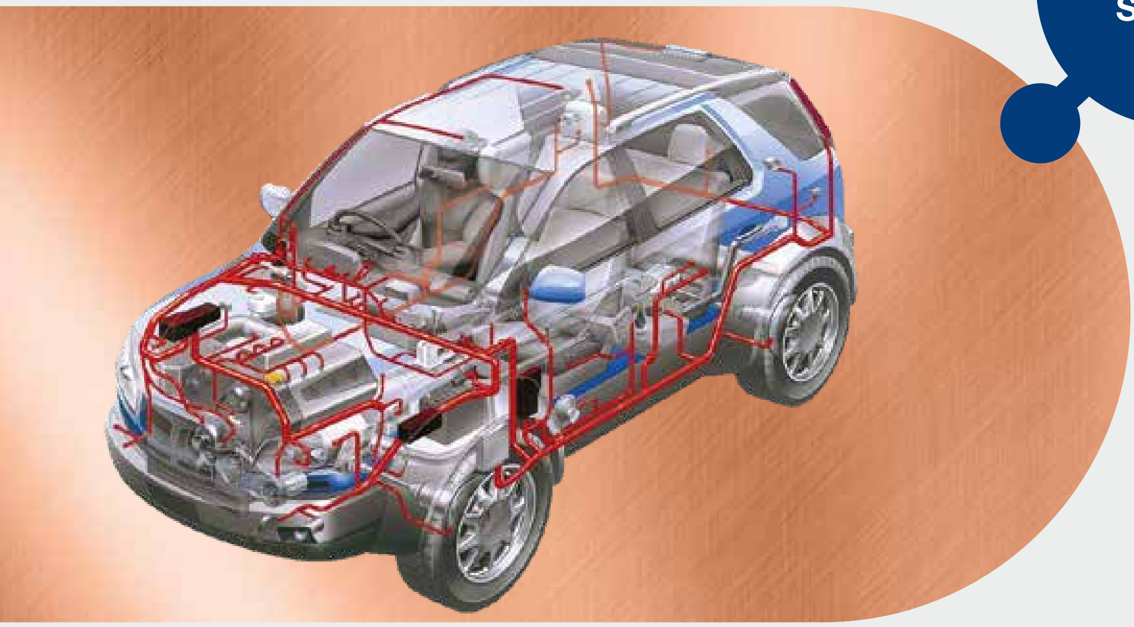
Value created for our stakeholders

Metair created R3.44 billion in value in 2019 (2018: R3.16 billion). Employees received R1.97 billion as salaries, wages and other benefits (2018: R1.81 billion) and R34.8 million was invested in training initiatives to further develop our human capital (2018: R28.2 million). R260 million was distributed to providers of finance (2018: R210 million) and R214 million was paid to governments as tax (2018: R200 million). Shareholders received dividends of R193 million (2018: R158 million), R150 million was invested in the share repurchase over the last two years and R760 million was retained in the group for maintenance and expansion (2018: R785 million). R18.9 million was invested in local communities through our CSI initiatives (2018: R11.2 million).

The fundamental undervaluation of the Metair share price has led to a strategic review aimed at unlocking value and enhancing returns to shareholders. As such, Metair announced that it is evaluating the potential disposal of its Energy Storage Vertical. Metair's comparative peer market multiple used for valuation purposes is set at 6 to 6.5 times EBITDA. Therefore, Metair's current market multiple of 4 to 4.5 times is seen to be under-valued by around two times on 2019 EBITDA.

The board continues to evaluate opportunities to unlock value for shareholders and investors.

CASE STUDY

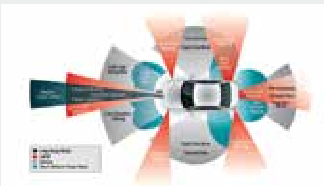


Wiring harnesses – the nerve system of the car

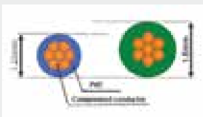
Hesto produces wiring harnesses, or electrical distribution systems (EDS), as well as instrument clusters for the automotive industry. The wiring harness is an organised set of wires, terminals and connectors that run through the entire vehicle, distributing both signals and power to the numerous electronic and electric instruments, relays, sensors, motors and radios and other electronics.

Wiring harnesses can be imagined as the nerves of the car, which grow more complex each year as consumers demand more driver assistance, infotainment, sensors, safety equipment, connectivity and other technology.

As more electronic features are added to vehicles, the number of circuits is growing exponentially and this trend seems set to continue. To illustrate, a Model T had very few circuits, a 2016 commercial vehicle on average, 420 circuits and a 2020 commercial vehicle approximately 950 circuits on average, with high specification models at more than 1 200 circuits.



To overcome the weight and space problems associated with the increased complexity, cable diameters and the terminal and connector sizes have reduced significantly and where possible. Aluminium wire has been also been introduced into parts of the harness set.



Prior 2015, typical minimum cable diameter was 0.35mm, whereas on current models, cables have reduced to 0.13mm diameter wire and even this is now compressed to further reduce outside diameter.

The harnesses though, still fundamentally resemble those of previous generation vehicles, and on conventional vehicles, will continue to do so through the next generation vehicles, at least up to 2030.

Electric and Hybrid cars use two wiring harness systems, with controls utilizing a conventional 12 volt wiring harness, and the electric motors a 48 high voltage volt system.

The high voltage cable system is usually made from aluminium to save on weight and cost, as the diameter of the cable is significantly larger due to the increased voltage.

Our material matters

Our material matters are the factors that have the highest potential impact – positive or negative – on the long-term sustainability of the group or its stakeholders. Our materiality determination process involves assessing a range of internal and external sources, including:

- Engagements with our key stakeholders
- Developments in relevant legislation and regulation
- Sustainability and integrated reporting guidelines and best practice
- Review of local and international media reports on the automotive and other target industries
- Peer reports and industry benchmarks

The risks and opportunities identified in Metair's risk assessment process. This process consolidates operational registers of key risks into a group risk register and includes a review of economic, environmental and social impacts, risks and opportunities.

The matters identified are then ranked according to their impact and reviewed against our combined assurance model to ensure that they are subject to an appropriate level of assurance. Material matters influence our deliberations on strategy and its implementation, and inform the contents of this report.

Our material matters are shown in the sections that follow, along with the stakeholders that these affect, how we manage the matters, where these matters are discussed in this report and how our combined assurance model supports them. The strategy symbols in the title bar link each material aspect to the strategy focus area they affect most directly.

The 2019 review showed that last year's matters remain relevant, although the relative impact has changed. For example, balance has now been established in the business and is less material while the global response to climate change and other challenges in the natural environment have had a significant impact on the company's products and strategy, and also increased the importance of business partnerships.

Metair does not currently reference the UN Sustainable Development Goals (SDGs) in its sustainability programmes and reporting, but many of our initiatives align with the goals explicit in the SDGs. Therefore we have included reference to the SDGs in the table where these are relevant.

1 Competitiveness

- Competition from low-cost countries
- Country competitiveness of South Africa
- Entry of international competitors
- Competing with subsidised imported products
- Labour
- Unreliable energy and water supply
- Raw materials supply
- Product quality
- Technology
- Flexibility and adaptability

Stakeholders primarily affected:
All

The automotive aftermarket, including energy storage solutions, is highly competitive and participation in OEM supply chains puts local suppliers in competition with suppliers around the globe. Many other countries have more attractive government incentives, lower costs and higher labour efficiency than South Africa. While the revised APDP provides automotive policy certainty for OEMs, Metair's ability to earn a return is reliant on producing quality products in a cost-effective manner.

Challenges facing manufacturing in South Africa include the volatile political and labour environment, policy uncertainty and supply interruptions to essential inputs such as energy, water and raw materials. These factors affect local manufacturers' ability to achieve the production efficiencies necessary to match or outperform competitors and attract long-term OEM investment.

Innovation and change in automotive components and energy storage solutions continues to accelerate. Keeping pace with the rapidly evolving needs of OEMs requires access to highly specialised technical skills and substantial investment in research and development as well as product design resources.

Read more: Chief executive officer's report (page 32), Performance review (page 43), Human capital (page 56).

GRI standards:
GRI 201: Economic Performance

Governance and combined assurance: The board and executive committee monitor efficiencies. Combined assurance through policies and procedures, internal controls, risk management function, regular management reviews, internal audit, OE supplier quality reviews, external accreditation (ISO 9001, SABS, SANS, VCA, ISO/IATF 16949, ISO 14001, ISO 50001 etc.).

2 Macroeconomic and geopolitical factors

- Currency volatility
- Socio-economic stability in key markets
- Changing global trade dynamics (political, trade, etc.)
- Continuity of supply

Stakeholders primarily affected:
All

The global nature of the automotive industry exposes Metair to international economic and political developments that influence OEM investment and purchase decisions. Volatile global trade dynamics and changing technology have led OEMs to reassess their global supply chains and move strategic components closer to their home markets in order to secure supply, particularly for electric vehicle components. This shift has a benefit for manufacturing facilities further away from the home markets as production of existing technology moves out. Exchange rate volatility affects margin recovery on long-term contracts, makes budgeting and forecasting challenging and has a significant impact on reported financial performance. Political and social challenges in Metair's locations of operation – particularly South Africa and Turkey – affect investor confidence in the group's ability to realise its strategy and raise capital for further capital investments and acquisitions.

Read more: Chairman's statement (page 28), Chief executive officer's report (page 32), Chief financial officer's report (page 48), Performance review (page 43) and Group risk management (page 79).

GRI standards:
GRI 201: Economic Performance

Governance and combined assurance: The board and executive committee develop and execute strategies to respond to international developments and business interruptions. Combined assurance through policies and procedures, internal controls, risk management function and regular management reviews.

3 Business partnerships

- International business partners
- Customer relationships
- Shareholder relationships
- Government relationships
- Supply chain relationships
- Governance
- Finding suitable long-term empowerment shareholders

Stakeholders primarily affected:
- Customers (existing and potential)
- Suppliers and trading partners
- Shareholders
- Government
- Employees
- Trade unions
- Regulatory bodies
- Industry bodies (NAACAM, NAAMSA)
- Media

Strong relationships with our key stakeholder groups are essential to the success of the company. Metair's close relationships and long history with its technology partners are important assets that help to meet the changing needs of its OE customers. These customers are beginning to partner with each other to improve their competitiveness. An example of this is the recent alliance announced between Volkswagen and Ford that will see construction of the next generation Volkswagen bakkies at Ford facilities.

Government is an important industry stakeholder that provides significant support through automotive and industrial programmes such as the South African Automotive Masterplan 2035 and the APDP. Government also offers protection to local markets from foreign government subsidised imports.

Bilateral trade agreements such as AGOA and special trade agreements secure access to potential export markets and form part of government's business platform staging.

Shareholder interests and inputs influenced the strategy review and the new strategic direction of the company. Identifying and engaging suitable long-term empowerment shareholders remains a key focus.

Read more: Chairman's statement (page 28), Stakeholder relations (page 35), Corporate governance report (page 69).

GRI standards:
GRI 201: Economic Performance

Governance and combined assurance: The board and executive committee develop and execute strategies to respond to international developments and business interruptions. Combined assurance through policies and procedures, internal controls, risk management function and regular management reviews.

Our most material matters (continued)

4 Strategic alignment

Aligning the strategy to meet the needs of:

- Shareholders
- Providers of finance
- Customers
- Other stakeholders

Stakeholders primarily affected:
All

In designing and executing its strategy to create long-term sustainable value, Metair must take into account the relevant interests of shareholders and other stakeholders, along with the major mobility and technology trends, to ensure continued relevance and support.

Read more: Chairman's statement (page 28), Chief executive officer's report (page 32).

GRI standards:
GRI 201: Economic Performance

Governance and combined assurance: The board and executive committee engage regularly with shareholders and other stakeholders. Management develops the group's strategy, which the board approves and oversees its implementation.

5 Human capital

- Labour productivity and efficiency
- Labour cost
- Health and safety
- Skills retention and staff development
- Management retention and succession planning
- Management acumen
- Talent management and training
- Representative board, management, shareholding and workforce
- Corporate social investment

Stakeholders primarily affected:

- Customers (existing and potential)
- Suppliers and trading partners
- Government
- Employees
- Trade unions
- Regulatory bodies
- Industry bodies (NAACAM, NAAMSA)
- Media
- Consultants
- Service providers

Metair's businesses are highly technical and the skills and experience of our leadership, management and employees are key assets of the company. Skills development and retention are important considerations and the rapid changes in the automotive industry challenges managers agility and resilience.

Responsible management of labour costs and improving productivity are essential to sustain cost efficiencies and manufacturing competitiveness. This must be balanced with our responsibility to remunerate fairly and look after our workers.

Metair is committed to transformation and believes that in a competitive market, strong B-BBEE performance is a competitive advantage. Demonstrating diversity at board and management level, and transforming the workforce are moral imperatives, a customer requirement and good business practice.

Read more: Chief executive officer's report (page 52), Corporate governance report (page 69), Human capital (page 56).

GRI standards:
GRI 201: Economic Performance
GRI 203: Indirect Economic Impacts
GRI 204: Procurement Practices
GRI 401: Employment
GRI 402: Labour/Management Relations
GRI 403: Occupational Health and Safety
GRI 404: Training and Education
GRI 405: Diversity and Equal Opportunity
GRI 406: Non-discrimination
GRI 407: Freedom of Association and Collective Bargaining

Governance and combined assurance: The remuneration committee, nominations committee, board and executive committees develop the human capital strategy, manage key relationships and monitor progress against stated KPIs and targets. Employment equity and transformation committees develop strategies and measure progress against stated targets. Combined assurance through regular management review, policies and procedures, risk management function, internal audit, external verification of B-BBEE information and OE supplier reviews, external accreditation (OHSAS 18001, ISO 14001) and external assurance of sustainability information.

6 Natural environment

- Impact of climate change on customers and products
- Energy consumption
- Carbon footprint
- Waste management
- Water
- Environmentally friendly products
- Environmental impacts

Stakeholders primarily affected:
- Strategic shareholders
- Minority shareholders
- Analysts
- Customers (existing and potential)
- Suppliers and trading partners
- Government
- Employees
- Trade unions
- Regulatory bodies
- Industry bodies (NAACAM, NAAMSA)
- Media
- Consultants
- Service providers

Tightening emissions regulations in response to concerns about climate change are driving the shift to electric vehicles. The response of our OE customers is changing the products we make, affects OE production profiles and had a fundamental impact on our strategic review.

At an operational level, Metair's guiding principle of custodianship requires us to responsibly manage our impact on the environment by reducing our use of scarce resources including energy, water and raw materials. We prioritise recycling of water, raw materials and waste, wherever possible, and limit emissions and waste production.

Many of the technologies under development in our operations have a positive environmental benefit, including solar energy solutions and essential components for the next generation of low-emission and full electric motor vehicles.

Read more: Chief executive officer's report (page 32), Chairman's statement (page 28). The natural environment (page 62).

GRI standards:
GRI 302: Energy
GRI 303: Water and Effluents
GRI 305: Emissions
GRI 306: Effluents and Waste
GRI 307: Environmental Compliance

Governance and combined assurance: The board and executive committees develop the environmental strategy and monitor progress against targets. Combined assurance through regular management review, risk management function, internal audit, policies and procedures, external accreditation (ISO 14001, ISO 50001), external preparation of carbon footprint data, external assurance of sustainability information.

7 Balanced business

Balance across:
- Customers
- Products
- OEM and aftermarket, industries
- Geographies
- Technologies
- Customer requirements and the need to earn a sustainable economic return

Stakeholders primarily affected:
- Shareholders
- Analysts
- Customers (existing and potential)
- Government
- Employees
- Trade unions

Diversification has been a key focus for the company to mitigate risk and support the sustainability of the company. This includes our industrial and lithium-ion battery solutions and our research to assess the impact of disruptive technologies and the impact on our business from electric vehicles.

Read more: Chairman's statement (page 28), Chief executive officer's report (page 32), Chief financial officer's report (page 48), Performance review (page 43) and Group risk management (page 79).

GRI standards:

GRI 201: Economic Performance

Governance and combined assurance: The board and executive committee develop and execute strategies to respond to international developments and business interruptions. Combined assurance through policies and procedures, internal controls, risk management function and regular management reviews.

Our most material matters (continued)

8 Technology and innovation

- Technology shifts
- Customer relationships
- Products
- Raw material suppliers
- Business partnerships

Stakeholders primarily affected:
All

The technology used in energy storage and automotive components is changing rapidly and Metair needs to ensure that our research and product development meet the technology needs and fulfil the energy (watt-hour) and automotive component (parts) requirements of our international customer base.

We continue to build our capacity and relationships to ensure that we can deliver the requirements for the future technology trends such as electric vehicles, autonomous driving, increased vehicle connectivity and artificial intelligence.

In 2019 we completed the installation of our state of the art lithium-ion cell manufacturing, assembly and formation line and production is anticipated to commence in the second quarter of 2020.

Read more: Chief executive officer's report (page 32), Chairman's statement (page 28).

GRI standards:
GRI 201: Economic Performance

Governance and combined assurance: The board and the executive committee develop the technology and innovation strategy and monitor progress against targets. Combined assurance through regular management review, risk management function, internal audit, policies and procedures, external accreditation (ISO 14001, ISO 50001), external preparation of carbon footprint data, external assurance of sustainability information.

Good governance never depends on laws, but upon the personal qualities of those who govern.

– FRANK HERBERT

Performance review

Operating context

Global and local geopolitical developments

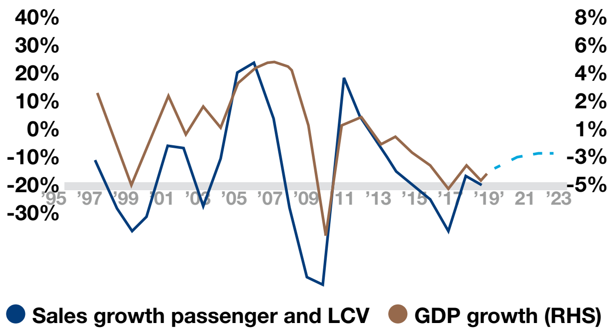
Changes in geopolitical dynamics that influence economic growth or consumer sentiment affect Metair through their impact on local socioeconomic conditions and vehicle sales in our local and export markets. Exports account for more than half of the vehicles produced in South African, with Europe, the US and Japan the primary destinations. Turkey and Romania are closely linked to the Western and Eastern European vehicle markets and exports are equally important profit contributors for our operations in those countries.

Deteriorating global trade dynamics and uncertainty regarding Brexit have affected sentiment in many markets and prompted OEMs to reassess the strategic exposure in their global supply chains. Metair's decision to pursue lithium-ion battery manufacture in our Romanian operation was influenced by these developments, as locating the facility in Europe positions production of this essential component of electric vehicles closer to European OEMs.

The political situation in Turkey appears to have stabilised, but relations with the US continue to be unpredictable. Although inflation rates in the country have come down, they remain relatively high. Domestic demand for motor vehicles is low and wage demands reflect the pressure on consumers in the country.

Growth rates in South Africa remain negligible and local vehicle sales decreased 3% in 2019. Exports remained strong, growing 10% in 2019 and total vehicle production in South Africa increased 4.7%. The South African Automotive Masterplan (SAAM) 2035 sets an ambitious vehicle production goal of 1.4 million vehicles for 2035 and we are forecasting local vehicle production of around 623 000 units per year in the medium term.

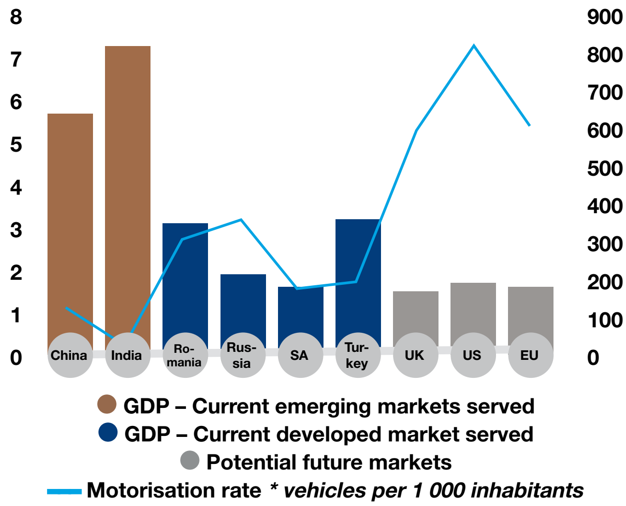
South African GDP growth vs vehicle sales



Metair's strategy has been to target significant markets showing GDP growth above two to three percent. Mobility growth in developing markets is likely to be strong as vehicle penetration increases. GDP growth rates in the developing markets we currently serve are forecast to increase between 1.6% to 3.2% over the next five years, which implies that vehicle production should remain strong. Growth rates in India and China, two potential future markets for our products, are forecast to be 7% and 6% respectively.

While growth rates in the EU and the US are forecast to be below 2% over the next five years, these are significant vehicle markets and even relatively low sales growth rates translate into substantial production quantities.

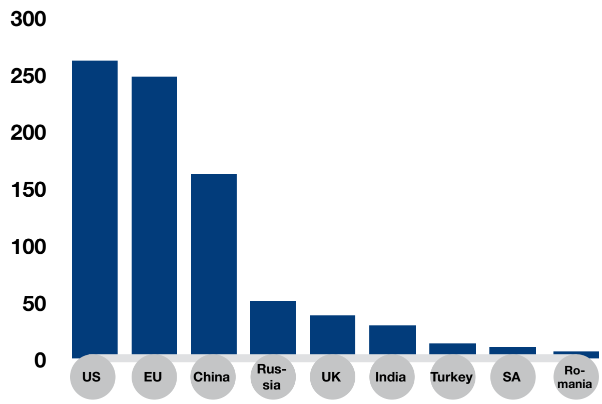
5-year forecast GDP growth rate and motorisation rate*



Vehicles in use (vehicle parc)

The potential market for aftermarket automotive spares and batteries in a country or region is a function of the total number of vehicles on the road. Our operations in Turkey and Romania provide access to key Western and Eastern European markets, which together comprise a significant opportunity for aftermarket batteries.

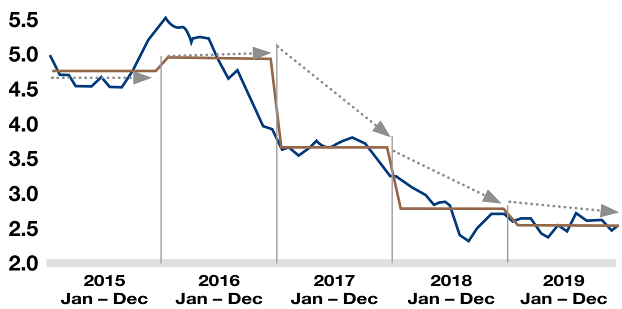
Total vehicles in use (million)



Currency volatility

Currency volatility affecting the Rand against the US dollar and against the Romanian Lei and the TL makes planning and forecasting challenging. The financial effects of the significant weakening of the Lira against the Rand since 2016 are discussed in the CFO report on page 48.

Turkish Lira/Rand

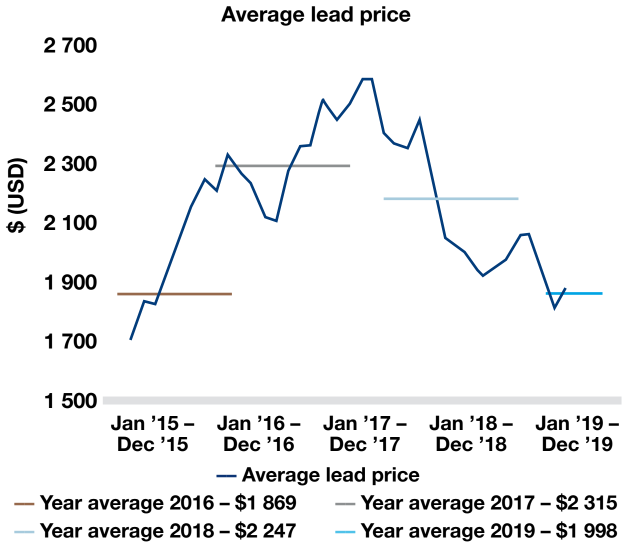


Performance review (continued)

Devaluation of the Lei and Lira against the Rand negatively affects reported profit from foreign operations. It also increases the input cost of imported materials and commodities and negatively affects demand in local markets. Although operations can recover the rising input costs by increasing prices, there is usually a lag, which leads to margin compression. Over time, a weaker currency improves competitiveness in export markets and makes imported product less competitive in the local market.

Raw material costs

Commodities are generally priced in US Dollars and are therefore also affected by currency fluctuations. Lead is a key input in our Energy Storage Vertical. The lead price fluctuated significantly during the year, from highs of $2 267 to lows of $1 768 per tonne. Although Metair passes the cost of commodities on to its customers over time, short-term fluctuations impact margins in the short term.



Performance against our strategic focus areas

Key Performance Indicators (KPIs) establish short-term (12 to 24 month) goals for operations and the group that align with the five-year strategic vision and the nine strategic focus areas. These KPIs are developed at the managing directors' conference every year and progress against these goals is discussed at the next MD's conference, which builds accountability and creates a link between the medium-term strategic vision, the strategic focus areas and the short-term operational and group goals.

2019 Key performance indicators	Performance in 2019	Strategy leg
1. Enhance shareholder value to net asset value (NAV).	Share price at 31 December 2019 (R23.10) was above NAV.	
2. Complete share buy-back to the value of R150 million.	Metair completed a share buy-back of 7.9 million shares at an average price of R18.90 in May 2019.	
3. Optimise Metair strategy. Review the strategy and appropriate structure.	The strategic review was completed and the outcome announced to the market in December 2019.	
4. Deepen capital allocation control including a five-year plan for earnings per share improvement.	The MDs' conference included feedback detail on economic value added (EVA) principles.	
5. Improve FNB performance to 10% PBIT margin and appoint a suitable backup for the managing director.	Due to a significant decline in industrial batteries demand in the second half of 2020, FNB achieved an 8% margin.	
6. Sustain the contribution of Mutlu Akü in Rand – 5% growth on 2018.	Mutlu Akü grew profit 5.7% in local currency, but in Rand, profit declined 3.6%.	
7. Explore and strategise on group company synergies/collaboration/communication/competency centre.	MOLL performance halted process.	
8. Develop a business plan including standard operating procedures for lithium batteries including target costs.	Launch and opening of lithium-ion line in November 2019.	
9. Improve the management control element on the B-BBEE scorecards.	Improved at group level.	
10. Enhance customer forex recovery policies.	Achieved overall improved forex recovery policies limiting the timing delay for price corrections.	
11. Ensure compliance of individual companies with the EU General Data Protection Regulation.	Achieved.	
12. Ensure sufficient management capacity and technical talent across the group to execute and integrate acquisitions, transfer technology and know-how, and execute strategy. Identify one Metair star and two back-up stars from the energy vertical.	Stars identified and lithium-ion technical expert and integration done.	

2020 Key performance indicators	Strategy leg
1. Get stakeholder buy in for revised Metair strategy	
2. Execute and implement Metair strategy	
3. Stabilise Mutlu Akü management and performance	
4. Improve MOLL performance and business outlook	
5. Design flexible volume manufacturing system for Metair companies	
6. Improve business morale and employee engagement	
7. Influence and stabilise Ford SA transformation objectives	
8. Secure compact sports utility vehicle (CSUV) business from Toyota for Metair companies	
9. Improve foreign exchange policies with all customers	
10. Secure product liability and recall insurance on an international basis for all Metair companies	

Performance review (continued)

Sustainability goals for 2019	Performance in 2019	Targets for 2020	Strategy leg
Remaining companies to achieve ISO 50001 accreditation by the end of 2019	ATE, Rombat, and Automould are in the process of implementing ISO 50001 with accreditation planned for 2020. Unitrade and Lumotech achieved Stage 1 accreditation in 2019. All other operations are accredited	All companies to target achievement of ISO 50001 accreditation by the end of 2020 or be on track for latest 2021 accreditation	
Zero fatalities and reduce LTIFR to below 1 across all companies	Zero fatalities and group LTIFR decreased to 0.77. LTIFR is above 1 at ATE, FNB, Lumotech and Mutlu Akü	Zero fatalities and maintain LTIFR below 1 across all companies	
Group absenteeism rate to average below 3% across all companies (excluding contractors)	Three operations had an absenteeism rate above 3% and group absenteeism improved to 3.2%	Group absenteeism rate to average below 3.0% (excluding contractors) across all companies	
Maintain and improve our level 4 B-BBEE target going forward on the new codes	All companies bar one are at Level 4 or below. Two companies at level 1.	Maintain and improve our level 4 B-BBEE target going forward on the new codes	
Maintain group training spend at a minimum R20 million	Group training spend of R34.8 million	Maintain group training spend at a minimum R40 million	
At least 300 learnerships across the group	319 learners	At least 250 learnerships across the group	
1% of net profit spent on CSI projects	2.9% of net profit	1% of net profit spent on CSI projects. Within our targeted spend we would like to increase our focus on projects that benefit people living with disabilities and high-level industry-focused green manufacturing education.	
Target zero new cases of blood lead levels above 40µg per 100ml (early warning cases) and zero new cases above 50µg	71 new early warning cases and 15 new cases above 50µg	Target zero new cases of blood lead levels above 40µg per 100ml (early warning cases).	
1% improvement on site-specific production scrap percentages across all companies	Eight subsidiaries achieved a 1% improvement in scrap	1% improvement on site-specific production scrap percentages across all companies	
Energy storage businesses to improve yield by 2% at recycling facilities	All companies in the Energy Storage Vertical achieved the target.	Energy storage businesses to improve yield by 2% at recycling facilities	
Improve water consumption per PHW by 2% across all companies	Five of the operations achieved a 2% improvement in water consumption per PHW. Group consumption decreased 5.7% per PHW	Improve water consumption per PHW by 2% across all companies	
Reduce total energy consumption by reducing electricity consumption per PHW by 5% by December 2019	Electricity consumption per PHW increased 0.6% in 2019	Reduce total energy consumption by reducing electricity consumption per PHW by 2% by December 2020	
Sustain Scope 1 and 2 emissions per PHW worked below 10 kgs CO_2e/PHW	Scope 1 and 2 emissions per PHW worked increased to 11.7 10 kgs CO_2e	Sustain Scope 1 and 2 emissions per PHW worked below 11.5 kgs CO_2e/PHW	

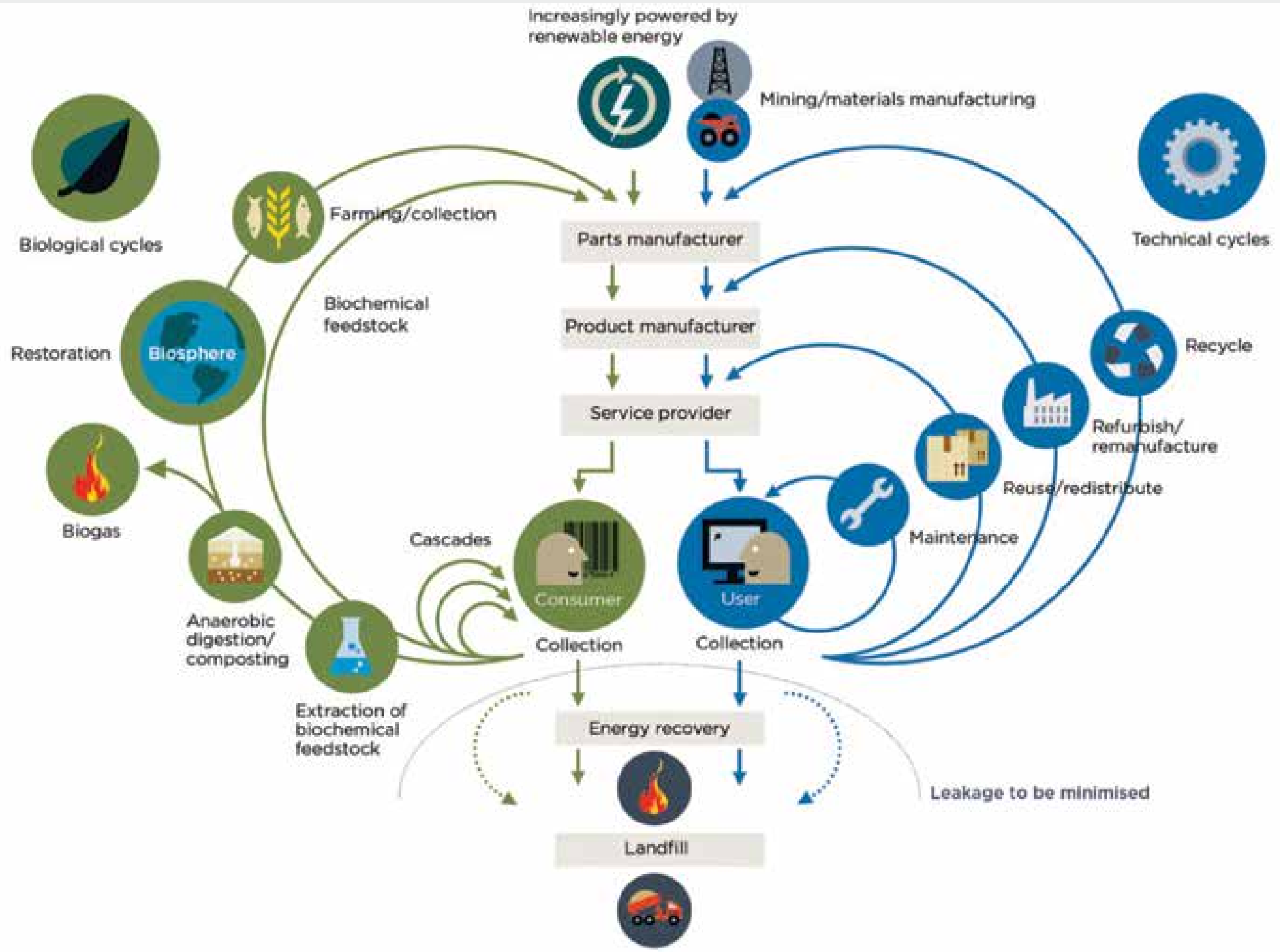
CASE STUDY

Focusing on green manufacturing to achieve a circular economy [1, 2]

Several manufacturers have recognised that environmental responsibility through the adoption of green manufacturing is an important corporate social responsibility imperative. Green manufacturing is the renewal of production processes and the establishment of sustainable and environmentally friendly practices within traditional manufacturing processes. The concept goes beyond pushing for energy friendly practices. It promotes a fundamental change in supply chains and product lifecycles by adopting several principles from the circular economy.

The circular economy departs from the traditional linear approach "reduce, reuse, recycle" and moves towards "repair, reuse, refurbish, re-manufacture and recycle" in a closed loop system. This aims to maximise usage of resources and lengthen product lifecycles, and thereby reduces waste to a minimum and mitigates environmental impact.

The circular economy aims to achieve reduced waste handling costs, lowered waste categorisation costs, reduced waste treatment costs, reduced waste disposal costs and reduced waste storage costs. The extension of product life cycles is achieved through lower transportation cost, decreased packaging cost, reduced overall cost of the product, lowered cost of production, reduced user operation/use cost, lowered maintenance/service cost and reduced overall cost to the organisation.



[1] Sustainable manufacturing: Principles, applications and directions: https://www.industr.com/en/sustainable-manufacturing-principles-applications-and-directions-2333598
[2] Here's why green manufacturing is crucial for a low-carbon future https://www.weforum.org/agenda/2019/01/here-s-why-green-manufacturing-is-crucial-for-a-low-carbon-future/

CFO's report

The automotive industry globally and in South Africa is going through significant change. Metair's ability to respond, participate and gain from these developments remains our biggest priority and opportunity

SJOERD DOUWENGA – CFO

Metair achieved a good result for the year, consolidating the high growth in earnings achieved in 2018, while focusing on earnings quality by managing working capital and cash generation as well as securing future business.

The automotive industry in South Africa and globally is going through significant change and ensuring Metair's ability to respond, participate and gain from these developments remains our biggest priority and opportunity. During 2019 we continued to experience the current and future impact of structural changes to global allocation of production location, technology direction, trade dynamics and the response to climate change on future product development. This was evident in both the Automotive Components Vertical in South Africa as well as the Energy Storage Vertical in South Africa and internationally.

Despite the technological developments and advancement required, capital allocation priorities are continuously and rigorously reviewed to balance operational, strategic and shareholder requirements.

As such, Metair concluded its first investment in a lithium-ion production facility in 2019. This is a very important step in our internal product development in energy storage to meet the demands of future technology requirements. The commissioning of the line not only enables us to develop bespoke chemistries and technologies, but also equips us to be development partners with OEMs in pursuit of their own technological advancement.

We also continue to invest in South Africa, with significant future industry growth and increased market share the main drivers. All major OEMs in South Africa will be launching new vehicles during the next two to three years and Metair's market share of component supply to them continues to grow strongly.

We believe these investments will enable us to achieve target returns well above the cost of capital to ensure we create long-term value. Our long-term target is a 4% excess return over cost of capital.

This report discusses the financial position and performance of the group for 2019, including the segmental results and other salient features. The report also addresses capital allocation, returns on capital invested, balance sheet strength, funding structures and strategy, and should be considered together with the financial statements and the integrated report as a whole.

Metair considers the important and legitimate interests of all stakeholders in doing business, as well as the longer-term and sustainable interests of the group. This includes a careful assessment and mitigation of social and environmental impacts. The group value-added statement on page 53 shows how the value created during 2019 was distributed to stakeholders or reinvested.

Results

Group revenue increased 9.4% to R11.24 billion in 2019 (2018: R10.28 billion) largely due to strong manufacturing volumes and growing market share in the Automotive Components Vertical, which improved revenues by R575 million, and a significant increase in automotive batteries sold by the Energy Storage Vertical, which improved revenue by R472 million. Group operating profit (PBIT) improved by 1% to R1.018 billion (2018: R1.009 billion) at an operating margin of 9.1% (2018: 9.8%).

Some OEMs experienced a challenging January 2019 start-up, followed by market and production volume level stabilisation issues. In addition, new three-year wage agreements were signed at both OEM and component manufacturer levels, avoiding any prolonged strike action. But daily production volumes leading up to and during the negotiations fluctuated significantly, which, while a normal phenomenon, negatively affects manufacturing efficiency. We are pleased the industry has secured a new three-year wage deal during this critical phase of production expansion in South Africa.

Cash generated from operations increased 40% to **R1.2bn**

REVENUE increased 9.4% to **R11.2bn**

DIVIDEND PER SHARE OF 120c declared in 2020 in respect of the 2019 financial year

For the year, South African OEM production volumes decreased marginally to 614 843 units, largely due to OEMs starting their planning and investment into new model launches, which impacted their ability to grow volumes in the lead up to these launches. Metair's major customers' volumes increased by 3.6% against 2018. The usual volatility in emerging market currencies resulted in a slight loss in margin over the short term due to the timing of currency recovery from customers and although operating profit in the Automotive Component Vertical improved 5.7% to R538 million, margins declined from 10% to 9.5%.

The energy storage business reported a PBIT of R666 million, down R26 million from 2018. First National Battery and Mutlu Akü achieved marginal improvements in operating profit on a normalised basis (excluding fire-related insurance gains at Mutlu Akü in 2018). Rombat had a challenging year and, although sales volumes were good, lead input cost recovery was affected by the timing of LME lead price movements, which made it difficult to recover pricing over the short term within 2019. Mutlu Akü experienced significant local aftermarket expansion which was very pleasing. Strong aftermarket volumes were achieved with temporary support from Mutlu Akü's fighter brands at lower prices, while the export performance was muted due to a loss-making export contract. First National Battery performed well in the automotive aftermarket, but was significantly impacted by the economic downturn affecting industrial battery spend.

Group EBITDA (including equity earnings and impairments) increased 4.8% to R1.39 billion (2018: R1.33 billion) and the EBITDA margin decreased to 12.4% (2018: 12.9%).

Group net debt increased to R1.32 billion (2018: R1.26 billion) while net finance expenses increased to R227 million (2018: R186 million), largely due to a period of high borrowing costs in Turkey.

Headline earnings per share increased by 3% to 336cps (2018: 327 cps) and the weighted average number of shares declined by 5.4 million shares as a result of the share repurchase programme that concluded in May 2019. In total, 7 892 604 shares were repurchased at an average price of R19.

Group return on invested capital (ROIC) remained flat at 13.0% (2018: 13.0%).

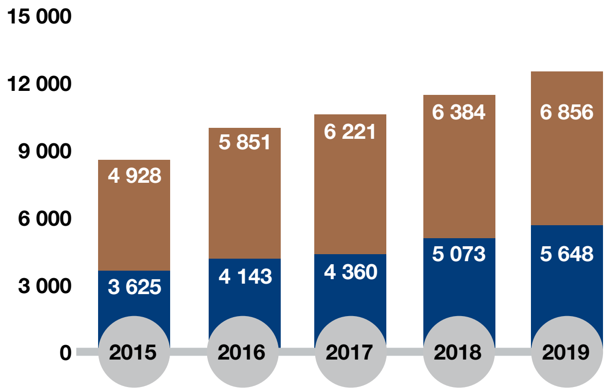
Segmental review

Note: The turnover and profit figures quoted in this section include the group's managed associate, Hesto, which aligns with the presentation in the segmental review on page 140.

Metair's two business verticals – automotive components and energy storage – supply products to their local markets in South Africa, Romania and Turkey, and export to customers in other markets (mainly Europe, the Middle East, sub-Saharan Africa and Russia).

The Energy Storage Vertical contributed 55% to group turnover in 2019 and the Automotive Component Vertical 45% (2018: 56% Energy Storage Vertical and 44% Automotive Component Vertical).

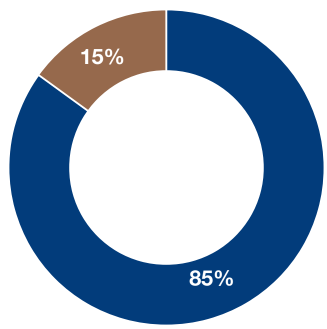
Revenue* (R million)



** includes Hesto*

● Automotive components ● Energy storage

Group local and export sales 2019



● Local sales ● Export sales

Energy Storage Vertical

Turnover increased by 7.4% to R6.9 billion (2018: R6.4 billion) due to strong growth of 7.1% (576 339 units) in automotive battery units, especially at Mutlu Akü which achieved a 17% increase in volumes to 4.4 million units.

Operating margins in the Energy Storage Vertical decreased to 9.7% (from 10.8%), mainly due to significant LME lead price volatility during the high season in the second half of the year, as well as pressure on industrial battery volumes and margins. The vertical delivered operating profit of R666 million (2018: R692 million). OEM volume proportions decreased marginally to 26% from 27.9% in 2018.

Mutlu Akü again performed well in difficult trading conditions, improving local currency PBIT (excluding fire-related gains in 2018) by 13% to 162 million TL on a strong aftermarket performance. This was offset by weak industrial demand and certain loss-making export contracts. In Rand terms, Mutlu Akü's PBIT (excluding fire-related gains in 2018) improved from R401 million to R413 million.

First National Battery's margins decreased to 7.9% and operating profit improved slightly to R163 million. The major contributor to the flat performance was weak industrial battery demand.

Rombat in Romania was impacted by unfavourable LME lead price movements. Lower annual average LME prices impacted recycling profitability, while LME lead price volatility in the second half of the year impacted Rombat's ability to recover input costs effectively in the short term. Operating profit declined by 29% to R72 million. Overall volumes declined by 3%.

Sales of industrial batteries decreased to R608 million (2018: R693 million), reflecting the challenging trading conditions in our countries of operation.

Return on invested capital for the segment decreased to 16.5% (2018: 19%).

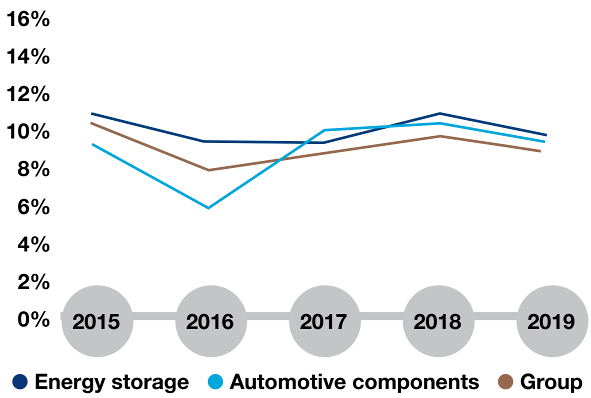
Automotive Components Vertical

The Automotive Components Vertical revenue grew by R575 million to R5.65 billion (2018: R5.07 billion) supported by stronger volumes at our customers and growth in market share.

Operating profit increased to R538 million (2018: R509 million) and the operating margin decreased by 0.5% to 9.5%.

Return on invested capital for the automotive component segment was 33.4% (2018: 32.9%).

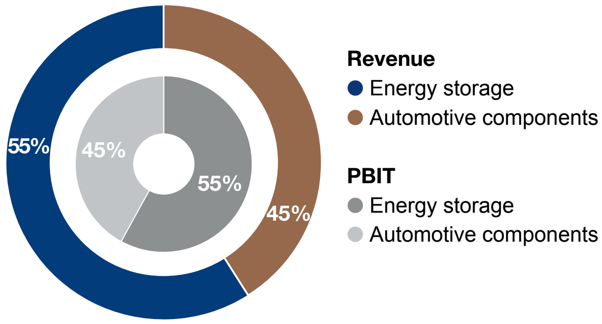
PBIT margin



Currency impacts

Metair's four international investments – Mutlu Akü (TL), Rombat (Romanian Lei), Dynamic (British Pound) and ABM (Kenyan Shilling) – operate in their local currencies and their results disclosed in this report are affected by changes in exchange rates between these currencies and the Rand. Mutlu Akü and Rombat together contributed 43% of group revenue and 43% of PBIT in 2019, and significant exchange rate fluctuations have a marked impact on group results.

Revenue and PBIT contribution 2019



The group has a strict foreign exchange risk management policy in place and hedges foreign currency exposures on raw materials, components and capital equipment except where these exposures are offset by natural hedges.

The average TL/Rand conversion over 2019 weakened by 8.8%, and the year-end rate was 13% weaker than at 31 December 2018. Earnings of our foreign operations are translated into Rand at the average rate for the period and while Mutlu Akü reported a 6% increase in reported operating profit in Turkish Lira, this translated into a 4% decline when translated into Rand, purely on currency. The average Romanian Lei exchange rate for 2019 appreciated 2% against the Rand, which supported earnings reported by Rombat.

The net asset values of foreign subsidiaries are translated into Rand at the ruling exchange rate at year-end for inclusion in the financial reports. The devaluation of foreign currency spot rates (mainly the TL) resulted in net foreign exchange translation losses of R373 million (2018: R313 million loss) being recognised in other comprehensive losses in 2019. While a depreciating local currency reduces the investment's contribution to the group, it also creates opportunities as it improves the price competitiveness of exports from that location. Approximately 36% of Mutlu Akü's sales volumes are exported to aftermarket and OEM customers.

Currency movements also impact the cost of imported raw materials and components. For the Energy Storage Vertical, these are mainly denominated in US Dollars and Euros, and the currencies most relevant for the Automotive Components Vertical are the US Dollar, Euro and Japanese Yen. Foreign exchange movement recoveries on these input costs are achieved through various contractual arrangements with customers.

Currency fluctuations also affect the energy storage business through their impact on sales and receivables in export markets.

Financial position

Group net asset value per share increased to 2 186 cents per share (2018: 2 167 cents per share). Net working capital increased by R197 million mainly due to improved inventory management, collections and tooling projects for local auto customers.

Cash generated from operations increased to R1.2 billion (2018: R888 million), representing a cash conversion ratio to EBITDA above 88%. Cash and cash equivalents increased to R878 million from R580 million in 2018, mainly impacted by the devaluation in the

TL. Net debt (borrowings less cash and cash equivalents) amounted to R1.3 billion at year-end (2018: R1.3 billion).

The group's net debt/equity ratio was relatively consistent at 31.5% (2018: 30.3%). Metair's capital structure remains relatively conservative and in compliance with all of our lenders' covenants. Net debt to EBITDA was 0.95 times (2018: 0.95 times).

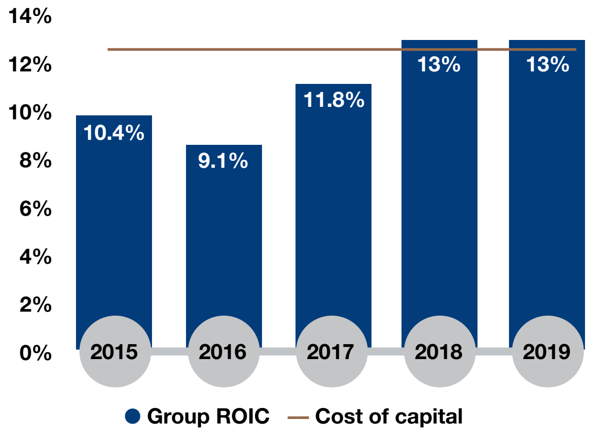
As at 31 December 2019, Metair had access to unutilised facilities of approximately R606 million, US$44 million, TL214 million, €10 million and revolving credit facilities of R495 million. Note 14 in the financial statements provides detailed information on the group's borrowing facilities. The group has sufficient short-term borrowing facilities, including overdraft facilities, which are renewable annually.

During 2019, the group made progress in separating group funding structures into geographically distinct South African and European ring-fenced funding structures.

Capital allocation

Metair's return on invested capital remained flat at 13.0%, as we increased our investment into future technologies.

Return on Invested Capital (ROIC) vs Cost of Capital



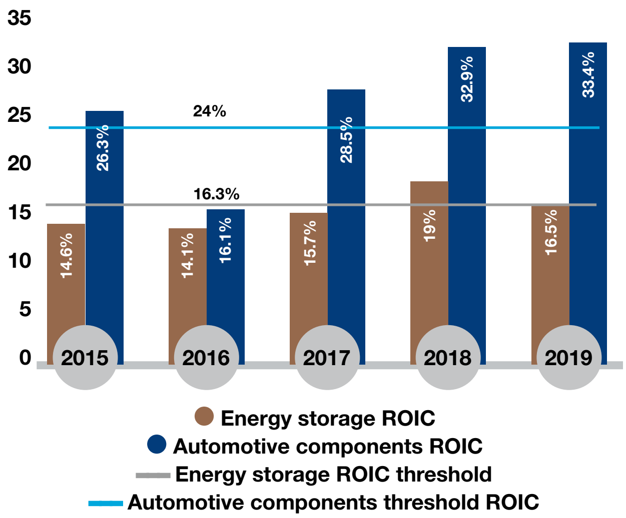
Metair assesses capital allocation in three areas:

- Operational (internal)
- Strategic (internal)
- Shareholder capital (external).

Allocation of capital to operating assets (maintenance and new business) and strategic investments (acquisitions) uses return on invested capital (ROIC) as the primary financial return criteria, supplemented by return on assets, internal rate of return and cash generation. ROIC targets and investment thresholds have been established for the group as well as each individual business unit. Capital allocated, with the exception of key strategic spend, is required to exceed its cost of capital within two to three years of the investment being made. New investments are also required to achieve a target of 4% above the cost of capital over the project duration. It is Metair's obligation, as the holding company, to source, allocate and control capital to achieve these objectives. The long-term return hurdle rates for the group are as follows:

Metair WACC	Energy Storage ROIC Threshold	Automotive Components ROIC Threshold
13.1%	16.3%	24.0%

Vertical ROIC vs Threshold



Metair's capital expenditure policy also includes a focus on cash flow management, in particular free cash flow generation, to support our ability to pay down our future debt repayment obligations, without constricting growth capital.

Total capital expenditure (including intangible assets) for 2019 was R495 million (2018: R305 million), with R153 million allocated to maintenance, R315 million to expansion capex and R28 million allocated to health and safety, improving the group's competitive position and efficiency.

Capital expenditure for 2020 will increase for the Automotive Components Vertical to invest in facilities, tooling and machinery required to support planned customer new model launches.

2020 capital commitments (including Hesto)

(R'000)	Maintenance and general	Efficiency and expansion efficiency	Health, safety and environment	Total
Automotive Components Vertical	42 200	219 486	7 548	269 240
Energy Storage Vertical	110 937	117 819	37 288	266 044
Total commitments	**153 143**	**337 305**	**44 836**	**535 284**

Intangible assets

Intangible assets reported on Metair's balance sheet primarily relate to goodwill, trademarks, licences, brands, customer relationships, capitalised development costs and software. Intangible assets decreased to R605 million in 2019 (2018: R707 million) mainly due to the foreign exchange translation effects of Mutlu Akü.

Goodwill arises on the acquisition of subsidiaries and represents the excess in the consideration paid by the group over the acquiree's fair value of the identifiable net assets. Goodwill and the Mutlu Akü indefinite useful life brand are not subject to amortisation, but are tested annually for impairment.

We have concluded, based on value-in-use calculations, that the recoverable amount of all cash generating units (CGUs), including goodwill, exceeds their carrying amounts (refer to note 8 of the annual financial statements (AFS).

During 2019, the group expensed R12 million in research and capitalised R16 million of development costs. Development costs capitalised relate to various new product and technology development projects at Mutlu Akü/MIB.

Changes in accounting policies

The group applied IFRS 16 from 1 January 2019 and, under the choice of transition methods, chose not to restate comparative information. The reclassification and adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

A detailed explanation of the changes and impact resulting from the new standard can be found in section note 28 to the annual financial statements.

Dividend

A cash dividend of 120 cents per ordinary share (2018: 100 cents per share) has been declared, which represents a three times dividend cover, in line with our dividend policy of between two and four times cover.

S Douwenga
Finance director

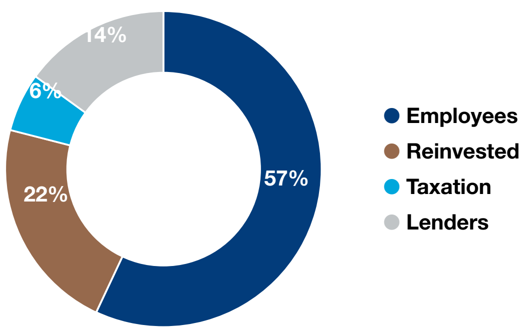
Value added statement

The value added statement below shows how the value created by the company during the year was distributed to stakeholders or reinvested in the business. In 2019, Metair created wealth of R3.4 billion and 57% was distributed to employees in the form of remuneration and benefits, 6% was distributed to government as taxes and 14% to providers of capital. R760 million was retained in the group, of which R465 million was allocated to future expansion.

			GROUP 2019 R'000	GROUP 2018 R'000
WEALTH CREATED				
Revenue			**11 237 995**	
Less: Net cost of products and services			**(7 913 741)**	10 276 966
Value added			**3 324 254**	(7 217 786)
Add: Income from investments			**113 091**	100 715
Wealth created			**3 437 345**	3 159 898
WEALTH DISTRIBUTION	**%**	**%**		
	2019	**2018**		
Employees				
Salaries, wages and other benefits (note 1)	**57.0**	55.0	**1 965 655**	1 806 013
Providers of capital	**14.0**	6.0	**453 113**	368 401
Interest on borrowings	**8.0**	6.0	**259 875**	210 056
Dividends to shareholders	**6.0**	5.0	**193 238**	158 345
Share buyback programme	**1.0**	3.0	**44 984**	200 049
Government taxation (note 3)	**6.0**	6.0	**213 576**	785 435
Retained in the group	**22.0**	25.0	**760 017**	244 500
To provide for the maintenance of capital	**9.0**	7.0	**295 462**	540 935
To provide for expansion (profit - dividends)	**13.0**	18.0	**464 555**	3 159 898
	100	100	**3 437 345**	
1) Salaries, wages and other benefits			**1 965 655**	1 806 013
Wages and salaries			**1 717 065**	1 587 987
Share-based payment expenses			**24 392**	17 151
Termination benefits			**1 882**	1 167
Social security costs			**129 555**	113 928
Pension costs – defined contribution plans			**86 407**	
Defined benefit plans			**2 718**	3 617
Post-employment medical benefits			**3 636**	3 511
2) Value added ratios				
Total number of employees at year-end[1]			**6 166**	6 089
Hourly			**3 699**	3 883
Monthly			**2 467**	2 206
Revenue per employee			**1 823**	1 688
Value added per employee			**539**	502
Wealth created per employee			**557**	519
3) Monetary exchanges with governments				
SA normal Tax/Income tax			**213 576**	200 049
South Africa			**151 828**	148 055
The Netherlands			**356**	658
Romania			**12 938**	16 021
Turkey			**48 454**	35 315

1. Since Hesto is not a subsidiary in terms of IFRS 10, employees are excluded from the total employee numbers reported in the valude-added statements.

Distribution of value added %



Sustainability

Integrated thinking

Transport is a significant contributor to global greenhouse gas emissions. The focus on climate change and reducing carbon emissions has challenged the automotive industry to play a leading role in implementing responsible business practices and in particular reducing emissions from its products.

Metair participates in the global automotive supply chain and is expected to meet the standards set by its OEM customers. As trends such as Green Manufacturing, Industry 4.0 and the move to the circular economy gather pace, the ability to demonstrate ethical and sustainable business practices becomes a competitive advantage.

The principle of sustainability is integrated into Metair's strategy and designed into the way we do business as an important aspect of our commitment to custodianship and ethical business practices. In line with our principle to be the best custodian in everything we do, we are committed to managing our business in an ethical way and ensuring that we strike an appropriate balance between economic, environmental and social considerations.

We take a precautionary approach when considering our environmental and social impacts, and regard sustainable business practices as an indicator of the health, resilience and longevity of the organisation.

Metair's core values and principles anchor us and guide us through challenging times. These define our mission and values, which inform our actions as we manufacture and distribute our products and services. Metair's ethics and social responsibilities remind us to embody our values in our day to day actions.

The health of our business is supported by the four pillars of entrepreneurial strategy, human capital, environmental and social responsibility, and financial capital.

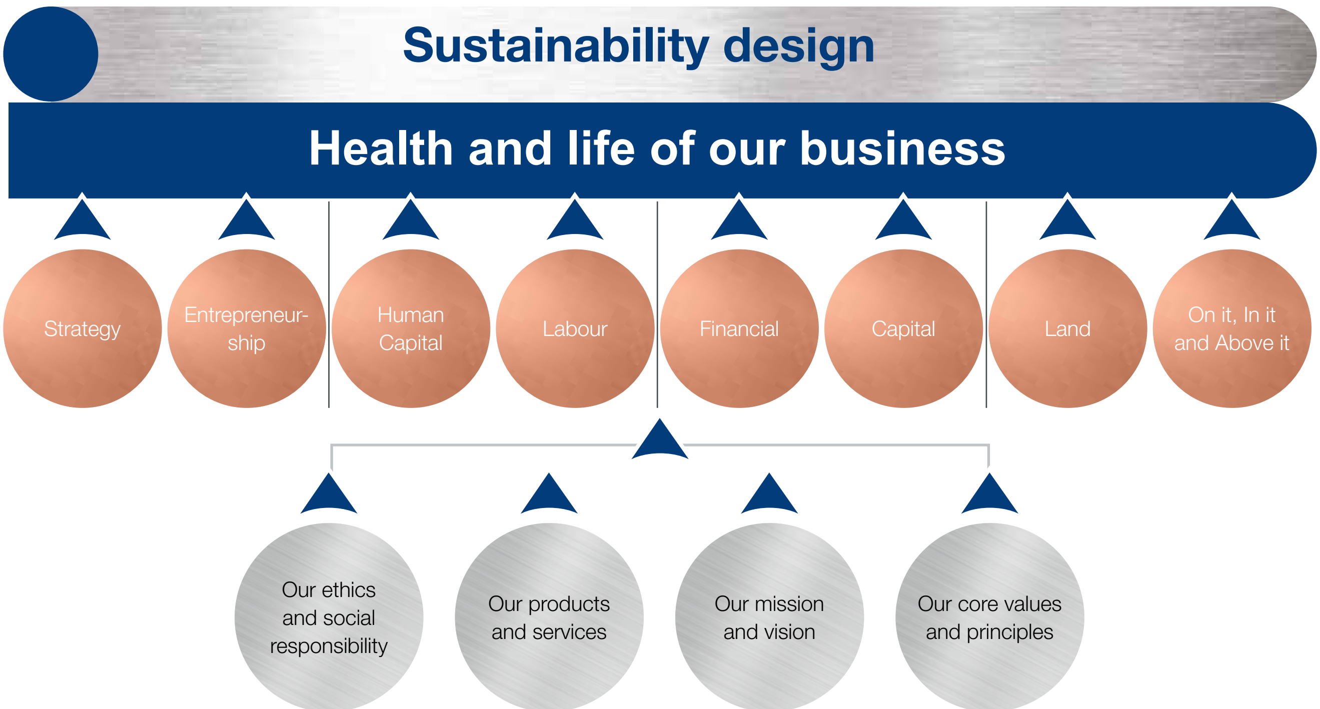
How we manage sustainability

The board delegates the management and monitoring of sustainability in the company to the social and ethics committee, but retains ultimate responsibility for sustainability in the organisation. An enterprise-wide social responsibility and ethics management process is in place across all subsidiaries and divisions, each of which follow this process on a continuous basis. The social and ethics framework defines and guides our approach to integrating sustainability into our strategy and operations and management report on social responsibility and ethics matters to the social and ethics committee at least twice a year.

Social, ethics and environmental risks are incorporated in Metair's risk management processes in recognition that failure to manage sustainability issues over time creates financial risks.

Our approach to sustainability is guided by local and international legislation and frameworks including:
- King IV
- The JSE Listings Requirements
- IIRC Integrated Reporting <IR> Framework
- The UN Global Compact
- The Global Reporting Initiative

Sustainability policies and principles are set at group level and applied at operations. Operations submit reports regarding their sustainability performance every quarter and this information is consolidated and presented to the social and ethics committee. The quarterly reporting includes a social and ethics register that reports compliance and non-compliance to the social and ethics functions, disciplinary action status, corporate social investment initiatives, risks and opportunities, responsible persons and general comments. Progress against targets is monitored on a continuous basis and a social and ethics risk dashboard is in place to improve reporting and performance assessment.



Ethics performance and progress on rolling out ethics initiatives are monitored by the social and ethics committee through self-evaluation questionnaires that are completed by the subsidiaries quarterly. Anti-competitive behaviour training was rolled out at Hesto and it is planned for the other operations.

Internal audit conducted a group whistleblowing review that concluded that the policy and process is adequate, although more emphasis needs to be placed on communicating the confidential nature of the service.

The social and ethics committee sets environmental, social and governance (ESG) targets for operations and performance is assessed each quarter. Underperformance results in the issue of a yellow card to the operation, which is required to submit action plans to address the underperformance. ESG targets are incorporated in subsidiary key performance measures and influence short-term incentives. These targets measure product quality, blood lead level early warning cases (for the energy storage operations) and lost-time injury frequency rate (for the automotive component manufacturers).

ESG penalty clauses for underperformance in health and safety, preferential procurement and transformation are included in the long-term incentive structure for senior executives.

The non-financial sustainability information disclosed in this report has been externally assured, which included site visits to various operations and an assessment of data collection techniques and controls. The report of the independent external assurance provider is available on page 114 of this report. The internal audit scope approved by the social and ethics committee includes audits of the whistleblowing facility and reports, policy and implementation reviews and ethics training. Risk audits are periodically done by Marsh to identify health and safety hazards.

Sustainability assurance site visits

	2014	2015	2016	2017	2018	2019
ATE			X			
First National Batteries	X				X	
Hesto Harnesses	X					**X**
Lumotech		X			X	
Mutlu Akü				X		
Rombat				X		
Smiths Manufacturing		X				**X**
Smiths Plastics/Automould	X					**X**
Supreme Spring		X			X	
Unitrade			X			

Human capital

Human capital at a glance

Key features	2019 performance
• Total employees (including contractors) 9 287 • 52 person days lost to strikes • Absenteeism 3.2% • Normalised staff turnover 9.8% • 351 bursars supported • Improved B-BBEE performance at most subsidiaries	• Zero fatalities ✔ • LTIFR 0.77 ✔ • Training spend R34.8m ✔ • 319 learnerships ✔ • B-BBEE Level 2 ✔

Key: ✔ 2019 target achieved ✗ 2019 target not achieved

Competing in the automotive component and energy storage industries requires high levels of technical skills and the benefit of industry experience. Metair's approach to its human capital aims to attract, develop and retain the required skills to deliver on our strategy and to build relevant skills and experience in the next generation of leaders and technical experts.

Custodianship includes ensuring that procedures are in place to create safe working conditions, providing facilities to help employees manage their health and wellness, and promoting transformation and gender equality. Transformation is entrenched in our human resources (HR) policies and monitored by the employment equity and transformation committees, which report to the board.

The group HR co-ordinator fosters collaboration regarding ideas, policy and governance across operations, reducing risks related to industrial relations and supporting HR best practices across the subsidiaries to improve stability in the workforce. An annual HR conference disseminates learnings, further professionalises the HR function across group companies and encourages standardisation of HR policies and procedures wherever possible.

A talent management strategy is in place to support organisational transformation, future leadership and increased technology use while achieving gender and demographic transformation. Transformation targets are set for all subsidiaries. The talent management strategy defines leadership competencies to inform individual development plans that create career paths and succession for our future leaders and professionals. A standardised performance management model was rolled out to subsidiaries to improve performance

Employee engagement and subsidiaries' status as employers of choice are measured through internal audit dashboards and external employee satisfaction surveys.

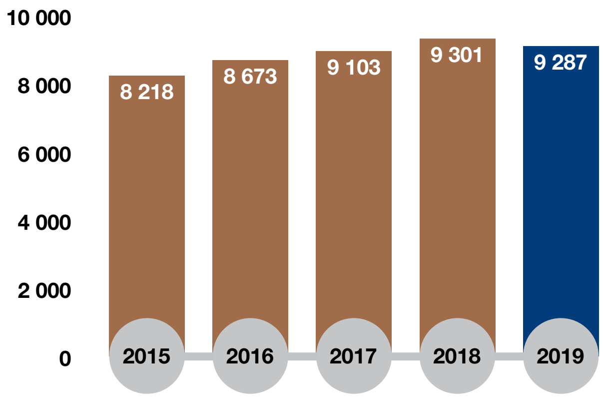
Workforce profile

Total staff complement (including contractors) decreased to 9 287 in 2019. South Africa comprised 78% of the workforce at year-end, Turkey 13% and Romania 9%. Independent contractors comprised 11.6% of the total staff complement in 2019 (2018: 11.5%). Employment numbers vary during the course of the year linked to model changes, seasonal volume adjustments and strikes.

> *Note that the total employee numbers reported in this section include Hesto employees as Metair is responsible for the day-to-day management of this associate.*

Hesto employs 25% of the group workforce, FNB 18%, Lumotech 12%, Mutlu Akü 13%, Smiths Manufacturing 9% and Rombat 9%. Historically Disadvantaged South Africans (HDSA) comprise 92% of the South African workforce (2018: 91%) and women comprise 34% of the total group workforce (2018: 32%).

Staff complement (including Hesto)



Labour relations

Metair respects the rights of employees to freedom of association and views trade unions as important stakeholders in the group. We approach engagements with unions with the aim of maintaining constructive relationships that appropriately balance the needs and interests of all parties. Recognition agreements are in place and take place at national, provincial and company level. Most South African operations fall under Chapter III of the motor industry bargaining council, but First National Battery is covered at plant level. At year-end, 62% of employees across the group belonged to a union (2018: 70%).

Wage negotiations with unions in Turkey took place twice during 2019, and in South Africa the three-year wage negotiations started in April 2019 and concluded at the end of January 2020.

Metair lost 52 person days in 2019 (2018: 36 502) to industrial action at First National Battery.

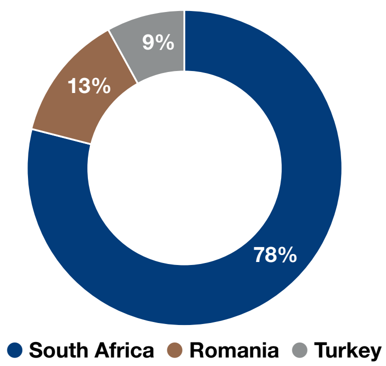
There were 52 retrenchments in the group during 2019 (2018: 76), 30 of which occurred at Hesto.

Attraction, retention and development

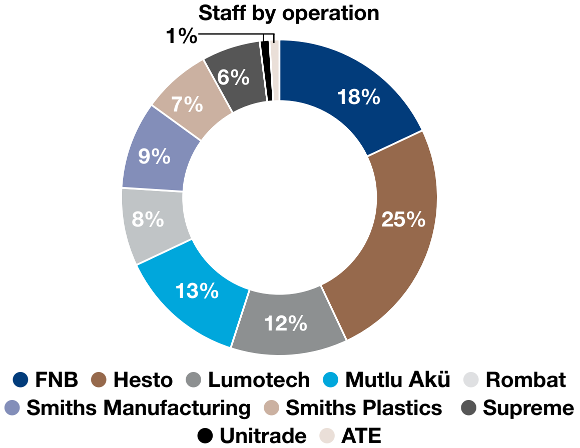
Our goal is to be the employer of choice in our industry by offering a compelling employee value proposition that includes competitive remuneration, quality training programmes, practical learning opportunities and the potential for career opportunities and broader experience across the group and in our international operations.

Metair's succession planning, talent identification and talent development programmes aim to identify and develop the next generation of leaders and technical experts.

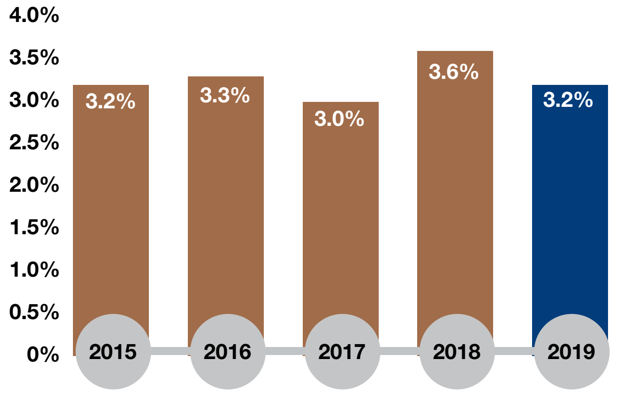
Staff by region



Staff by operation



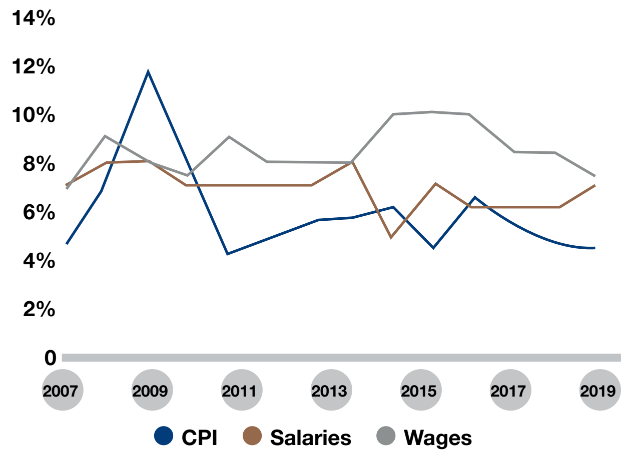
Absenteeism



Permanent staff turnover increased to 9.8% in 2019 (2018: 8.9%) and absenteeism decreased to 3.2%, marginally above our target of 3.0% (2018: 3.6%).

Metair regularly benchmarks remuneration levels as part of our commitment to fair and competitive remuneration. This process is discussed in more detail on page 101. The lowest earning employees in the Metair Group earn considerably more than the national minimum wage for workers and the company has consistently increased hourly wages faster than salaried pay to help to reduce the pay gap between salaried employees and wage earners.

Actual increase %



Skills development

Training programmes are in place at each operation to develop industry relevant skills in their particular areas of focus. Development opportunities include mandatory skills training, technical training, personal and professional development, product knowledge training, on the job training and study assistance.

Hesto has a training school that during the year was successfully reaccredited with the Manufacturing, Engineering and Related Services SETA (MERSETA) to 2024. Hesto partners with the Durban Automotive Cluster to send selected candidates for a management development programme in line with its succession planning and talent management initiatives.

The group invests in building a skills pipeline for future employment through various practical learning programmes for qualifying candidates. These include learnerships, apprenticeships, candidate

Human capital (continued)

technician internships, candidate engineers' programmes and graduate-in-training programmes. Hesto's training school offers an accelerated artisan training programme in collaboration with the Department of Labour and MERSETA. Various operations also run adult education and training (AET) courses and provide financial assistance for permanent employees to further their studies at a recognised college or university. First National Battery, Hesto and Smiths Manufacturing provided leadership opportunities to deaf and/or disabled candidates, and Automould and Supreme Springs participated in the YES Initiative to provide opportunities for unemployed youth.

192 learners participated in non-artisan learnerships in the group in 2019 (2018: 270), 41% of whom are women. 59 new recruits participated in Metair's artisan apprenticeship programmes, including six women. Metair supported 351 promising students with bursaries to study in the engineering, finance and technical fields (2018: 266) at a cost of R4.7 million.

In total, the group invested R18.9 million in skills development programmes for employees in 2019 (2018: R23.0 million) which represents 2.9% of net profit after tax (2018: 1.6%). R34.8 million in total was invested into training. Training spend per permanent employee increased to R4 550 (2018: R3 792), across 26 807 training interventions. 32% of training spend in South Africa was directed to HDSA candidates in 2019.

Health and safety

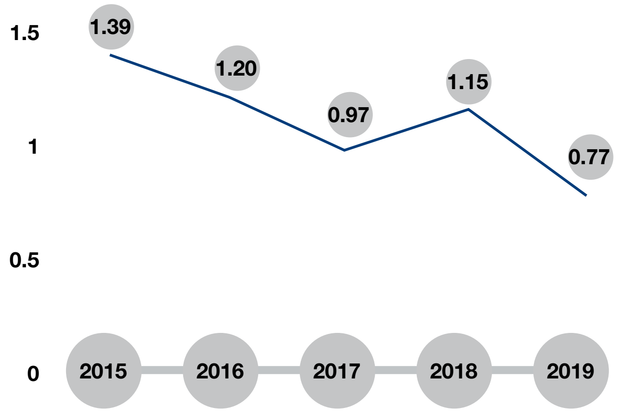
The safety, health and wellness of our workforce is a top priority for the group, in line with the principal of custodianship. Our operations run manufacturing facilities using machinery that can be dangerous if safety policies and practices are not in place, and adhered to. Some facilities work with potentially hazardous materials and the most common workplace injuries in the group operations include cuts, bruises, back and muscle strains and burns.

The Metair group safety, health and environmental (SHE) policy sets guiding principles that are implemented at the subsidiaries through detailed policies that align their specific situation with the group policy. Metair's health and safety policies align with the relevant legal frameworks, including the Occupational Health and Safety Act (OHSA), No. 85 of 1993. Eleven of our operations are accredited in terms of OHSAS 18001 or ISO 45001, the international health and safety standards.

A health and safety conference was held during the year at which a health and safety template based on the ISO 45001 framework was designed to assist subsidiaries with compliance, continuous improvement and best practices.

The social and ethics committee sets benchmark lost-time injury frequency rates (LTIFR) for each subsidiary to drive improvements in safety performance. Lost-time injuries are workplace injuries that prevent an employee from returning to work the next day. Our target is zero fatalities and disabling injuries, and an LTIFR of less than one incident per 200 000 person hours worked. Safety statistics include employees and contractors in line with the relevant legislation.

LTIFR per 200 000 person hours



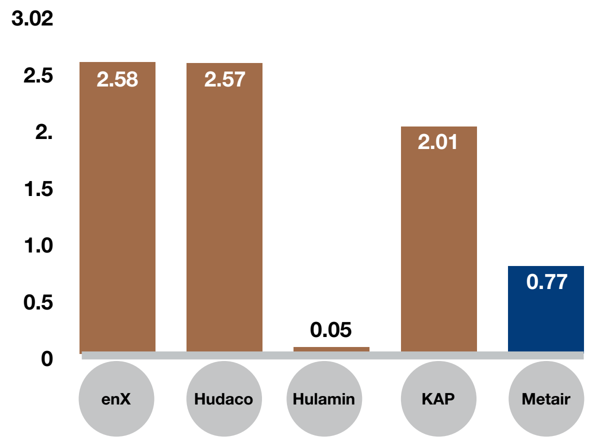
During 2019, a number of new safety initiatives were implemented in response to the increase in lost-time injuries in 2018. Site layouts were used to locate the areas where injuries most commonly happen and the necessary steps were taken to address the issues identified. Employee awareness action plans were rolled out and there was an increased focus on the separation of man and machine, and near miss reporting. Measures were also put in place to reduce congestion of vehicles on site.

There were no fatalities at group operations in 2019 and lost time injuries reduced to 73 (2018: 107). The LTIFR improved to 0.77, below our benchmark of 1.0 due to improved safety performances at Mutlu Akü and First National Battery.

Hesto, our largest operation by number of employees, achieved zero lost-time injuries for the third consecutive year.

The graph below benchmarks Metair's LTIFR against the latest reported LTIFRs of several manufacturing peers listed on the JSE.

Latest reported peer LTIFR



Wellness days are held periodically at operations to support employee health and wellness. Supreme Springs followed up last year's prostate cancer awareness drive with a wellness day with the Ekurhuleni Health Department that included voluntary testing for prostate cancer, HIV VCT, blood pressure screening, TB screening and pap smears.

HIV/Aids

HIV/Aids awareness campaigns are conducted at our South African operation and include competitions, promotions, banners, speeches on wellness days and World Aids Awareness Day activities. Voluntary counselling and testing (VCT) for HIV/Aids is available to employees at Metair's major South African operations through company clinics. 670 employees and contractors received counselling for HIV/Aids in 2019 (2018: 540) and 1 119 were tested (2018: 882). Estimated HIV/Aids prevalence rates at our South African operations remain around 4%.

Nutritional supplementation and vitamins are provided for HIV positive employees at several of our operations. Where employees require antiretrovirals, they are referred to government clinics. Employees who participate in the group's medical aid programmes have access to Aids management programmes.

Hazardous substances

Where potentially dangerous substances are used in our facilities, standard health and safety procedures are applied around each such substance. These procedures comply with local country regulations and meet the standards governing our OE customers in other jurisdictions.

Lead is a key component of the lead acid batteries manufactured at our First National Battery, Mutlu Akü, Rombat, ABM and MOLL facilities. Long-term exposure to lead can result in lead poisoning and occupational health programmes at our operations that use lead include regular monitoring of blood lead to prevent lead poisoning.

Baseline blood lead levels are tested when employees join one of the companies that use lead and regular retesting measures levels against our benchmark levels. If blood lead rises above the limits set, employees receive counselling and are removed from risk areas until their blood lead levels return below the limit.

Blood lead level limits per 100ml	South Africa	Romania	Turkey	Germany
Metair limit for working in lead areas	35 µg	35 µg	35 µg	35 µg
Metair "early warning" limit	40 µg	40 µg	40 µg	40 µg
Regulatory limit (male)	60 µg	40 µg	40 µg	40 µg

Maximum exposure limits to lead are set in the relevant occupational health and safety regulations in the country of operation. In South Africa, male employees with blood lead levels above 60 µg per 100ml, female employees above 40 µg/100ml and pregnant women must be removed from areas where they may be exposed to lead. Incidents where an employee tests above 60 µg/100ml twice must be reported to the Department of Labour. Limits in Romania, Turkey and Germany are set at 40 µg/100ml for men and 30 µg/100ml for women.

No women are employed in lead areas in any of our operations and we remove employees from lead areas if they reach a blood lead level of 35 µg/100ml.

Employees with blood lead levels >40µg	2019	2018
As at 1 January	13	30
New cases	71	88
Cases returned below 40 µg	(74)	(115)
As at 31 December	10	13

Our operations monitor 40 µg/100ml as an "early warning" indicator and Metair's social and ethics committee set a target of registering no new cases above this limit for 2019. Various initiatives are in place to improve performance including improved extraction to reduce airborne lead dust, increased training and use of personal protective equipment.

At the start of 2019, there were 13 existing cases of employees with blood lead levels of above 40 µg/100ml and 71 new cases were identified during the year. 74 of these cases were returned to below 40 µg/100ml and there were 10 employees with blood lead levels of 40 µg/100ml or above at year-end.

Human rights

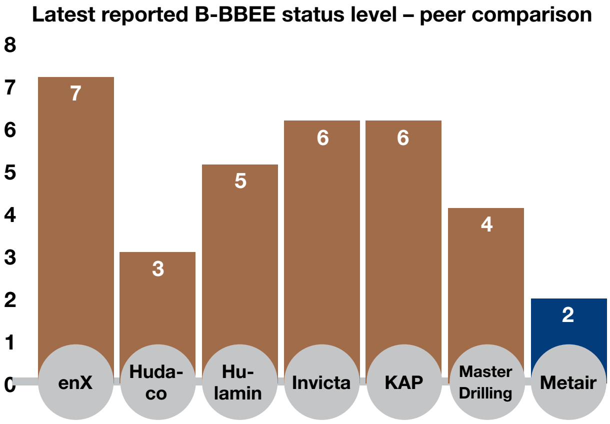
Metair respects the rights of our employees and those of our suppliers to freedom of association. We support the elimination of child labour, forced and compulsory labour and select our suppliers carefully to ensure that they share these ideals. We subscribe to the 10 principles of the United Nations Global Compact, which include provisions relating to human rights, the rights of labour and a commitment to working against corruption.

Metair takes incidents of unfair discrimination in the company extremely seriously and cases are subject to the normal disciplinary procedures, which include dismissal. These principles are applied at all operations, including our international operations, to ensure that the rights of employees are protected regardless of where they work.

Diversity and transformation

Metair is committed to the principles of transformation and recognises the benefits of diversity. In South Africa, transformation is a potential competitive advantage when bidding for new business and ensures relevance with suppliers, government and communities. The revised APDP will require Level 4 B-BBEE status from 2021 in order to realise the full benefit of government support. The main diversity focus at our offshore operations is on improving gender representation.

The group transformation policy and equal opportunity policy defines Metair's approach to transformation and implementation is monitored and managed by the remuneration committee. Progress is measured using the Department of Trade and Industry B-BBEE Codes of Good Practice (dti CoGP). Executive variable remuneration includes a weighting for progress on achieving the group's B-BBEE targets.



In 2019, the Metair group was externally assessed at a Level 2 B-BBEE status on a consolidated basis. All South African operations are at or above Level 4, with one operation at Level 3, Smiths Manufacturing and Lumotech at Level 2 while Supreme Spring and Hesto are at Level 1.

Metair's B-BBEE performance compares favourably with that of manufacturing industry peers. Metair's externally verified B-BBEE certificate is available on the company website at https://www.metair.co.za

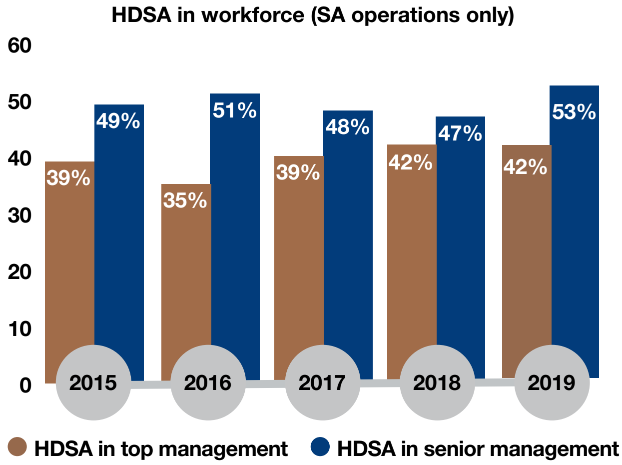
Element	Target	Score 2019	Score 2018	Score 2017	Score 2016	Sub-minima achieved
Ownership	25.00	23.00	23.00	22.23	22.23	✔
Management control	19.00	11.53	11.29	8.47	8.48	✔
Skills development	25.00	16.25	20.79	17.53	19.42	✔
Enterprise and supplier development	44.00	40.50	34.59	35.75	30.55	✔
Socio-economic development	5.00	5.00	5.00	5.00	5.00	✔
Overall score	118.00	96.28	94.67	89.98	85.68	
BEE Contributor Level		2	3	4		

Ownership

Metair's original empowerment shareholder, Royal Bafokeng Holdings (RBH), sold out of the company in 2015. The current ownership score reflects their holding through the sale/loss of share principle. We continue to assess suitable long-term empowerment partners.

Management control

The remuneration committee of the board is responsible for monitoring and measuring transformation in the workforce of South African operations, which is driven through a group transformation masterplan. Five-year employment equity plans are in place and annual employment equity reports are submitted in accordance with the Employment Equity Act.



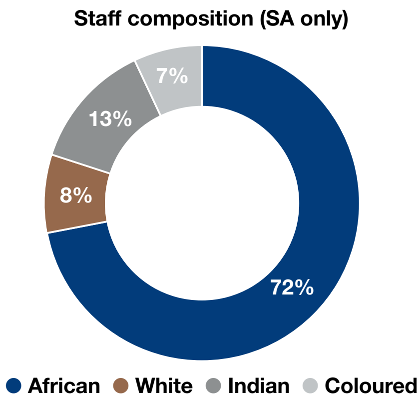
Transformation at management level is a key part of our talent management and succession planning programmes, which aim to identify and develop promising candidates in the subsidiary companies. Accelerated skills development programmes, learnerships and targeted internal and external training programmes support the development of future transformation candidates.

The subsidiaries have been asked to identify at least two EE candidates to shadow executives on the board. The candidates will be mentored and trained to ultimately assume an executive role on the board. Elevating these candidates creates space for other employees to be promoted to management level in the subsidiaries and provides succession possibilities for executives.

At the end of 2019, historically disadvantaged South Africans (HDSAs) comprised 92% of the total permanent workforce (excluding Mutlu Akü, Rombat and Dynamic). HDSAs in top management remained at 42% in 2019 (2018: 42%) and HDSAs in senior management increased to 53% (2018: 47%).

Skills development

32% of Metair's investment in training was directed to HDSA candidates in 2019. Our skills development initiatives and metrics are discussed on the next page.



Socio-economic development

Metair invested R18.9 million in socio-economic development/ corporate social investment projects in 2019 (2018: R11.2 million). Corporate social investment is discussed on page 68.

Enterprise and supplier development

The enterprise and supplier development initiatives at Metair's South African operations support the development of black-owned businesses through specific projects focused on developing raw material suppliers, suppliers of consumables, services and consultancy services. Performance incentives for senior executives include preferential procurement targets.

A group procurement policy is in place to guide subsidiaries and a procurement conference was held during the year. A procurement forum is being established to meet every six months to share learnings and best practices across the group.

Total group preferential procurement spend in the South African operations was R1 693 million in 2019 (2018: R1 213 million), which represents 60.8% of total discretionary procurement spend.

Enterprise and supplier development initiatives supported during 2019 include:

- **First National Battery** provides discounts to support three black-owned Battery Centres.
- **Unitrade** supported Ithembe Civils with a refurbished compressor to improve the processes in their steel fabrication and building renovation activities in 2019.
- **Supreme Spring** supports a number of local enterprise and supplier development initiatives by supplying on-site facilities and utilities, consumables and personal protective equipment, technical support and early payment terms. These include Sigwili Projects, which repairs wooden pallets and liners, and manufactures work and rest benches for the change rooms and factory, as well as Chemev Coatings and Mekluc Freight, a Black women-owned freight forwarding company.
- **Unitrade** supports Manotho Projects, a small steel fabricator, with tooling and steel material so that the company can tender for projects with local government. Unitrade is currently assisting the company to secure business premises to support their future growth.
- **Supreme Spring** is working with Toyota to mentor Naickers Engineering and improve their facilities in line with ISO standards. Naickers manufactures steel clips for Supreme's leaf spring factory.
- **Supreme Spring** is partnering with Aveng Trident Steel to empower and mentor a local Black women-owned steel merchant, Duvha Liswa Steel, as a steel converter.
- **Metair group** supports the initiatives driven by the National Association of Automotive Component and Allied Manufacturers (NAACAM), the representative body of the component industry. Metair is engaging with NAACAM on ways to develop a new black supplier base outside of the activities already in progress at the various Metair subsidiary companies.

2019 Human capital targets	Progress in 2019
Zero fatalities and reduce LTIFR to 1 or below across all companies.	Zero fatalities and group LTIFR decreased to 0.77. LTIFR is above 1 at ATE, FNB, Lumotech and Mutlu Akü
Group absenteeism to average below 3.0% (excluding contractors) across all companies.	Three operations had an absenteeism rate above 3% and group absenteeism improved to 3.2%
Maintain group training spend at a minimum of R20 million.	Group training spend of R34.8 million
At least 300 learnerships across the group.	319 learners
Maintain and improve our Level 4 B-BBEE target going forward on the new codes.	All companies are at Level 4 or below. Two companies at level 1
Target zero new cases of blood lead levels above 40µg per 100ml (early warning cases).	71 new early warning cases and 15 new cases above 50µg

2020 Human capital targets
Zero fatalities and reduce LTIFR to 1 or below across all companies.
Group absenteeism to average below 3.0% (excluding contractors) across all companies.
Maintain group training spend at a minimum of R40 million.
At least 250 learnerships across the group.
Maintain and improve our Level 4 B-BBEE target going forward on the new codes.
Target zero new cases of blood lead levels above 40µg per 100ml (early warning cases).

The natural environment

Environment at a glance

Key features	2019 performance
• Carbon footprint 641 441 tCO_2e (+7.9%) • Electricity consumption 217 122 MWh (+2.3%) • Water consumption 624 332m^3 (-4.1%) • 64% of non-hazardous waste recycled • ± 67 300 tonnes of lead recycled	• ISO 50001 accreditation in process ✗ • 5.7% improvement in water consumption per PHW ✔ • 0.6% increase in energy consumption per PHW ✗ • 8 operations achieved 1% improvement in scrap ✗ • Energy storage businesses improve yield by 2% ✔ • Scope 1 and 2 carbon emissions per PHW increased to 11.7 kgs CO_2e ✗

PHW – Person hour worked
Key: ✔ *2018 target achieved* ✗ *2018 target not achieved*

Metair's commitment to custodianship requires that we take a responsible approach to managing our impact on the natural environment. The group embraces manufacturing excellence that includes a focus on optimising the efficient use of scarce natural resources, minimising waste and maximising recycling. Lead recycling is particularly important to manage costs and supply, and to ensure that lead is managed responsibly through the battery lifecycle.

Environmental issues are managed at subsidiaries by the safety, health and environment (SHE) departments in line with the group SHE policy. All subsidiaries are accredited under ISO 14001 (environmental management) and are in the process of implementing ISO 50001 (energy management).

Metair's most significant impacts on natural capital and the environment are:

- carbon emissions;
- energy consumption;
- water consumption; and
- waste produced in our manufacturing activities and recycling facilities.

Climate change

The board, supported by the social and ethics committee oversees the group's impact on the environment. The committee is responsible for monitoring our impact on the environment, minimising pollution, optimising waste disposal and protecting biodiversity. Metair actively manages climate change to ensure that the group collectively mitigates its contribution to greenhouse gas (GHG) emissions and adapts adequately to the changing climate and environmental conditions. Over and above being an emitter of GHGs, the group is also vulnerable to the consequences of climate change.

Metair is cognisant of the United Nations Framework Convention on Climate Change (UNFCCC) Paris Agreement which focuses on mitigation of GHG emissions and climate change adaptation. The agreement came into effect in 2020 and aims to ensure that the increase in global average temperature remains below 2°C above pre-industrial levels. Research states that this level of mitigation will reduce the risks and impacts of climate change significantly.

Metair and our customers adhere to the highest level of compliance and declarations related to environmental issues. In response, we are collectively committed to green manufacturing efforts which are pivotal to the circular economy. This entails initiatives such as waste reduction by avoiding landfill, reusing materials and recycling to name a few.

The International Material Data System (IMDS) is a global standard used by most global OEMs to meet the obligations placed on auto manufacturers by end of life legislation as well as national and international environmental standards. It serves as a universal repository of the materials used in vehicles. It contains a list of every component which has been used in the production of the vehicles manufactured by every participating international vehicle manufacturer. Each database record includes the weight, size and material composition of every single component.

As a component manufacturer that supplies participating vehicle manufactures, Metair aims to ensure that all components manufactured across the group have a positive life-cycle and an end-of-life impact on the environment. This can be achieved by controlling and eliminating the use of Substances of Concern (SoC). As such, we are committed to monitoring the chemical composition of our products and to begin submitting full material declarations (in line with the IMDS) for all the components we manufacture in 2020.

In 2019, the group conducted an internal survey across all subsidiaries to establish the impact which significant environmental/climatic events have had on our operations. The survey also sought to develop insight on how our subsidiaries' business models/operations will be influenced by climate change in the future. The survey explored the different initiatives and transformation efforts which our autonomous subsidiaries have introduced and implemented to address climate change. The survey further aimed to investigate the trends around climate change which are being driven by the market and through our stakeholders. Lastly, Metair received feedback from subsidiaries on how to enhance the group's approach and response to climate change.

In line with our governance philosophy to report transparently, Metair has disclosed according to the Task Force for Climate-Related Financial Disclosure (TCFD) principles and guidelines. A summary of our TCFD disclosure is included on our website www.metair.co.za.

Carbon tax

South Africa's Carbon Tax Act was passed in Parliament in February 2019 and came into effect from June 2019. The Act includes a R120 per tonne carbon tax for primary GHG emitters, a carbon tax on liquid fuels, economic incentives for energy efficiency, and the use of carbon offsets as a means of reducing tax burden. It will be implemented in a phased approach, with the first phase extending from June 2019 to December 2021, escalating at 2% above the consumer price index annually.

The market impact is anticipated to be mostly muted for Phase One, owing to carbon allowances and offsets, which will result in an effective tax rate of between R6 and R48 per tonne. Phase Two, from 2022 onwards, envisages a higher tax to begin aligning with global rates. Depending on the revised rates, the impacts in Phase Two could materially impact high-intensity carbon emitters.

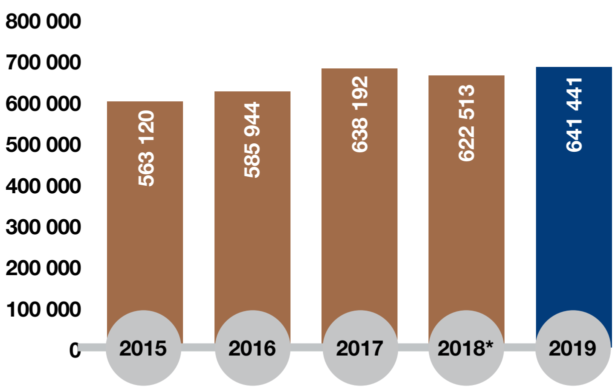
Government's announcement of a market-based carbon pricing mechanism is an important step towards shifting the economy to a low-carbon growth path by initially targeting the most carbon- and energy-intensive companies.

Metair's production facilities are below the threshold emission levels in the legislation, however raw material suppliers may be affected and could pass through the carbon tax to customers, and ultimately the consumer. Based on our assessment of the legislation, we do not anticipate these pass-through cost increases to be material for the group.

Carbon footprint

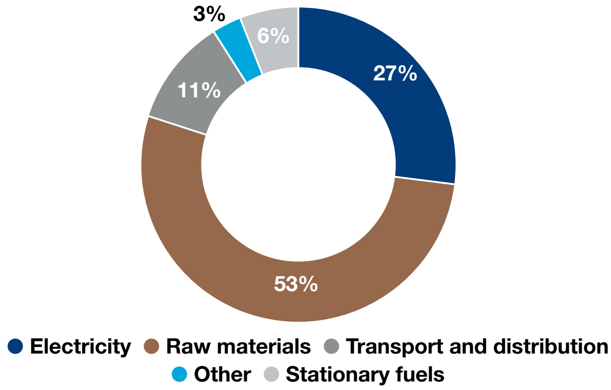
Metair's carbon footprint is calculated using the GHG Accounting Protocol (World Resources Institute, World Business Council For Sustainable Development) as a guideline, and includes CO_2, CH_4 and N_2O. Refrigerant gases included hydrofluorocarbons (HFCs) and hydrochlorofluorocarbons (HCFCs R22).

Total carbon emissions (tCO_2e)



** restated*

2019 Carbon footprint by source



In prior years, Scope 1 carbon footprint was calculated using the relevant DEFRA emission factors. For the 2019 carbon footprint calculation, Scope 1 emissions were calculated using emission factors from the Intergovernmental Panel on Climate Change (IPCC) and, for South African companies, the Department of Environment, Forestry and Fisheries Technical Guidelines for Monitoring, Reporting and Verification of GHG Emissions by Industry. This change aligns the calculation with South African legislation. The bases for Scope 2 and 3 emissions remain the same as in prior years (see footnote to the table). Metair's 2018 carbon footprint has been restated to align with the revised approach.

Metair's total carbon footprint increased 8.0% to 641 441 tCO_2e in 2019 (2018: 622 513 tCO_2e restated). Emissions embedded in raw materials accounted for 53% of the group's total carbon footprint and electricity for 27%.

	2019[1]	2018*	2017[2]	2016
Scope 1 (direct emissions)	47 032	44 800	44 603	43 468
Scope 2 (indirect emissions from electricity)	173 311	153 767	138 134	141 376
Scope 3	421 099	423 946	455 455	398 100
Total	641 441	622 513	638 192	585 944

** restated*

[1] The 2019 and 2018 Scope 1 carbon footprint were calculated using emission factors from the Intergovernmental Panel on Climate Change (IPCC). Scope 2 emissions for 2019 used the grid emission factor of 1.06 tCO_2e per MWh (Eskom 2019). Scope 3 Emissions were calculated using the relevant DEFRA emission factors.

[2] The 2017 and 2016 Scope 1 carbon footprints were calculated using the relevant DEFRA emissions factors.

The battery manufacturing process uses carbon dense materials and significant amounts of energy. The three operations in the Energy Storage Vertical – First National Battery, Rombat and Mutlu Akü – together contribute 68% to the group's total carbon footprint.

91% of the group's carbon footprint is attributable to the consumption of raw materials, stationary fuels and electricity. Our focus on manufacturing efficiencies, including reducing energy consumption and the use of raw materials, remains the most effective means for reducing our carbon footprint.

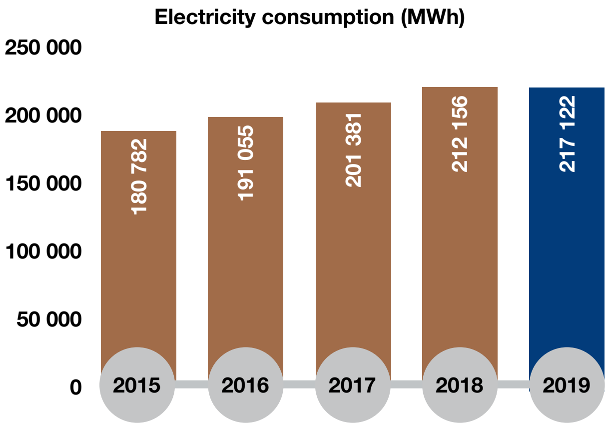
The natural environment (continued)

Scope 1 and 2 emissions per person hour worked increased 9.1% to 11.7 $kgCO_2e$ in 2019 (2018: 10.7 $kgCO_2e$ restated).

Metair does not participate in the CDP project, but we follow its guidance.

Energy consumption

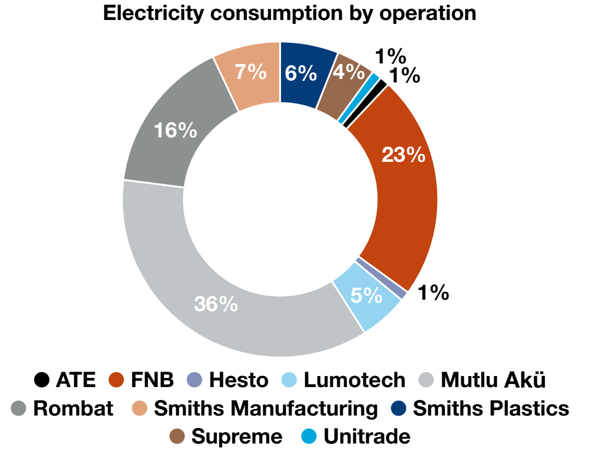
Energy consumed in our operations consists primarily of electricity, as well as fuels, such as petrol, diesel and gases. Electricity use is monitored as a key input in both our manufacturing processes and our costings. All operations have either implemented or are in the process of implementing the ISO 50001 energy management system. We targeted to have implementation and certification completed across all operations during this year, however at the end of 2019, ATE, Rombat, Unitrade, Lumotech and Automould were still in the process of implementing ISO 50001.



Ongoing initiatives to improve energy efficiency include:

- Training and awareness of staff.
- Implementation of ISO 50001 energy management systems.
- Installing more efficient variable speed drives.
- Energy efficient lighting, increased natural lighting, daylight sensors and proximity sensors.
- Replacing cooling fans, dryers and pumps with more energy efficient alternatives.
- Resizing electrical motors and installing power factor correction units.
- Installing effective metering and supporting software.
- Down-gauging of air-conditioning systems.
- Using active voltage regulators for more consistent power with limited surges.
- New machinery replacing old machines in the maintenance cycle is generally more energy efficient.
- Switching off lights and machines when not in use.
- Upgrading of motors from DC to AC.
- Leak testing on compressed airlines to detect and repair leaks.
- Insulating injection moulding machines, cooling tanks, pipes and pumps.

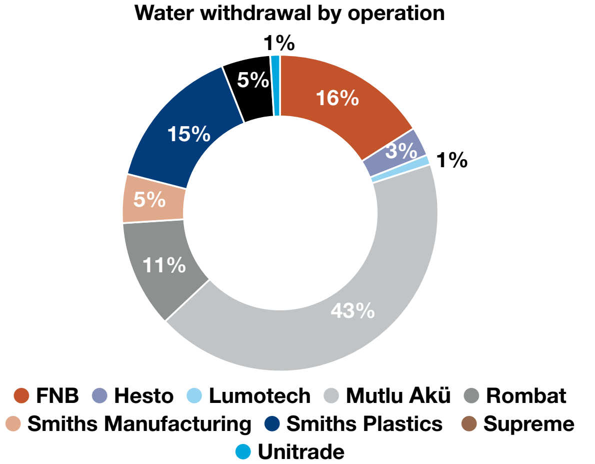
Total electricity consumed by the group increased 2.3% to 217 122 MWh or 781 637 Gigajoules (2018: 212 156 MWh or 763 763 GJ). Electricity consumption per person hour worked increased 0.6% to 11.49 kWh (2018: 11.42 kWh). Mutlu Akü is the largest consumer of electricity in the group, accounting for 36% of total consumption, followed by First National Battery (23%) and Rombat (16%). The three battery manufacturing operations together consumed 76% of total group electricity. Note that since batteries are charged before they leave the factory, around 40% of the electricity purchased by these operations is being sold in the battery, rather than used. The battery operations are therefore reporting electricity purchased, rather than electricity consumed.

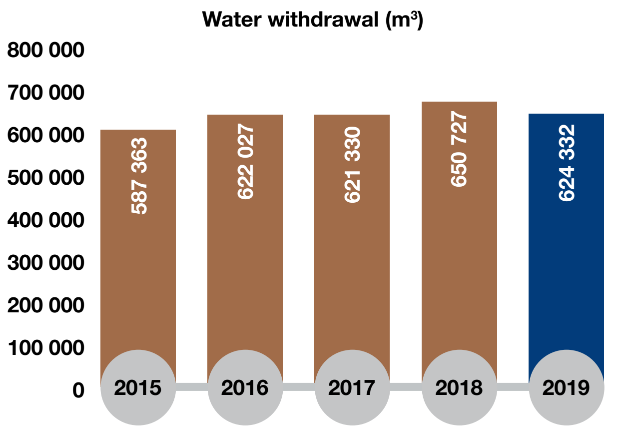


Note that electricity consumption reported in this section is based on 12-month consumption data, while electricity consumption in the carbon footprint calculation may include estimates for some months and therefore may not tie back to the figures disclosed above.

Water consumption

Water is a scarce and precious resource, particularly in South Africa, and our focus on manufacturing efficiencies includes an emphasis on improving water use efficiency. Process water is recycled where possible and fresh water is withdrawn from municipal sources and boreholes. Use of municipally supplied water is measured from municipal meter readings, corroborated by readings from internal meters where these have been installed. Borehole water is measured through internal meter readings.





Various ongoing water saving initiatives in place at operations include:

- Training and awareness initiatives.
- Rainwater harvesting at First National Battery, Smiths Manufacturing, Automould, ABM and Lumotech.
- Smiths Manufacturing uses a reverse osmosis water purification plant to recycle and recover 90% of the water used in the wet fluxing and evaporation coating processes.
- Supreme Springs installed a reverse osmosis plant to use borehole water for production instead of municipal water.
- Lumotech collects and reuses water from their cooling tower during monthly services.
- Leak identification and repair.

The battery formation process requires large quantities of water and the battery manufacturing operations account for 70% of total group withdrawal. Total water withdrawal decreased 4.1% to 624 332 m^3 (2018: 650 727 m^3). Group water consumption per person hour worked reduced 5.7% to 33.1 litres (2018: 35.0 litres).

Metair does not currently participate in the CDP water programme, but does follow its guidance.

Waste management

Minimising waste from production processes is a focus of our efficiency initiatives and scrap reduction targets are set at each subsidiary for primary and secondary materials.

We prioritise reuse or recycling wherever possible and waste separation programmes are in place at most operations. Ongoing training and awareness initiatives emphasise the importance of proper waste segregation at source.

Waste that cannot be reused or recycled is disposed of in a responsible manner and in compliance with the relevant legislation. Hazardous waste is disposed of using registered disposal companies.

At our battery manufacturing operations, the yield on lead recycling and plastic recycling percentage are tracked as measurement criteria for waste management.

64% of total non-hazardous waste (11 032 tonnes) was recycled in 2019, compared to 59% in 2018 (8 995 tonnes). Recycled waste was mainly in the form of externally recycled plastic and metal, wooden pallets, cardboard and internal recycling of plastics. We also recycled 27 847 litres of used oil during the year. Total non-hazardous waste sent to landfill decreased 0.8% to 6 203 tonnes and hazardous waste disposed increased 8.5% to 22 087 tonnes.

First National Battery uses a pallet crusher to recycle pallets in house into combustible material for the furnace and switched to reusable plastic crates, reducing cardboard waste and realising savings in packaging. Other operations are engaging with suppliers and customers to reduce the amount of packaging received and shipped with our products.

Lumotech has an initiative in place to granulate regrind material from scrap components for reuse in production as well as for sale to local and international buyers. The income generated through these sales covers the cost of the initiative and other waste management projects.

Batteries and recycling

Lead and other potentially harmful substances are used in lead-acid batteries and these products must be responsibly managed throughout their lifecycle. EU directive 2000/53/EC classifies lead as a banned substance and manufacturers are required to limit these substances in new vehicles. We are currently redesigning our range of batteries to reduce the amount of lead used while retaining performance, which will also lead to substantial savings.

Lead-acid batteries are nearly 100% recyclable and customers are incentivised to return old batteries when buying new ones. Our battery manufacturing operations have recycling plants to extract lead from battery plates and terminals, which is refined and blended to produce high-quality lead alloys for new batteries. Battery acid is neutralised and processed through an effluent plant and the plastic from the battery casings is recycled into new battery casings.

Recycled lead is cheaper to access than virgin lead and also saves energy and reduces emissions as recycling uses around a third of the energy needed to produce lead from ore. The yield on lead recycling has a material impact on profitability at these operations given the high price of virgin lead.

During 2019 the group recycled around 67 300 tonnes of lead (2018: 64 400).

Environmental compliance and impact

Compliance with safety, health and environmental (SHE) laws is one of the pillars of Metair's Code of Ethics and is integrated into our operating practices. We wholly support and aim to comply with or exceed the requirements of current environmental legislation and codes of practice. Environmental policies and processes in place at our operations support compliance to local environmental requirements.

The strict environmental laws in Europe and Japan that apply to our OEM customers apply equally to the components used to make their vehicles. We therefore have to ensure that we clearly understand and closely monitor the material makeup and environmental impact of our products and their constituents. Industry initiatives such as the Global Automotive Stakeholder Group focus attention on the environmental impacts of substances in automotive products.

End of vehicle life regulations, such as the end-of-life vehicles directive in the EU and similar legislation in Japan, the US and other countries, aim to reduce waste arising from end-of-life vehicles. Metair's ability to reclaim products or packaging from end users is limited because our OE products end up as components in vehicles that may be manufactured in, or exported to, other countries.

The natural environment (continued)

Environmental protection expenditure totalled R4.2 million in 2019 (2018: R6.6 million).

	2019	2018	2017	2016	2015
Waste disposal, emissions treatment and remediation costs	R2.6m	R5.6m	R4.4m	R1.4m	R5.9m
Prevention and environment management costs	R1.6m	R1.0m	R2.2m	R3.0m	R0.4m

Progress on 2019 environmental targets:

2019 environmental targets	Progress in 2019
All companies to target achievement of ISO 50001 accreditation by the end of 2019.	ATE, Rombat, and Automould are in the process of implementing ISO 50001 with accreditation planned for 2020. Unitrade and Lumotech achieved Stage 1 accreditation in 2019. All other operations are accredited.
Target a 2% improvement in the consumption of water per person hour worked (PHW) across all companies.	Five of the operations achieved a 2% improvement in water consumption per PHW. Group consumption decreased 5.7% per PHW
Reduce total energy consumption by reducing electricity consumption per PHW by 5% by December 2019.	Electricity consumption per PHW increased 0.6% in 2019
Target 1% improvement on site-specific production scrap percentages across all companies.	Eight (2018: Two) subsidiaries achieved a 1% improvement in scrap.
Energy storage businesses to improve yield at recycling facilities by 2%, especially at lead recycling facilities.	All companies in the Energy Storage Vertical achieved the target.
Sustain Scope 1 and 2 emissions per PHW worked below 10 kgs CO_2e/PHW.	Scope 1 and 2 emissions per PHW worked increased to 11.7 kgs CO_2e.

2020 Environmental targets
All companies to target achievement of ISO 50001 accreditation by the end of 2020 or be on track for latest 2021 accreditation.
Target a 2% improvement in the consumption of water per person hour worked (PHW) across all companies.
Reduce total energy consumption by reducing electricity consumption per PHW by 2% by December 2020.
Target 1% improvement on site-specific production scrap percentages across all companies.
Energy storage businesses to improve yield at recycling facilities by 2%, especially at lead recycling facilities.
Sustain Scope 1 and 2 emissions per PHW worked below 11.5kgs CO_2e/PHW.

Plastic injection moulding machines equipped with energy efficient drive systems, resulting in electricity savings and reduced CO_2 emissions.

CASE STUDY

Recycling for a better environment[1]

Transportation

The same network that distributes new batteries also safely collects and returns used batteries for recycling

At the recycling facility, used batteries are broken apart and separated into components to begin the recycling process

Plastic

Plastic pellets recycled from battery cases and covers are used to manufacture new cases and covers

Crush the case and covers

Plastic pellets

New covers and cases

New battery covers and cases are manufactured using recycled plastic pallets

Lead

Lead ingots recycled from battery grids, other battery parts (e.g. posts and terminals) and lead-oxide are used to manufacture lead for new grids, parts, and lead oxide

Melt grids

Lead ingots

New grids and lead oxide

New battery grids are manufactured from recycled lead. Recovered lead oxide is also used in new battery manufacturing

Electrolyte: option 1

Sodium sulphate crystals separated from used electrolyte (dilute sulphuric acid) is recycled and sold for use in textiles, glass and detergent manufacturing

Neutralise electrolyte

Sodium sulphate crystals

Glass, textiles, detergents

Electrolyte: option 2

At some recyclers, used electrolyte is reclaimed and reused in manufacturing new batteries. At others, it is neutralised and managed according to federal and state water permits

Neutralise electrolyte

Electrolyte is neutralised and sent to a water treatment plant

or

Electrolyte is chemically treated and reused

New battery

[1] *Battery Council International (BCI) https://batterycouncil.org/page/Battery_Recycling*

Corporate social investment

Metair's corporate social investment programmes contribute to the upliftment of society by fostering socio-economic development in the communities around our operations. Each operating company allocates 1% of net profit after tax to various initiatives in their host communities. At group level, a further 1% of group net profit after tax is allocated to community projects.

We support projects that develop and uplift community members, and increase skills in local communities, with an emphasis on addressing pressing health issues and improving facilities and tuition at schools.

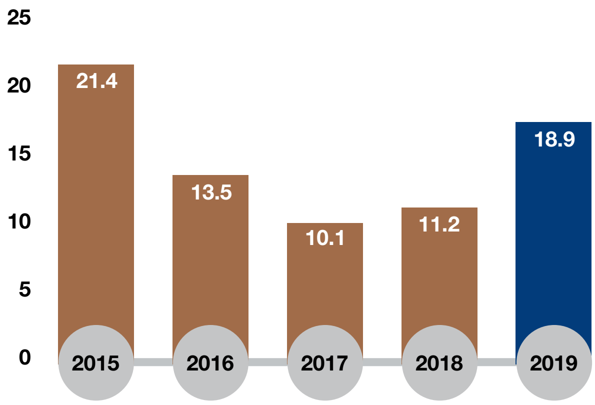
Corporate social investment increased to R18.9 million in 2019. Initiatives supported during the year included:

During the year, projects supported included:

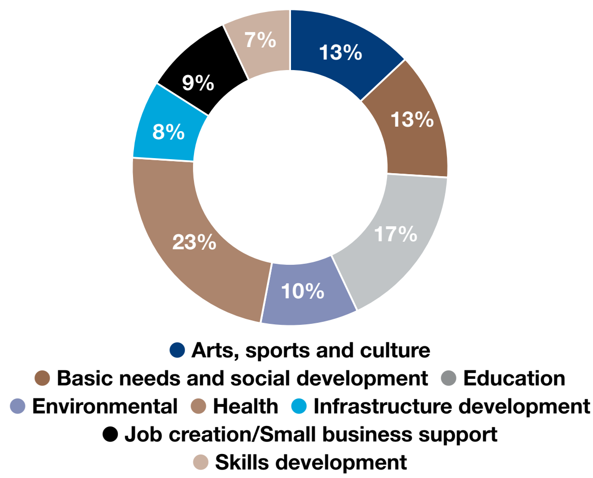
- First National Battery renovated and upgraded the Elethu Cheshire Home in Benoni, which accommodates, cares for and supports persons with disabilities.
- First National Battery supports Masithethe Counselling Services, which provides emotional support for distressed and traumatised adults and children.
- First National Battery donated five wheelchairs to the St Giles Association for the Handicapped
- First National Battery supported the ITEC Literacy Centre which addresses the literacy gap within the pre-school, foundation and intermediate phases of schooling as well as adults.
- First National Battery donated replacement batteries to the Border-Kei Chamber to support their renewable energy project
- Hesto donated a computer centre to Imbewenhle Secondary School in Mandini and provided community and governing body interventions.
- Lumotech supported the We Care feeding scheme, the Unity for Africa educational programme and sponsors a psychologist for the Jubilee Park Primary School in Uitenhage.
- Smiths Manufacturing provided a library program to Oceanview Primary in Chatsworth, benefiting approximately 400 Grade R to Grade 7 learners.
- Smiths Manufacturing provided a new science laboratory to Nilgiri Secondary School in Pinetown, benefiting approximately 2 000 learners.
- Smiths Manufacturing supported a READ Education Trust literacy initiative at Montford Primary School in Chatsworth.
- Supreme Springs supported a feeding scheme in the local community as well as four schools in the area.
- Metair head office is sponsoring the green manufacturing chair at the Toyota Wessels Institute for Manufacturing Studies (TWIMS) for the next three years and a CSI initiative. TWIMS is a GIBS Businesses School-accredited institution in Durban that offers advanced industry focused lean and green manufacturing MBA qualifications to previously disadvantaged individuals.

Employees volunteer their time to support programmes in their local communities, either as part of the Mandela Day initiative or on an ad-hoc basis. On Mandela Day 2019, volunteers from ATE assisted Oliver's House with maintenance projects and cooked meals for the elderly. Peer educators from Smiths Manufacturing painted the Muthande old age home in KwaDabeka to celebrate the International Day of Caring.

Corporate social investment spend (R million)



2019 CSI spend



Progress on 2019 CSI target:

2019 CSI target	Progress in 2019
1% of net profit spent on CSI projects. Within our targeted spend we would like to increase our focus on projects that benefit people living with disabilities.	R18.9 million was invested in CSI initiatives during 2019, which is 2.9% of net profit. First National Battery renovated and upgraded a home for people with disabilities and donated five wheelchairs to the St Giles Association for the Handicapped.

2020 CSI target
1% of net profit spent on CSI projects. Within our targeted spend we would like to increase our focus on projects that benefit people living with disabilities and high-level industry-focused green manufacturing high level education.

Governance

Metair defines governance as the system used to direct, grow and control its business. We continuously challenge our approach, design and application in this area. This requires a balanced focus on performance and conformance, bearing all stakeholder interests in mind.

Metair governance philosophy

The board is committed to integrity, fairness, justice, transparency, responsibility and accountability.

The Metair board (board) is the custodian of good corporate governance in the group. The board aims to remain relevant in the fast and dynamic environment in which the group operates. Our sound principles ensure that we can adapt, promote innovation and align with new trends, requirements and expectations in order to create value for our stakeholders.

In line with King IV™, the board sets the group's ethical tone and upholds high standards of integrity. Metair's governance philosophy guides the board to continuously direct, grow and control the business towards the achievement of sustainable value creation for all stakeholders. The Metair board has adopted a stakeholder-inclusive approach in the execution of its governance roles and responsibilities. Refer to the Key Stakeholder Relations section on page 35.

King IV application

The board aims to achieve the following governance outcomes as per King IV. They are interlinked and referred to throughout this integrated annual report.

Ethical culture | **Good performance** | **Effective control** | **Legitimacy**

The board is committed to the King IV principles and ensures that its recommendations are diligently applied to Metair's internal controls, policies, terms of reference as well as overall procedures and processes. Metair's application of the King IV principles and the adoption of the various recommendations set out in King IV are outlined in our King IV application register which is available on www.metair.co.za.

Board focus areas

The board's focus areas in 2019 are included in the table below:

Focus areas	Action taken and feedback
Further independent board interaction with the market and shareholders	Continuous engagement throughout the year. Specific site visits (technology days) were held from 14 to 16 August 2019 at subsidiaries in Durban, Port Elizabeth and East London with independent board members in attendance and interacting with shareholders.
Stand-alone strategy sessions	The strategic review process that was designed to enhance shareholder value was concluded and reported to the market in December 2019. Refer to the strategy section of the integrated annual report on page 24 for more details.
Robust discussion on the effectiveness of sub-committees	All committees function in accordance to approved terms of reference and are evaluated on a continuous basis. A special committee was formed to evaluate the strategic review process and outcomes.
Ensuring capital expenditure meets budgeted objectives	The investment committee's oversight responsibility expanded to include new areas of investment covering specific project investments that target customer, product and technology expansion. All proposed capital expenditure must comply with minimum operational, strategic and return requirements before it can be presented to the board for approval. Post-implementation reviews are planned for major projects.

2020 Focus areas

Strategy execution | **Capex post-implementation reviews** | **Increased involvement in subsidiary oversight** | **Succession planning at top executive level** | **Alignment of remuneration reward system to shareholder requirements**

Metair board charter

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

During 2019, the board included references to a deputy chairman and a lead independent director in the board charter.

Delegation of authority and governance framework

The board has a formal delegation of authority framework which functions effectively while enabling the board to retain effective control and well-informed oversight. The delegation of authority framework outlines the board-approved authority limits. The board is satisfied that the delegation of authority framework contributes to role clarity and the effective exercise of authority.

The board, supported by its various committees, is accountable for the group's performance. All committees function according to board-approved terms of reference.

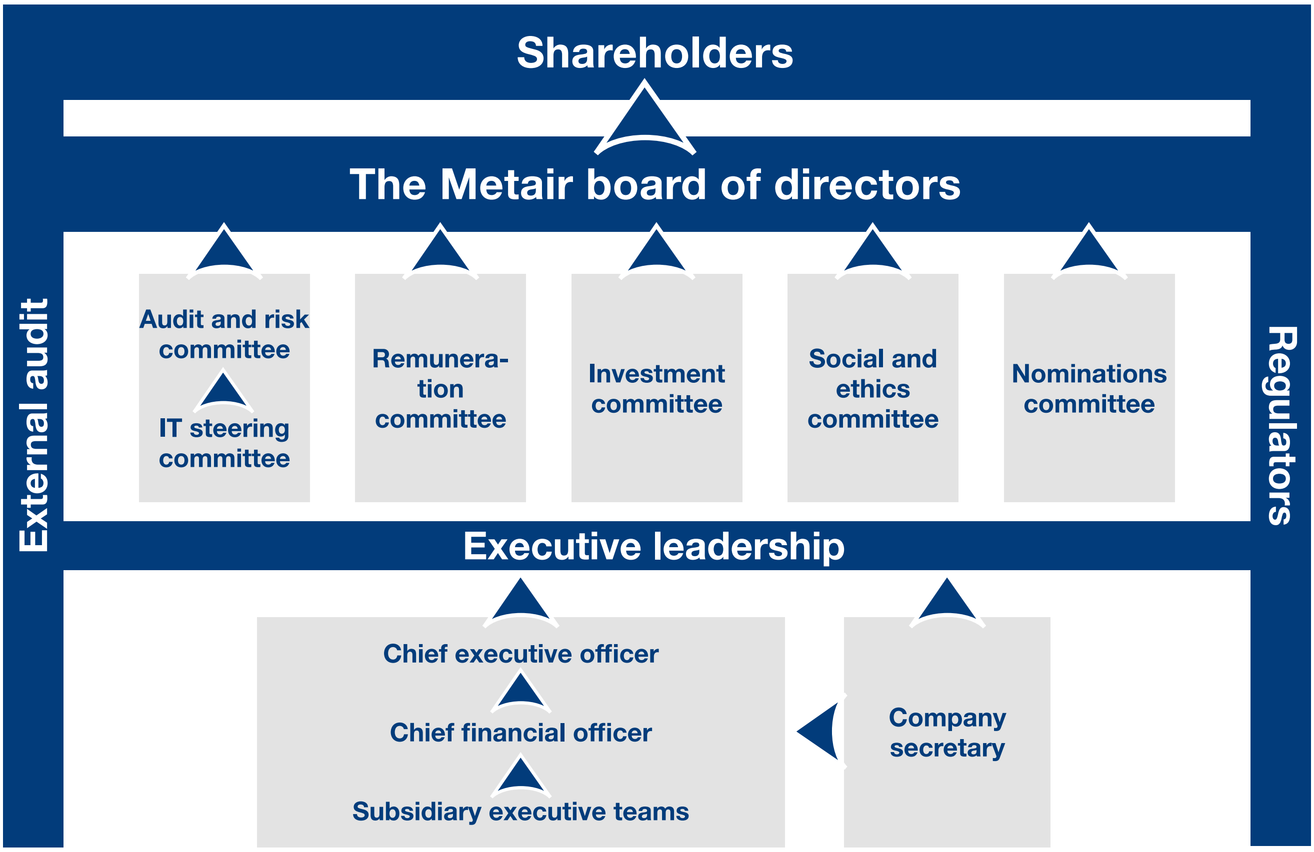
The board is responsible for the group's strategic direction. It oversees and plays a key role in the group's strategy formulation, risk management, stakeholder engagement, budget and policy approval, and materiality determination process. We define our most material matters as those challenges and opportunities that have the highest potential impact on the long-term sustainability of the group or its stakeholders. These matters affect both deliberations on our strategy as well as its implementation. The chief executive officer and chief financial officer (executive leadership) are the primary link between management and the board, and they formulate the strategy with the board. Refer to the strategy section on page 24 for more details on the strategy. Executive leadership is responsible for the day-to-day operations of the group as well as implementation and execution of the board's approved strategy and policies.

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

The main focus areas of the group's governance framework are:

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

Governance framework



Ethics

The board oversees an ethical culture which all Metair board members, employees, contractors and suppliers embrace and abide by. Metair is committed to conducting business honestly, fairly, legally and transparently.

The core principle of the social and ethics framework is custodianship and its core values are unity, harmony, equality, respect for human dignity and doing what is right, fair, reasonable, lawful and just.

The word custodian comes from the Latin word "Custos" meaning "a guardian". Being a custodian refers to a person who is responsible for taking care of, protecting and looking after something. The aim is to inspire all employees to strive to be exemplary custodians in their area of responsibility in the workplace, in their home, community, country and world. This applies to all levels of the organisation from the least skilled employee to the chief executive officer, each making a different but invaluable contribution to the success of the business.

Being a custodian has the built-in notion that as individuals we have an important role to play in a bigger long-term plan and that it is not the size of the role that matters but rather how well we perform our role.

Metair custodianship

<table>
<tr><td>Metair core values</td><td colspan="3">• Obey the law – doing what is right, fair and reasonable, lawful and just.
• Respect others – treat all employees, service providers and stakeholders with respect, recognising the worth and goodness of everybody, and have mutual respect.
• Be fair – equal access to opportunities for everybody.
• Be honest – tell the truth under all circumstances with no fear or favour.
• Protect the environment to ensure long-term sustainability of the company, our communities and the world.</td></tr>
<tr><td>Code of conduct</td><td colspan="3">• The board has a formal code of conduct (the code) which aims to cultivate intolerance towards unethical conduct, fraud and corruption. The code encourages all employees to be exemplary custodians in their areas of responsibility, wherever they go.
• The code has been rolled out to all subsidiaries and is applicable to all employees (including contractors and temporary employees). The code is included in employee appointment letters and all employees undergo an induction process to familiarise themselves with the code.
• Training, awareness programs and procurement workshops were held during the year to enhance the company's ethics management.
• The code is available on http://www.metair.co.za/sustainability/policies-and-reports/. To ensure the inclusion of our diverse workforce, Metair has translated the code of conduct into the major languages represented in the group.</td></tr>
<tr><td rowspan="3">Whistle-blowing</td><td colspan="3">• Metair has an independent anonymous whistleblowing program managed through Deloitte & Touche's fraud tip-off line that operates 24-hours-a-day, 365 days a year.
• All employees at all subsidiaries are encouraged to report any unethical transgressions or conduct without fear of being victimised. All tip-offs that are received are investigated and resolved within a reasonable time. Feedback is available to the whistle-blower on the actions taken and outcomes of the report. During the year awareness training resulted in more reports received, however, most still relate to human resource issues and further training is required to explain internal HR processes that can be followed for those grievances.</td></tr>
<tr><td>Reports received</td><td>2019</td><td>2018</td></tr>
<tr><td>Tip-offs</td><td>65</td><td>59</td></tr>
<tr><td>Fair and responsible remuneration</td><td colspan="3">• Refer to the remuneration report on page 94.</td></tr>
<tr><td>Conflicts of interest</td><td colspan="3">• Board members are required to:
– regularly declare any shareholding and any interest they might have in transactions with the group.
– declare any conflict of interest in respect of any matters on the agenda at board or committee meetings.</td></tr>
<tr><td>Dealing in securities and insider trading</td><td colspan="3">• In accordance with the JSE listings requirements, Metair discloses all director dealings in securities.
• Metair executive directors participated in the Metair Investments Limited 2009 Share Plan during the year.
• Proceeds on the vesting of the shares are disclosed in note 3 of the annual financial statements and further details on allocations to the Metair executive directors are disclosed in note 26.1 of the annual financial statements.
• No employee (directors and officers included) may trade directly or indirectly in the shares of the company during a closed period or a prohibited period. Closed periods are imposed from 31 December and 30 June until the publication of the respective financial results. Where appropriate, a prohibited period is also imposed on certain employees during periods when they are in possession of undisclosed price-sensitive information.</td></tr>
</table>

Governance (continued)

Metair custodianship (continued)

Donations and gifts	• Metair has a gifts and hospitality policy which guides employees on how to treat donations and gifts. • The code of conduct also refers to gifts and must be read in conjunction with this policy. • The company human resource departments are responsible for monitoring and ensuring adherence to this policy. • The policy is audited by internal and/or external auditors or assurance providers as and when required in line with approved audit/assurance plans to ensure compliance. • The social and ethics committee is responsible for monitoring Metair head-office gifts and hospitality activities. • The board of directors has the overall responsibility for ensuring this policy complies with legal and ethical obligations, and that all Metair employees comply with it.
Human rights	• Human rights form part of the social and ethics committee functions, which include monitoring the company's activities, having regard to the Constitution (including the Bill of Rights), any relevant legislation, other legal requirements or prevailing codes of best practice, the company's own code of conduct and policies, as these relate to human rights. • The company supports and respects the protection of internationally proclaimed human rights. • The company is not complicit in human rights abuses.

Compliance

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

The audit and risk committee and the social and ethics committee oversee the group's compliance function. The company secretary and sponsor are responsible for assisting the board in monitoring compliance with relevant legislation including the JSE Listings Requirements. The company's sponsor is One Capital Sponsor Services (Pty) Limited (One Capital).

Compliance reports were compiled during the year and these were included in the meeting packs for the board and all committees. These reports include changes and developments in various matters in the compliance sphere. The aim of these reports is to keep the committee members informed of developments in legislation, the JSE Listings Requirements and general compliance trends in the industry

In 2019 the key compliance risks were identified as:

- Compliance with local and global competition regulations such as anti-competitive behaviour
- Compliance with the Protection of Personal Information Act (POPI) and the EU General Data Protection Regulation (GDPR)

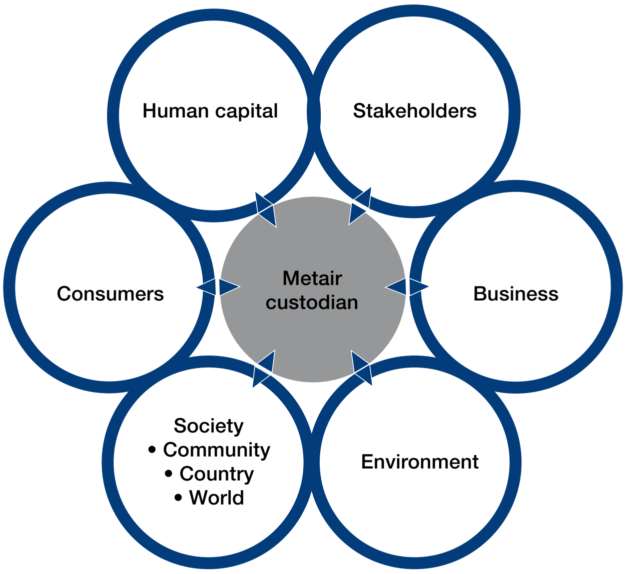
There were no known material or repeated regulatory penalties, sanctions or fines for contraventions, or non-compliance with environmental laws or criminal sanctions and prosecutions imposed against any Metair directors during 2019.

Corporate citizenship

The board, supported by the social and ethics committee and management, recognises that the group is not only an economic entity but also a corporate citizen and, as such, it has social and moral responsibilities to society. Metair's approach to corporate social responsibility is based on the concept of custodianship. This philosophy is reinforced by the code, which entrenches the group's corporate citizenship and ethical leadership policies.

Custodianship encompasses the key elements of long-term sustainability and continuity. It elevates the focus beyond individual or personal interests to build a sustainable legacy while recognising the broad responsibilities we have as corporate citizens to our stakeholders, and in so doing contributes to the development of our society. The board exercises ongoing oversight of stakeholder engagement. This entails the identification of material stakeholders, assessing their expectations and defining the group's responses.

Metair's social and ethics framework is therefore designed around the concept of being an excellent guardian of the groups and areas shown in the diagram below.



The responsibilities arising from being a custodian also require accountability and thus evaluation against the measures set for attaining excellence.

Metair's social and ethics framework is the soft thread that runs through the business. It is intertwined with the hard threads associated with manufacturing, marketing and financial performance. Reporting on these annually, we are guided by the group's corporate image and theme for the year.

Past themes of the annual reports include:

- Transformation
- Transparency
- Balance
- Measure
- Adjust
- Reflection
- Growing an international footprint
- Excellence through brands
- Creativity and innovation
- Our people
- Our environment
- Stakeholder requirements

These themes and the 2019 theme focus on maintaining the company while investing in our future with the new model launches planned over the next three years.

Refer to the social and ethics committee section on page 88 for more information.

The board is committed to responsible corporate citizenship. Metair does not currently reference the UN Sustainable Development Goals (SDGs) in its sustainability programmes and reporting, but many of our initiatives align with the goals explicit in the SDGs and we have included reference to the SDGs in the table where these are relevant in the "material matters" section of the report.

This integrated annual report details the group's progress against sustainability targets in all the capitals. The group is involved in a number of corporate social investment projects which are discussed on page 68.

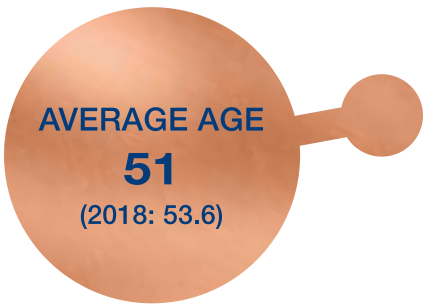
The board

The board is constituted and functions in accordance to the company's MoI, in line with King IV and with a formal charter. The board provides ethical and effective leadership in accordance with good governance practices. The board members conduct their duties by collectively and individually applying integrity, competence, responsibility, accountability, fairness and transparency. It also provides strategic direction which results in value creation. Refer to the value-added statement on page 53.

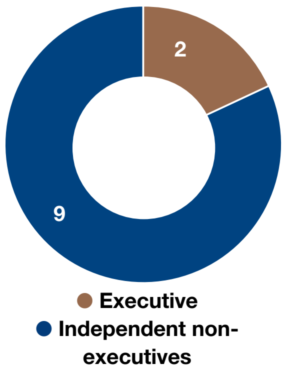
The board is satisfied that it discharged its duties and responsibilities mandated by the charter effectively during the year under review.

Board composition

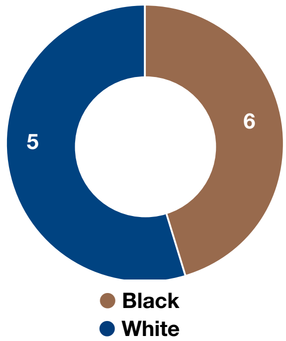
As at 31 December 2019, the board comprised eleven directors. In terms of the memorandum of incorporation, the board shall consist of a minimum of five directors and a maximum of 15 directors, depending on the proper constitution of the board and all committees. No employees aside from the executive directors are deemed to be prescribed officers.

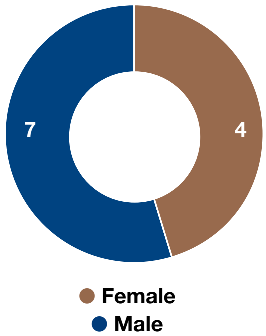


Category

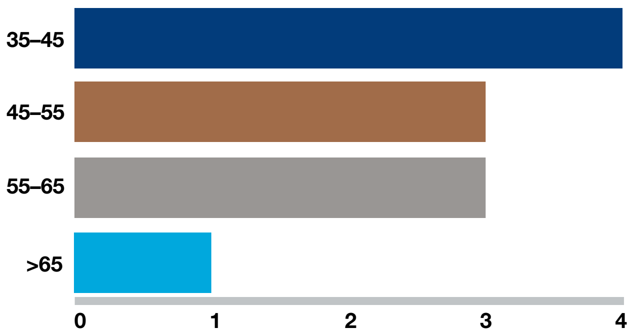


Race

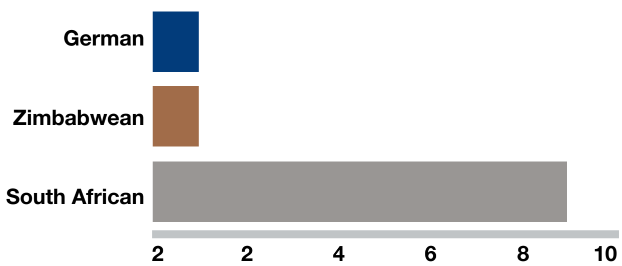




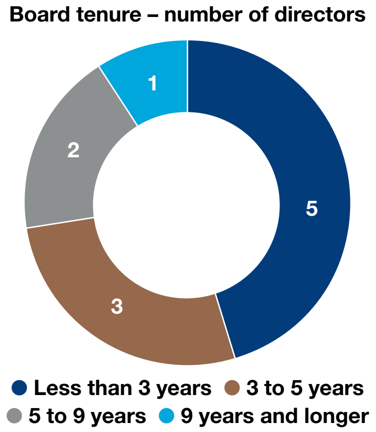
Age group

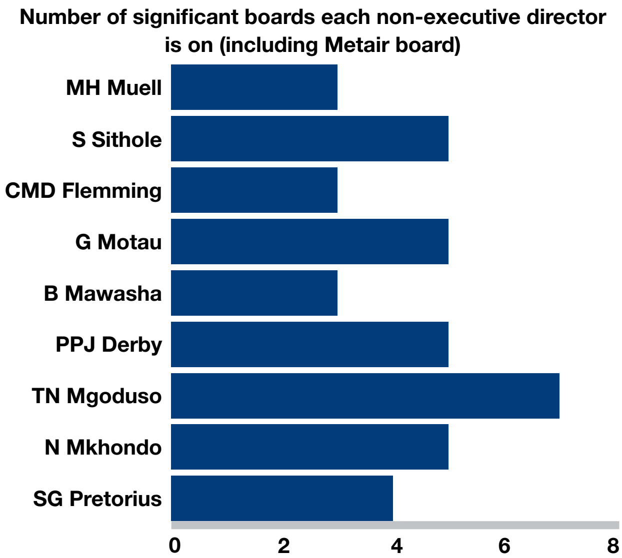


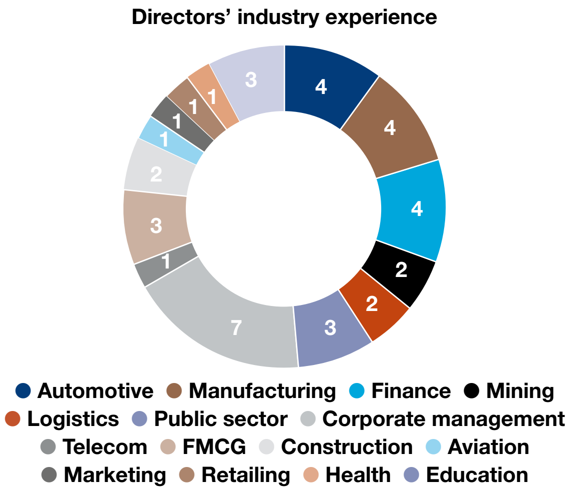
Nationality



Governance (continued)







Board and committee changes

Mr Best retired as a director of the board on 2 May 2019. Mr S Sithole was appointed as an independent non-executive director to the board effective 1 March 2019 and as a member of the remuneration and nominations committees with effect from 2 May 2019. Mr CMD Flemming was appointed as an independent non-executive director to the board effective 1 March 2019 and chairman of the audit and risk committee with effect from 2 May 2019. Mr TP Moeketsi was appointed as an independent non-executive director to the board effective 1 March 2019 and member of the investment committee with effect from 2 May 2019. He resigned from the board and investment committee on 26 June 2019. Mr B Mawasha was appointed as chairman of the investment committee and member of the nominations committee effective 2 May 2019 and resigned from the remuneration committee on the same day. Mr MH Muell was appointed as an independent non-executive director to the board and a member of the social and ethics committee effective 3 May 2019. Ms NL Mkhondo was appointed as an independent non-executive director and member of the investment committee effective 28 June 2019.

Ms P Derby resigned from the Metair board and the social and ethics, investment and remuneration committees on 3 February 2020 following her appointment as Group Chief Executive Officer of Transnet SOC at the end of January 2020. Mr MH Muell was appointed as chairman of the social and ethics committee and as a member of the remuneration committee effective 17 February 2020. Ms TN Mgoduso was appointed as lead independent director on 17 February 2020. Mr CMD Flemming was appointed as a member of the nominations committee on 17 February 2020.

Board and committee attendance

Directors' attendance at board and committee meetings during the year is shown in the table below.

	Board	Audit and risk committee	Social and ethics committee	Remuneration committee	Nominations committee	Investment committee	IT steering committee	Overall attendance#
Number of meetings held	**5**	**6**	**3**	**7**	**6**	**4**	**2**	
Mr SG Pretorius (Chairman)	5		3		6			100%
Mr CT Loock	5		3					100%
Mr S Douwenga	5					4	2	100%
Mr CMD Flemming	4*	5#						90%
Mr S Sithole	5			4#	1#			100%
Mr MH Muell	4#		2#					100%
Ms NL Mkhondo	3#					1#		100%
Ms TN Mgoduso	5			7	5*			94%
Ms PPJ Derby**	3*		2*	7		2*		74%
Ms HG Motau	5	6				4		100%
Mr B Mawasha	5	6		3#	2#	4		100%
Ms P Govind>							2	100%
Ms J Smith>							2	100%
Mr U Reddy>							2	100%
Mr T Tulgar>							1#	100%
Overall director attendance#	95%	100%	92%	100%	95%	90%	100%	

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

** Apologies tendered.*

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

*** Resigned from the Metair board, social and ethics, remuneration and investment committees with effect from 3 February 2020.*

Appointment of directors

The process of nomination, election and ultimately the appointment of directors to the Metair board is conducted in a formal and transparent manner, and ethical standards are always adhered to. All candidates identified as possible board members are requested to provide the board with details of their current professional commitments and a statement that confirms that the candidate has sufficient time available to fulfil the responsibilities of a non-executive director.

In terms of the MoI, all new directors appointed to the board since the previous annual general meeting, as well as one-third of the existing non-executive directors, are required to retire before the annual general meeting, but may offer themselves for re-election. Nominations for re-election are considered by assessing the director's performance, including attendance at board and committee meetings. The board supports the re-election of board members as contained in the notice of the annual general meeting and brief curriculum vitae are included in the directors' and officers' section on page 16.

Diversity

When appointing new directors, the board considers gender and racial representation to address the historical imbalances at this level. The diverse composition of the board enhances the knowledge, skills, experience, independence, diversity and effectiveness of the board, as well as ensuring that the board reflects the context in which the company operates. The policy to encourage and foster gender and racial diversity at board level includes the intention of the company to have at least one third female board members and one third of the board members being black (as defined in the Broad-Based Black Economic Empowerment Act, No. 53 of 2003), wherever possible.

Metair achieved its diversity targets in 2019.

Balance of power

The board operates with a clear division of responsibilities to ensure balance of power and authority. The board is led by an independent non-executive chairman. A lead independent director was appointed on 17 February 2020. The chief executive officer may not become the chair of the board until three complete years have passed after the end of his tenure as an executive director.

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

Governance (continued)

The board meets at least once a quarter and is responsible for strategic direction, policy decisions, governance and control of the company, through, among other activities, the approval of budgets and the monitoring of group performance. Meeting dates are communicated to the board on a meeting plan and are normally agreed to by the end of the preceding year or at the beginning of the current year. Agenda items for each meeting are carefully planned and put together by the company secretary in conjunction with the chairman and the executive directors. Other non-executive directors also have an opportunity to add to the agenda. Detailed meeting packs are prepared and sent out to the board at least one week before meeting dates to enable board members to prepare for the meetings.

The independent board members meet at least once per annum for a non-executive directors' meeting to discuss matters without executive management being present. Non-executive directors can request documentation from or set up meetings with management as required.

Board independence

The board confirmed the independence of the non-executive directors and specifically reviewed the independence of every director whose tenure is nine years or longer. None of the Metair non-executive directors have served for nine years or longer.

Chief executive officer

The chief executive officer's employment contract stipulates a two-month notice period.

The chairman reviewed the chief executive officer's performance against agreed performance measures and targets, and this was discussed by the board at the December 2019 board meeting. The board confirmed that they were satisfied that the chief executive officer carried out his duties with due care, skill and diligence. The board expressed their sincere appreciation and support for the dedication, commitment and high quality of work delivered by the chief executive officer and his management team.

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

Mr Loock also lectures at the Toyota Wessels Institute for Manufacturing Studies Green Manufacturing (TWIMS).

Succession planning

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

The group human resource representative together with the subsidiary human resource directors formulated succession plans for each of the group companies. A talent management plan that aligns with the group's strategy and is directly linked to the transformation and diversity objectives, is in place and forms part of the subsidiaries' key performance indicators.

BOARD APPOINTMENTS OUTSIDE OF METAIR

Company & registration number (and total number of issued shares in the case of a listed company)	Registered address	Present capacity	Date of appointment to the Board	Nature and extent of interest (Ordinary shares unless otherwise stated)
Nostrovia Trading (Pty) Ltd 2014/243958/07	10 van Meurs Avenue, Moodie Hill, Johannesburg	Director and shareholder	01/02/2016	30 (25%)
Jordispark (Pty) Ltd 2013/122678/07	10 van Meurs Avenue, Moodie Hill, Johannesburg	Sole Director	04/07/2014	Nil
Andrew Mentis (Pty) Ltd	147 North Reef Road, Activia Park, Elandsfontein, 1429	Non-executive director	01/09/2019	Nil
Mentis Exports (Pty) Ltd	147 North Reef Road, Activia Park, Elandsfontein, 1429	Non-executive director	01/09/2019	Nil
Andrew Mentis Properties (Pty) Ltd	147 North Reef Road, Activia Park, Elandsfontein, 1429	Non-executive director	01/09/2019	Nil
Mentis Addictive Manufacturing (Pty) Ltd	147 North Reef Road, Activia Park, Elandsfontein, 1429	Non-executive director	01/09/2019	Nil
Mentis New Zealand (Pty) Ltd	147 North Reef Road, Activia Park, Elandsfontein, 1429	Non-executive director	01/09/2019	Nil

In summary, our three-tier approach to succession planning for the chief executive officer is as follows:

- Three external candidates are to be identified from the market
- An internal candidate has been identified
- Recruit or identify individuals at subsidiary level

Succession planning for the chief financial officer includes recruiting or identifying individuals at subsidiary level or source externally.

Professional advice

If the board or any of its members or committees need to obtain independent professional advice on matters within the scope of their duties, Metair has mechanisms in place to facilitate this at the cost of the company.

Combined assurance

The board delegated the oversight of assurance to the audit and risk committee.

The group reviews its combined assurance model annually based on identified key risks and the audit and risk committee confirmed that all areas are adequately covered by either/or external audit, internal audit, management, specialist consultants, government or insurance. Key strategic risks are included in the combined assurance model.

Management assurance on the combined assurance model includes a control self-assessment questionnaire that has been signed by all subsidiaries to confirm that assurance was done.

A regulatory universe, set up by subsidiary companies, is being monitored and compliance affirmed by the relevant responsible person on a regular basis. The regulatory universe is updated regularly to include the latest legislation.

Committees

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

All committees confirmed that they are satisfied that they appropriately fulfilled their responsibilities in line with their terms of reference or charters during 2019. The chairpersons of all committees reported to the board after each meeting.

The committees are appropriately constituted to promote independent judgement and to assist with the balance of power. The board appoints the members of the committees and ensures

Board performance

Board evaluations	The board conducts an annual self-evaluation. The summarised results were noted at the meeting held in December 2019. The results indicate that the board is functioning well with some areas that require improvement. Areas that require improvement will be addressed during 2020. A peer evaluation of non-executive directors, as well as a chairman's evaluation, were done during the year. Peer evaluations were discussed with each non-executive director separately to highlight areas of improvement. The results indicate that the board is properly constituted. Executive directors are evaluated annually through a detailed performance assessment process. Externally facilitated board evaluations will be done as and when required. The board is satisfied that the board evaluation process supports continued improvement in the company's performance and effectiveness.
Committee evaluations	Self-evaluations are done annually for all committees. The results indicated that all the committees are functioning well. Areas of improvement were highlighted and will be addressed in due course. The board is satisfied that the committee evaluation process supports continued improvement in the company's performance and effectiveness.
Induction process	The nominations committee oversees the development of a formal induction programme for new directors and ensures that inexperienced directors are developed through a mentorship programme. It also oversees the development and implementation of continuing professional development programmes for directors. The director's roles and responsibilities are contained in a letter of appointment that is given to the director on appointment. The induction process includes: • A discussion with the Metair chief executive officer (CEO) to give the director the required level of understanding of the business, operations and industry as well as an outline of the company's vision and strategy. • A general discussion with Metair's chief finance director (CFO) and company secretary. • A visit to major subsidiaries with the Metair CEO and/or CFO. • Provision of a copy of Metair documents including charters, policies and procedures, other company documents and relevant additional information as required. • Provision of a copy of Metair's meeting schedule with all relevant board and committee meeting work plans, dates and times. • Provision of a copy of the latest Metair integrated annual report.
Board training	Continuous training and development are an important contributor to board effectiveness. Board training is scheduled annually on topical subjects by external and internal experts. The following training programmes were arranged in 2019: • Labour law update – Farrell Incorporated Attorneys – for remuneration committee members • Job grading – PE Corporate Services SA (Pty) Ltd – for remuneration committee members • The following training will be scheduled in 2020: • New board agenda • Directors' and officers' duties and insurance • Competition Law – new amendments

Governance (continued)

the correct composition except for the audit and risk committee members who are nominated by the board and elected by shareholders. Executive directors, management and external advisors attend committee meetings by invitation except for the social and ethics committee where the chief executive officer is a member, and the investment committee where the chief financial officer is a member. The IT steering committee reports into the audit and risk committee, and members are appointed by the chairman of the IT steering committee in his capacity as executive director of Metair.

The board reviews and approves all committee charters and terms of reference annually. All charters were updated and approved during the year.

Refer to the specific committee disclosures for more information.

Investment committee

The board established its investment committee in November 2016.

Main areas of responsibility

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

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

The committee does not assume the functions of management, which remain the responsibility of the executive directors and other members of senior management. In the execution of their duties, committee members must apply the standards of conduct of directors as set out in section 76 of the Companies Act 71 of 2008 (the Act) and director's personal financial interests as set out in section 75 of the Act.

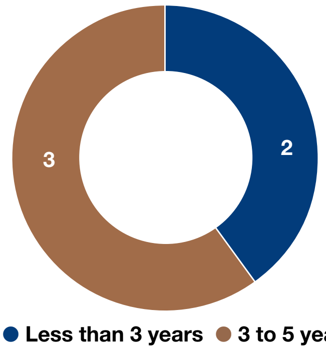
Committee composition

The committee comprises five independent non-executive directors.

Member	Permanent invitees
Mr B Mawasha (chairman)	Mr CT Loock
Ms HS Motau	
Ms PPJ Derby*	
Ms NL Mkhondo	
Mr S. Douwenga	

** Resigned from the Metair board and investment committee with effect from 3 February, 2020*

Directors' industry experience



Stakeholders

Direct and indirect key stakeholder interaction by the committee include shareholders, analysts, customers, suppliers and trading partners, business partners, government regulators, employees, industry bodies, consultants and service providers.

Shareholder interaction during the year focused on value upliftment. The board completed the strategic review process and concluded that the two business verticals automotive components and energy storage – are in different strategic positions and that a managed separation process will unlock value for shareholders.

2019 focus areas

The committee's focus areas in 2019 included the following:

Focus areas	Action taken and feedback
Appropriate investment policies and limits to be reviewed and updated regularly	Investment policy review confirmed with authority levels updated during the year.
Revisiting project and investment evaluation guidelines considering any changes in the Metair strategy	Project investment guidelines have been adjusted in line with the strategic outcome of the board to split the two business verticals. A special sub-committee has been formed to oversee this specific project.

2020 focus areas

The following focus areas have been identified for 2020:

2020 Focus areas
Execution of strategic outcome requirements to split the business verticals
Implementation of expansion project opportunities

Audit and risk committee

The board established its audit and risk committee on 3 November 2003.

Main areas of responsibility

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

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

During the year the committee updated and approved various policies which were recommended to the board for final approval where required:

- Accounting policies
- Authority levels including IT-specific authority levels

These policy changes were all based on refinements and continuous improvements as well as new International Financial Reporting Standards (IFRS).

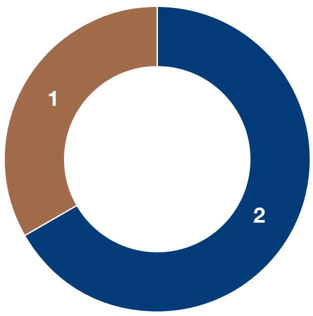
The committee does not assume the functions of management, which remain the responsibility of the executive directors, officers and other members of senior management.

Committee composition

The committee comprises three independent non-executive directors. For details of the experience and qualifications of the audit and risk committee members, refer to the directors and officers of the company section on page 16 for brief write-ups on the audit and risk committee members.

Member	Permanent invitees
Mr CMD Flemming (chairman)	Mr CT Loock
Ms HS Motau	Mr S Douwenga
Mr B Mawasha	Mr A Jogia
	External audit
	Internal audit

Audit committee tenure – number of directors



Stakeholders

Direct and indirect key stakeholder interaction by the committee include shareholders, analysts, business partners, government regulators, employees, industry bodies, unions, media, consultants and service providers.

2019 focus areas

The committee's focus areas in 2019 included the following:

Focus areas	Action taken and feedback
Review of MOLL investment case	A full impairment exercise was done to evaluate MOLL's performance. The work was audited by PwC

2020 focus areas

The following focus areas have been identified for 2020:

2020 Focus areas
Non-audit work service providers
Product recall insurance risk
Audit rotation

Refer to the audit and risk committee report on page 91.

Group risk management

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

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

Risk reporting structure

The risk reporting structure is illustrated on the next page.

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

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

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

Risk reporting structure

Metair board

The Metair board is responsible for the identification of major risks, the total process of risk management, as well as for forming its own opinion on the effectiveness of the process.

The audit and risk committee

The audit and risk committee reviews and assesses the effectiveness of the risk management system and control processes within the organisation and presents its findings to the board.

Metair management

Metair management is accountable to the board for designing, implementing and monitoring the process of risk management and integrating it into the day-to-day activities of Metair.

Subsidiary boards

Subsidiary boards act as subsidiary risk committees and evaluate the risk registers, decide on the future monitoring of the material risks and opportunities and approve them for onward transmission to Metair.

Subsidiary management

Subsidiary management is responsible for setting a culture of risk identification and ensures that all staff members comply with the risk management policies and procedures set by Metair.

The table below sets out the top 10 risks of the group:

Rank	Previous rank	Move	Risk name	Risk category	Residual vs inherent risk exposure Low High
1	3	▲	Turkey geopolitical and world trade position	Strategic	
2	New	▲	Customer production stability and volatility due to market, model and technology trends combined with model launch complexity and flexibility leading to an increase in capital and capacity requirements	Strategic / Financial	
3	New	▲	Stability and quality of reliable Eskom power supply	Continuity of supply	
4	New	▲	Metair strategy review, finalisation and execution in line with partners' and shareholders' expectations within the current operating environment	Technical complexity	
5	7	▲	Disruptive technology developments relating to our products and services, especially the introduction of EVs	Technical complexity	
6	5	▼	Insurance cover risk	Financial/Continuity of supply	
7	6	▼	Natural disasters, explosions and conflagrations	Continuity of supply	
8	8	►	Compliance with local and global competition regulations such as anti-competitive practices	Financial	

◆ Inherent risk ◆ Residual risk

Rank	Previous rank	Move	Risk name	Risk category	Residual vs inherent risk exposure Low High
9	4	▼	High inflationary demands from labour due to political and economic pressures resulting in strike action	Continuity of supply	
10	9	▼	Policies aimed at managing and controlling currency volatility including alignment with customer requirements and views	Financial	

◆ Inherent risk ◆ Residual risk

1. Turkey geopolitical and world trade position	Category	Strategic
Challenging political views and policies affecting global relationships. General negative emerging market sentiment. US sanctions imposed on certain individuals and entities in Turkey. Global trade rebalance that is uncertain and limiting potential market access. Negative stakeholder sentiment towards Turkey impacting trade and investment. Political instability including coups, strikes, rule of law changes and negative impact on trade relationships. Strained management. Volatile and depreciating currency. Decline in size of aftermarket and detraction from original planned aftermarket long-term growth estimation at time of acquisition.	**Link to strategy**	
Dramatic increase in complexity in the operating environment. Challenging operating conditions, sterilisation of investment, inability to execute strategy. Currency translation of TL into Rand weakened.		

Action plans	Target date	Actual end date
Proactive monitoring of changing government policies and macro-economic indicators	Ongoing	Ongoing
Maintain economic, social and political relevance	Ongoing	Ongoing
Focus on export contracts and opportunities	Ongoing	Ongoing
Monitor management and general employee satisfaction	Ongoing	Ongoing

Material matters affected

- Competitiveness
- Macroeconomic and geopolitical factors
- Human capital
- Strategic align-ment

Risk indicators	Individual risk tolerance levels
Exchange rates TL vs USD	Below TL6 to USD
Exchange rates ZAR to TL	Above R2.50 to TL
Published central bank interest rate	Below 20%
Actual Turkey bank interest rate	Less than 5% above the published rate
New export customers	Zero
Export volume to new regions	Zero
Export volume – general	95% of budget
Aftermarket share	40%
Aftermarket volumes	95% of budget
Senior management separation	Zero

Opportunity	Outcome
Review Mutlu Akü business design using competitive market position to improve market share. Improved management structure and style to overcome challenges.	Continued improved performance from Mutlu Akü that challenges the devaluation of the TL on a continued basis and adaptation to changing operating environment.

Governance (continued)

2. Customer production stability and volatility due to market, model and technology trends combined with model launch complexity and flexibility leading to an increase in capital and capacity requirements			Category	Strategic/ Financial
Market, model, technology trends combined with model launch complexity and flexibility are leading to the increase in capital and capacity requirements.			**Link to strategy**	
Metair confidence levels in OEM forecasts is challenged. Poor visibility on business outlook and high flexibility requirement.				
Action plans	**Target date**	**Actual end date**	**Material matters**	• Competitiveness • Balanced business • Technology and innovation • Strategic alignment
Product, market and technology trend monitoring and adjustment due to volume variation requirements by customers.	Ongoing	Ongoing		
Capital allocation focus to be adjusted to ensure optimal utilisation and opportunity possibility.	Ongoing	Ongoing		
Risk indicators	**Individual risk tolerance levels**			
All customers volume changes	Zero			
Opportunity			**Outcome**	
Opportunity to cement long-term relationships with customers, licensors and employees.			Metair's ability to deal with volatility and market changes effectively will result in Metair becoming and remaining the OEM supplier of choice despite changing markets and technologies.	

3. Stability and quality of reliable Eskom power supply			Category	Continuity of supply
Government failure to plan, execute and supply sufficient power to the local economy. Shrinking and declining economy with uncontrollable escalating utility costs and inability to effect long-term planning. Disruptive manufacturing environment internally and at customers with material premium cost to execute catch back plans and eliminate quality defects. Increased capital required to mitigate power outages.			**Link to strategy**	
Action plans	**Target date**	**Actual end date**	**Material matters**	• Competitiveness • Balanced business • Business partnerships
Monitor number of power outages and production hours lost	Ongoing	Ongoing		
Evaluate and implement standby systems and cost control measures	Ongoing	Ongoing		
Adjust working patterns according to availability of electricity	Ongoing	Ongoing		
Risk indicators	**Individual risk tolerance levels**			
Number of power outages – scheduled	Zero			
Number of power outages – unscheduled	Zero			
Premium cost to install standby systems	Zero			
Number of production hours lost	Zero			
Capital cost to install standby system	Zero			
Opportunity			**Outcome**	
Opportunity lies in supply of battery backup and own power generation facilities.			Partial mitigation of electricity supply disruptions while capitalising on potential opportunities for energy storage.	

4. Metair strategy review, finalisation and execution in line with partners' and shareholders' expectations within the current operating environment	Category	Technical complexity
Major corporate failures within the SA listed environment and increased shareholder engagement and influence on company strategy and value. Wider board stakeholder engagement that needs to consider a multitude of increased requirements across all aspects of the business, particularly short-term performance and shareholder value creation with stricter capital allocation requirements. Metair not being able to execute on of its most valuable expansion opportunities in relation to the 2018 proposed acquisition of TAB in a foreign jurisdiction and more demanding geographical environment.	**Link to strategy**	
	Material matters	• Competitiveness • Macroeconomic and geopolitical factors • Business partnerships

Action plans	Target date	Actual end date
Share buyback	Oct 2018	Apr 2019
Capital allocation	Nov 2019	Ongoing
Budgets/HEPS	Nov 2019	Ongoing
Shareholder engagement	Nov 2019	Ongoing

Risk indicators	Individual risk tolerance levels
Market capitalisation	R5 billion
Peer analysis (EV/EBITDA)	6.0 times
Negative shareholder interactions and specific complaints raised	Zero

Opportunity	Outcome
Short-term unlocking of value for shareholders.	A stable and happy shareholder base supporting company and management actions. A stable platform from which to launch strategic execution and a rigorous capital allocation process.

5. Disruptive technology developments relating to our products and services, especially the introduction of electric vehicles (EVs)	Category	Technical complexity
Increased focus on EVs and potential forced mass introduction of EV in various territories globally. Shift in consumer buying patterns and manufacturing volumes by type of technology. Refined strategy and focus on EV readiness across Energy Storage and Automotive Components Verticals.	**Link to strategy**	
	Material matters	• Competitiveness • Technology and innovation

Action plans	Target date	Actual end date
Production of first lithium-ion cells in progress in SA, Romania and Turkey	Jan 2018	Dec 2019
Establish strong relationships with government/university lithium-ion development facilities already constructed in Turkey, Romania and SA	Jan 2018	Dec 2018
Sponsor two post doctorates at Argonne Institute in the USA	Jan 2018	Dec 2018
Develop electric trains and buses in Romania	Jan 2018	Dec 2018
Invest in first lithium-ion coating and assembly line	Jan 2018	Dec 2018

Risk indicators	Individual risk tolerance levels
Number of rejections in relation to requests for new technology project participation by OEMs	Zero

Opportunity	Outcome
Automotive Components Vertical – increased relevance across all Metair product lines. Energy Storage Vertical – increased electrical requirement, lead acid batteries still required for two, or even four, electrical systems. Disruptive technology focus on development of alternative products and solutions and creates R & D and training opportunity. Investment into first lithium-ion coating and assembly line.	Metair has the opportunity to participate in various interesting lithium-ion and new technology projects with customers and international technology partners. Production of first electric public transport solutions (trains and buses) in Romania and the launch of Metair's first lithium ion production facility in Romania.

6. Insurance cover risk	Category	Financial/ continuity of supply
Heightened sensitivity from insurers and underwriters in relation to losses suffered due to global exposure to hurricanes, floods, fires etc. as well as specific exposures to the global automotive industry and recent Metair incidents. Increased insurance premiums, deductibles and requirements to manage and mitigate risks. Metair insurance renewal, although more challenging, was effected but came with much higher insurance premiums, deductibles and risk monitoring and risk mitigation requirements.	**Link to strategy**	
	Material matters	• Macro economic and geopolitical factors • Business partnerships

Action plans	Target date	Actual end date
Annual risk review	Jun 2018	Oct 2018
Quarterly risk tracking progress report	Ongoing	Ongoing
Pre-renewal formal insurance engagements structured	Jul 2019	Jul 2019

Risk indicators	Individual risk tolerance levels
Outstanding risk findings	Zero
Insurance incidents (excl. motor)	Zero
Reportable incidents (excl. motor)	Zero

Opportunity	Outcome
Opportunity to improve all systems and management processes aimed at mitigating risk and ensuring manufacturing excellence with a focus on all ESG.	Reduction in inherent risk relating to these elements. Long-term sustainability in risk management processes with improved risk cover appetite from insurers. Explore alternative insurance providers for Turkey and Romania.

7. Natural disasters, global health threats, explosions and conflagrations	Category	Continuity of supply
The nature of the manufacturing environment and high energy use requirement increases the risk of conflagrations, explosions and manufacturing failures. Natural environment risks are increasing in the ever-changing deteriorating global warming condition. Production stoppages and damage to buildings, equipment and employee safety risk combined with interruptions caused by natural disasters and equipment failures. Metair customer supply stoppages and financial impact in terms of damage to buildings, equipment and employee safety risk.	**Link to strategy**	
	Material matters	• Competitiveness • Balanced business • Natural environment

Action plans	Target date	Actual end date
Earthquake insurance in Istanbul for Akü increased to 100% cover	1 Oct 17	Ongoing
Infrastructure capex approval to strengthen buildings	06 Oct 18	Ongoing
Adequate insurance cover for natural disasters	01 Oct 19	Ongoing

Risk indicators	Individual risk tolerance levels
Number of natural disasters	Zero
Number of production days lost	Zero
Safety incidents (first aid cases)	Zero
Environmental incidents	Zero

Opportunity	Outcome
Dedicated focus on infrastructure, health and safety standards reduces the risk of supply stoppages and creates opportunity for insurance savings. Presents an opportunity for innovation.	Continued focus on new areas of risk and improvements in current risks. Implemented a risk identification and management plan with external assurance providers. Overall improvement in contingency plans.

8. Compliance with local and global competition regulations such as anti-competitive behaviour	Category	Financial
Increased global and international focus by competition authorities within the automotive sector. Findings, investigations, reputational damage and changing market practices. Subjected to potential investigations, financial penalties and reputational damage.	**Link to strategy**	

Action plans	Target date	Actual end date
External consultant reviews of current market practices	31 Dec 18	Ongoing
Dawn raid readiness training	10 Sep 19	10 Sep 19
Continuous review of training programmes	Ongoing	Ongoing

Material matters
- Competitiveness
- Business partnerships
- Human capital

Risk indicators	Individual risk tolerance levels
Open number of investigations into alleged anti-competitive behaviour	Zero
Internal findings of potential anti-competitive market practices to be resolved	Zero

Opportunity	Outcome
Increased focus on all marketing practices aimed at eliminating any possible anti-competitive business practices in all trading regions that could lead to increased focus by all players in the industry. Opportunity to review and learn from past practices.	Ongoing training of management and staff, issuing of specific internal manual containing information and regulations to guide behaviour in such a way not to breach any competition regulations. Cooperation with all relevant authorities relating to all aspects that might be investigated from time to time.

9. High inflationary wage demands from labour due to political and economic pressures resulting in strike action	Category	Continuity of supply
Increased inflationary environment in emerging markets as economic growth declines, interest rates and living costs rise and exchange rates weaken. High internal and external inflation. Above average internal inflationary pressure and unrealistic wage demands not always recoverable from customers resulting in possible declining margin.	**Link to strategy**	

Action plans	Target date	Actual end date
Improvement and overall employee engagement structure	Ongoing	Ongoing
Monthly and quarterly employee feedback	Ongoing	Ongoing
Managing directors' direct engagement with employees	Ongoing	Ongoing

Material matters
- Competitiveness
- Macroeconomic and geopolitical factors
- Business partnerships
- Human capital
- Strategic alignment

Risk indicators	Individual risk tolerance levels
% wage increase awarded in SA	7%
Attrition rate in SA	less than 3%
Number of wage disputes in SA	Zero
Number of work stoppages in days in SA	Zero
% wage increase awarded in Turkey	12%
Attrition rate in Turkey	less than 1.5%
Number of wage disputes in Turkey	Zero
Number of work stoppages in days in Turkey	Zero

Opportunity	Outcome
Industry-wide focus on improved working conditions and overall labour environment. Partnering with labour as a real stakeholder in business to focus on ESG quality and delivery, competitiveness and overall trading position.	Cost effective and liveable wage reward to a very important stakeholder in the overall business with improved social and corporate responsibility focus.

10. Policies aimed at managing and controlling currency volatility including alignment with customer requirements and views	Category	Financial
Significant currency fluctuations due to political and emerging market sentiment. Loss of forex neutrality with our customers. Earnings conversion from TL to Rand impacted negatively. Unpredictable profitability due to foreign currency earnings translation as well as potential under-recovery on contractual forex exposure.	**Link to strategy**	

Action plans	Target date	Actual end date
Monitor exchange rate fluctuations and forex cover positions	Ongoing	Ongoing
Negotiate significant event adjustments with customers	Ongoing	Ongoing
Negotiate new forex policy with customers to increase frequency of forex adjustments	April 2019	Ongoing
Ensure recovery of forex cost increases from customers and the market	Ongoing	Ongoing

Material matters
- Competitiveness
- Business partnership
- Macro-economic and geopolitical factors

Risk indicators	Individual risk tolerance levels
Budgeted Rand exchange rate against key currencies (US Dollar, Euro, TL, Yen, Thai Bhat and Romanian Lei)	Budgeted quarterly average exchange rates

Opportunity	Outcome
Increase exports to hard currency destinations with improved local competitiveness. Improve the time frame for contractual currency recovery from customers.	Adherence to Metair currency risk management policy. Continued evaluation of effectiveness of current forex policies. Ensure recovery of forex cost increases from customers and the market.

Risk watch list

Metair's risk management approach includes a "watch list" which contains risks areas that are not specifically covered in our top 10 risks. This enables us to keep watch of potential risks and opportunities which could potentially impact our business.

No	Risk name	Reason for consideration
1	Ability to recover from inflationary pressure	Ability to recover labour and overheads
2	Volume risk	Global sales volumes or costs
3	Loss of highly skilled people (talent and succession planning)	Watch trend on number of people leaving the country

Technology and information steering committee

A Technology and Information (IT) steering committee was constituted in 2013 and reformed in 2018.

Main areas of responsibility

The IT steering committee reports to the audit and risk committee.

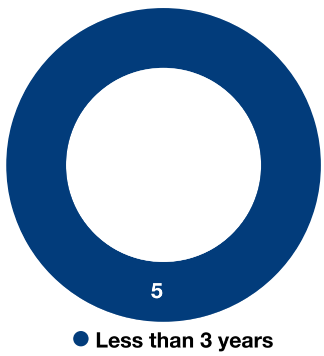
The primary purpose of this committee is to improve alignment between IT and business strategy. The committee aims to create accountability for IT decisions in five critical areas: investments, projects, risk, services, data and value generation by evaluating IT value and the performance of IT services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

Committee composition

The committee comprises one executive and four subsidiary representatives.

Member	Permanent invitees
Mr S Douwenga (chairman)	Mr A Jogia
Ms P Govind (Smiths Manufacturing)	Ms M Mail
Ms J Smith (Supreme)	Mr R Lane
Mr T Tulgar (Mutlu)	Mr M Brand
Mr U Reddy (FNB)	

IT steering committee tenure – number of members



Stakeholders

Direct and indirect key stakeholder interaction by the committee includes customers, suppliers and trading partners, government regulators, employees, consultants and service providers.

2019 focus areas

The committee's focus areas in 2019 included the following:

Focus areas	Action taken and feedback
IT strategies and plans	All subsidiaries formulated and updated their IT strategy and plans during the year. The group IT strategy has also been finalised and is available on the company's website

2020 focus areas

The following focus areas have been identified for 2020:

2020 Focus areas
EU General Data Protection Regulation (GDPR) implementation
Cyber security

Technology and information governance

Metair aims to establish and achieve accountability, strategic alignment and appropriate risk management to optimise the value we obtain from IT. To support this objective, all subsidiaries formulate their own IT strategies and plans which are subject to approval by their respective boards before being presented to the IT steering committee. The Metair group IT strategy and plan is available on the company's website.

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

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

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

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

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

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

IT reporting framework

Metair board

The Metair board is accountable for the governance of Metair's technology and information. The board is committed to ensuring that technology and information is governed in a manner that supports the achievement of the group's strategic objectives and business processes.

The audit and risk committee

The audit and risk committee delegates its responsibility of technology and information governance to the technology and information (IT) steering committee which was constituted in 2013 and reformed in 2018.

IT Steering committee

The IT steering committee oversees the development and implementation of the group's technology and information strategy and ensures that it supports the group's overarching strategic objective. The committee monitors and tracks compliance, the progression of each subsidiary's information and technology systems, status updates, emerging trends and considers insights arising from audits. The top 10 IT risks are also monitored and submitted to the audit and risk committee.

Chief financial officer

The Metair CFO acts as the group's chief information officer (CIO). The CFO is responsible for the subisidiaries' execution and management of their respective technology and information strategies.

Subsidiary IT executives and IT teams

In line with our autonomous subsidiary philosophy, each subsidiary has an executive in charge of technology and information governance. All subsidiary executives are responsible for constantly updating their respective IT risk dashboards. All Metair subsidiaries have their own IT teams to administer their unique IT requirements. External IT providers/ partners – where necessary, IT teams are also supported.

Governance (continued)

IT audits
IT internal audit reviews performed during the year at some of the subsidiaries include the following:
- Internal vulnerability test (IVA) and external vulnerability test (EVA) at Supreme
- Supervisory control and data acquisition (SCADA) IT governance review at Smiths Manufacturing
- Business continuity (BCM) and IT disaster recovery (ITDR) health check at Smiths Manufacturing
- IT risk and compliance audit (ITRACA) review at Lumotech
- Supply chain resilience review at Hesto

Key findings are being shared amongst the group.

Nominations committee
The board established the committee on 29 March 2011, but it was decided that the full Metair board would act as the nominations committee for board appointments and the remuneration committee would serve as the nominations committee for subsidiary directors. The committee was re-established as a separate committee in 2018 and it was resolved that the committee would be responsible for board appointments.

Main areas of responsibility
The nominations committee oversees the appointment of executive and non-executive directors to the board, ensures succession planning at board level, reviews the structure, size and composition of the board and its committees, and evaluates the performance of the board, its committees, its chairman and its individual members.

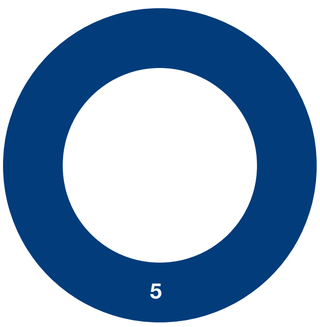
The appointment of subsidiary directors is the responsibility of the remuneration committee.

Committee composition
The committee comprises five independent non-executive directors.

Member	Permanent invitees
Mr SG Pretorius (chairman)	None
Ms TN Mgoduso	
Mr B Mawasha	
Mr S Sithole	
Mr CMD Flemming*	

** Appointed as member with effect from 17 February 2020*

Nominated committee tenure – number of directors



Stakeholders
Direct and indirect key stakeholder interaction by the committee includes shareholders, business partners, government regulators, employees, industry bodies, unions, consultants and service providers

2019 focus areas
The committee's focus areas in 2019 included the following:

Focus areas	Action taken and feedback
Replacement of the three non-executive directors that retired	The committee identified four new non-executive board members who were successfully appointed by the board and subsequently approved by shareholders

2020 focus areas
The following focus areas have been identified for 2020:

2020 Focus areas
Board succession planning

Social and ethics committee
The board established a social and ethics committee on 30 April 2012.

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

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

During the year the committee updated and approved various policies which were recommended to the board for final approval.

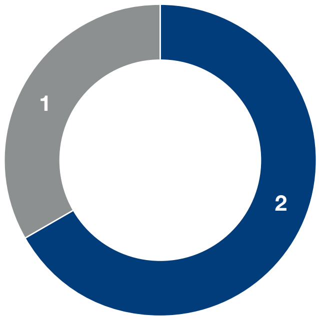
Internal audit focused on policy and implementation reviews and ethics training. Risk audits are being done by Marsh to identify health and safety hazards.

Committee composition
The committee comprises two independent non-executive directors and one executive director.

Member	Permanent invitees
Ms PPJ Derby* (chairperson)	Mr MC Mahlanu (FNB)
Mr SG Pretorius	Mr L Stoltz (Lumotech)
Mr MH Muell** (chairman)	
Mr CT Loock	

* Resigned from the Metair board and social and ethics committee with effect 3 February 2020.
** Appointed as chairman from 17 February 2020

Social and ethics committee tenure – number of directors



Representatives from the subsidiaries are invited to attend the committee's meetings to enhance awareness and implementation of the social and ethics programme across the group. They also assess new ideas before they are rolled out to all the group's subsidiaries. The representatives rotate annually.

Stakeholders

Direct and indirect key stakeholder interaction by the committee includes shareholders, analysts, customers, suppliers and trading partners, business partners, government regulators, employees, industry bodies, unions, media, consultants and service providers.

2019 focus areas

The committee's focus areas in 2019 included the following:

Focus areas	Action taken and feedback
Safety and health	Health and safety indicators are monitored on a continuous basis against set targets, for example, blood lead and LTIFR. Safety and health indicators are also included in subsidiary KPIs and form part of incentive targets. A health and safety conference was held during the year where a health and safety template based on the ISO 45001 framework was designed to assist subsidiaries with compliance, continuous improvement and best practices.
Procurement and alignment with transformation objectives	A group procurement policy was put in place for subsidiaries to follow as a general guideline. A procurement conference was held during the year to set the base. A procurement forum will be established to meet every six months going forward.

2020 focus areas

The following focus areas have been identified for 2020:

2020 Focus areas
Product quality
Implementation of the social media policy

Employment equity and transformation

The group, through each of its subsidiaries, has:

- Submitted the relevant employment equity reports (in October 2019), 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 shortages 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 No 55 of 1998. Refer to the transformation section on page 59 of this report.

Broad-Based Black Economic Empowerment

A consolidated Broad-Based Black Economic Empowerment (B-BBEE) scorecard is kept to monitor subsidiary performance.

The group's focus remained on improving management control, procurement and enterprise and supplier development. Management control was addressed at a conference held in June 2019. A procurement conference was held in September 2019. The appointment of a B-BBEE partner will be investigated again in 2020.

Metair's score remained at 23 points for the ownership element on the generic Broad-Based Black Economic Empowerment scorecard (2018: 23). The transfer of these points to the subsidiaries results in all subsidiary companies being compliant during the period. All subsidiaries reported against the new codes and achieved their goal to be at least level 4 contributors. We are pleased to report that two of our subsidiaries achieved a Level 2 and two achieved a Level 1 for the reporting period.

Company secretary

Ms SM Vermaak has filled the position of company secretary since 2001. The company secretary fulfils the duties set out in section 88 of the Companies Act 71 of 2008 and is also responsible for ensuring compliance with the JSE Listings Requirements.

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

The board conducts an annual evaluation of the company secretary. Based on the 2019 evaluation, the board is satisfied that the company secretary has the appropriate level of experience and knowledge to perform her duties. The company secretary reports to the board via the chairman on all statutory duties and functions performed in connection with the board. All other duties and administrative matters are reported to the chief executive officer and/or chief financial officer. Ms Vermaak is not a director of the company and while she has direct access to the chairman, the board is satisfied that an arm's-length relationship has been maintained between the board and the company secretary.

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

Sponsor

One Capital acts as sponsor to the company in compliance with the JSE Listings Requirements.

Board audit and risk committee report

The audit and risk committee is constituted as a statutory committee of Metair Investments Limited in respect of its statutory duties in terms of section 94(7) of the Companies Act, 71 of 2008 (the Act) and as a committee of the board in respect of all other duties assigned to it by the board. The committee has complied with its legal and regulatory responsibilities for the 2019 financial year.

Names and qualifications of committee members

CMD Flemming (chairman)	BComm, Bachelor of Law, B Prok, AMP Harvard
B Mawasha	BSc, Electrical Engineering, AMP Kellogg
HG Motau	CA(SA), MPhil Development Finance

Terms of reference

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

Internal audit terms of reference

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

Composition

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

Mr Flemming was appointed as chairman to the committee with effect from 2 May 2019 replacing Mr JG Best who retired on the same day.

Meetings

Six meetings were held during the year. Members attended all the meetings.

Statutory duties

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

- Nominated and re-appointed PricewaterhouseCoopers Inc. (PwC) as external auditors and Mr N Ndiweni as the individual auditor, after confirmation of their independence.
- The committee confirmed that PwC and the designated auditor were approved by the JSE.
- The external auditor's fees, as per note 3 of the annual financial statements, and their terms of engagement were approved.
- All non-audit services provided by PwC were reviewed and approved.
- Meetings were held with PwC after the audit and risk committee meetings, without executive management present, and no matters of concern were raised.
- No reportable irregularities were noted by PwC.
- The role of the committee is set out in the audit and risk committee charter can be found on the company's website.
- The committee reviewed the annual financial statements, integrated annual report and the interim report during the year with the external auditors present before recommending these to the board for approval.
- Ensured that the JSE's most recent report back on proactive monitoring of financial statements, and where necessary those of previous periods, was assessed and appropriate action taken where necessary to respond to the findings as highlighted in the JSE's report when preparing the annual financial statements; and
- All trading statements were reviewed by the audit and risk committee before recommending them to the board for approval.

Risk management

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

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

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

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

Internal financial controls

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

Regulatory compliance

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

External audit

Following an effectiveness review the committee has no concerns regarding the external auditor's performance or independence and PwC has been recommended to the board and shareholders for reappointment. PwC has been the company's lead auditors since 1998 and Mr L. de Wet was appointed as designated audit partner in June 2017. Refer to note 3 of the annual financial statements for audit fees paid. The audit and risk committee has reviewed and assessed the external auditor and designated individual partner in terms of the JSE Listings Requirements and confirms the suitability of their reappointment at the annual general meeting. All non-audit services have been reviewed and approved by the committee and the independence of the auditors confirmed.

Key audit matters considered and addressed by the committee are as follows:

- Impairment of goodwill at Mutlu:
  - Reviewed the budget process, including consideration of the reasonability of future forecasts and the approval of the budget by the board;

Board audit and risk committee report (continued)

– Reviewed management's assessment and assumptions including discount rates and terminal growth rates; and
– Reviewed inputs to the calculations for reasonability against market information, including the future revenue growth forecast, gross margin, working capital and capex assumptions.

Internal audit

The committee is responsible for overseeing internal audit. The committee:

- Approved the re-appointment of KPMG as internal auditor;
- Approved the internal audit plan; and
- Ensured that KPMG is subject to an independent quality review, as and when the committee determines it appropriate but at least every five years.

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

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

An external quality assurance review was done and finalised in July 2019. External quality assurance is further provided through KPMG's international quality performance and compliance programme which comprises an annual quality performance program and risk compliance program as well as other global review activities to monitor compliance. The result of the assessment was that the maturity level of the internal audit activity, according to the internal audit maturity capability model is assessed at level five – advanced, meaning that it produces best practice, being a strategic partner to their clients and acting as a leader in the internal audit profession.

The committee has a good working relationship with KPMG.

Chief financial officer review

The committee has reviewed the performance, appropriateness and expertise of the chief financial officer, Mr S Douwenga, and confirms his suitability in terms of the JSE Listings Requirements.

Integrated annual report

The committee has reviewed the annual financial statements of Metair Investments Limited and the group for the year ended 31 December 2019 and, based on the information provided to the committee, considers that the group complies in all material respects with the requirements of the Act and International Financial Reporting Standards. The committee has reviewed the integrated annual report and the committee recommends the report to the board and shareholders for approval.

On behalf of the board audit and risk committee,

Flemming

CMD Flemming
Audit and risk committee chairman

17 March 2020

Social and ethics committee

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

The social and ethics committee is constituted as a statutory committee of Metair Investments Limited in respect of its statutory duties in terms of the Companies Act, 71 of 2008 and as a committee of the board in respect of all other duties assigned to it by the board. The committee assists the board in providing effective leadership and being a good corporate citizen. The committee has complied with its statutory duties and other duties assigned to it by the board for the 2019 financial year.

Names and qualifications of committee members

PPJ Derby* (chairperson)	Bachelor of Science Honours (Economics), MBA
SG Pretorius	M Comm (Business economics)
MH Muell** (chairman)	Diplom-Betriebswirt (BA) from Berufsakademie Stuttgart, Germany, equivalent to a Bachelor of Commerce
CT Loock	B Eng (Industrial)

* *Resigned from the Metair board and the social and ethics committee with effect from 3 February 2020.*

** *Appointed as chairman with effect from 17 February 2020.*

Terms of reference

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

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

The specific functions of the committee are to:

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

Composition

As at 31 December 2019, the committee comprised three independent non-executive directors, namely Ms PPJ Derby (chairperson), Mr SG Pretorius, Mr MH Muell and one executive director, namely Mr CT Loock.

Mr Muell was appointed as a member to the committee on 3 May 2019 and chairman of the committee with effect from 17 February 2020 and Ms Derby resigned from the Metair board and investment committee with effect 3 February 2020.

Meetings

Three meetings were held during the year and these were attended by all members, except for one meeting where Ms Derby tendered apologies.

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

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

On behalf of the social and ethics committee,

MH Muell
Social and ethics committee chairman

17 March 2020

Remuneration report

The remuneration committee operates and reports in accordance with principle 14 of King IV. This report is separated into three main sections: a background statement, remuneration policy and implementation report. The report outlines how Metair compensated its executive directors, non-executive directors and, at a high level, other employees.

Background statement

Metair adheres to all relevant remuneration governance codes and statutes that apply in the various jurisdictions where the group operates. The committee continually strives to improve on the application and disclosure of the recommended practices. Achieving a balanced and sustainable company requires us to improve in all aspects of the business, including our remuneration and reward system. Due to the socio-political environment currently prevailing in South Africa and Turkey, remuneration and reward systems remain sensitive matters in the group.

Our remuneration approach is closely linked to the principles of our corporate governance philosophy. We are committed to fairness, justice, transparency, responsibility and accountability. The group recognises that our employees are central to our ability to deliver our strategy and create value across all operations. Therefore, delivering manufacturing excellence and adhering to our customer's quality standards while ensuring cost competitiveness is dependent on our ability to attract and retain appropriately skilled, experienced, diligent and motivated employees.

This remuneration report aims to provide our stakeholders with a transparent account of how we manage remuneration. Due to the sensitivity of remuneration, we rely on world-class remuneration systems to provide insight. The group uses the Towers Watson global grading system (GGS) to evaluate each position, combined with the Exsys scorecard system to manage the 21 different grade levels in the group. Metair uses the local country median as the targeted remuneration level to ensure sustainability.

PE Corporate Services SA (Pty) Limited (PE Corporate Services) performed a global grading as well as an executive remuneration benchmarking exercise for the markets in which Metair operates. The remuneration committee is satisfied that PE Corporate Services is independent and objective.

Shareholder voting

Metair proactively engages with its shareholders to discuss material concerns relating to the group's remuneration policy and the implementation thereof. In the event of a 25% or more vote against the remuneration policy or the implementation report, Metair will engage shareholders to address their concerns.

The committee will take the following steps in good faith to reasonably:

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

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

As required by the Companies Act and King IV, the remuneration policy and the implementation report will be tabled for separate non-binding advisory votes by shareholders at the AGM to be held on 5 May 2020. In future, there will be a requirement for a binding shareholder vote on executive remuneration. This will heighten the responsibility for all stakeholders, particularly executives, shareholders and remuneration committees to apply their minds to this subject.

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

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

Non-binding advisory votes

At the annual general meeting held on 2 May 2019, 80.31% (2018: 80.18%) of shareholders voted in favour of the 2018 remuneration policy and 76.72% (2018: 79.44%) were in support of the implementation report.

The results of the non-binding advisory voting on the 2019 remuneration policy and implementation report as well as the measures taken in response thereto based on King IV and the JSE Limited Listings Requirements (Listings Requirements) will be disclosed in the 2020 integrated annual report.

A copy of the annual general meeting minutes is available on the company's website, http://www.metair.co.za/wp-content/uploads/2020/02/AGM_MINUTES.pdf.

	Shares voted	For	Against
Ordinary resolution number 8(a): Endorsement of the company's remuneration policy	67.20%	80.31%	19.69%
Ordinary resolution number 8(b): Endorsement of the company's implementation report	67.20%	76.72%	23.28%
Special resolution number 1: Approval of non-executive directors' remuneration	74.70%	99.998%	0.002%

Shareholder feedback	Metair response
Required a clawback in the case of malice and wrongdoing by executives that can lead to value destruction for shareholders.	Will be implemented through employment contracts going forward.
The shift away from the use of share appreciation rights awards to bigger but more specific performance-related share awards.	2019 was the last year that share appreciation rights were issued, going forward these will be replaced by performance shares. Refer to page 99 in the remuneration policy

Board remuneration committee (committee)

Main areas of responsibility

The committee aims to approve and oversee the implementation of a remuneration policy that supports Metair's strategic and value creation objectives. The committee ensures that the group has transparent, competitive, fair and responsible remuneration practices which promote the achievement of the group's strategy in the short, medium and long-term. The committee oversees and approves the remuneration of executives and the appointment of subsidiary directors on behalf of the board.

The remuneration policy is reviewed annually to ensure its alignment with shareholders' interests and its relevance to Metair's prevailing market conditions and the group's operational standpoint.

Seven meetings were held during the year and were attended by all members of the committee. Please refer to page 75 for more details on meeting attendance. The quorum for transacting business as per the committee terms of reference is that at least two members need to be present. The chairman reported to the board after each meeting. The first meeting in 2020 was held in February 2020.

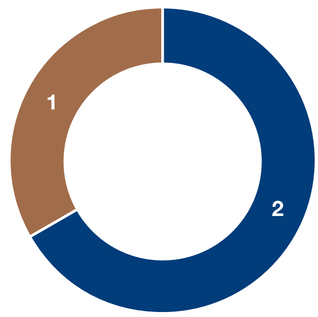
The committee was satisfied that it achieved its stated objectives during the period under review.

Member	Permanent invitees	Composition
Ms TN Mgoduso (Chair)	Mr CT Loock	100% of the members are independent and non-executive
Ms PPJ Derby*	Mr S Douwenga	
Mr S Sithole**		

* Ms Derby resigned from the Metair board and remuneration committee with effect from 3 February 2020.
* Mr Muell was appointed to the committee with effect from 17 February 2020.
** Mr Sithole was appointed to the committee on 2 May 2019 to replace Mr Mawasha who resigned from the committee on the same day.

The committee is satisfied that Metair's remuneration policy is suitable to support the achievement of the group's objectives and to attract, retain and motivate employees. The following changes to the 2020 implementation report were made in response to our shareholders:
- Clawback in case of malice and wrongdoing by executives that can lead to value destruction for shareholders.
- The shift away from the use of share appreciation rights awards to bigger but more specific performance-related share awards.

Remuneration committee tenure – number of directors



The committee functions in terms of a charter which is approved and reconfirmed by the board annually. A copy of the charter is available on the company's website, http://www.metair.co.za/sustainability/policies-and-reports/.

The committee also performs an annual self-evaluation of its effectiveness. The results of the 2019 self-evaluation confirmed that the committee is functioning well and no major concerns were noted. The main area identified for improvement was succession planning.

Committee training was presented in April 2019 on the following:
- Labour Law update – Farrell Incorporated Attorneys
- Metair job grading system – PE Corporate Services
- Metair long- and short-term incentive structure – Metair management.

Key decisions and focus areas in 2019

The key focus areas of the committee are as follows:
- Review the remuneration policy and implementation report annually for presentation at the annual general meeting for separate non-binding advisory votes;
- Review and approve executive remuneration packages as well as short- and long-term incentives to ensure these are fair and appropriate to ensure the long-term sustainability of the company;
- Review and approve succession planning to ensure the achievement of strategic objectives;
- Monitor improvements to performance appraisals and assessments to enhance talent management development;
- Monitor employment equity reports and adherence to the Metair masterplan;
- Establish a fully-fledged human capital division; and
- Measure key executive performance against KPI's and strategic objectives.

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

Succession planning

The Metair nominations committee addresses succession planning at board and board committee level. Our three-tier approach to succession planning is as follows:
- External candidates have been identified from the market;
- Internally, a possible replacement for the CEO has been identified; and
- Recruit or identify individuals at subsidiary level, who can succeed Metair's executive management.

Remuneration report (continued)

Succession planning has also been highlighted as an important leadership issue. The group human resource (HR) function played a pivotal role in putting succession plans in place for each of the group companies. Succession planning will remain a key focus area in terms of updates as well as the HR function evolving continuously.

The implementation and expansion of group-wide succession planning and bench strength in key positions were added to the Metair CEO and CFO KPIs and form part of their short-term incentive targets for 2020.

Employment contracts

Employment contracts with executive directors are reviewed and reconfirmed on an annual basis and service contracts are in place for all non-executive directors. Employment and service contracts will be the main vehicle to execute the clawback requirements for malice, value destruction and gross negligence. Although this concept is still untested in the market, the company will aim to as a minimum at least embed the right to full clawback in a court of law with standard burden of proof requirement in such an event. The concept will be introduced when current service and employment contracts expire or when new appointments are made.

The contracts of executive directors do not contain termination packages or excessive notice periods. An executive director may, subject to the provisions of the Companies Act No 71 of 2008 and the Listings Requirements, be appointed as such by contract for such period as the board may determine, but not exceeding seven years. Executive directors shall not be subject to retirement by rotation or be taken into account in determining the rotation by retirement of directors during the period of any such contract, provided that the number of executive directors so appointed shall at all times be less than half of the number of directors in office.

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

Performance appraisals

The committee reviewed performance appraisals for group executive management and for management at the subsidiaries. In future the committee will be part of the appraisal process, specifically for the performance appraisals for the CEO, CFO and company secretary.

Performance appraisals are based on a generic assessment which includes the following key performance areas:

- Leadership competencies;
- Management competencies;
- Interpersonal competencies;
- Business competencies in terms of the subsidiary companies; and
- Business competencies in terms of Metair.

Appraisals also include assessments of specific shareholder objectives, which include company and individual specific key performance areas. The results of the performance appraisals are moderated by Metair and the committee, and are considered when salary increases are determined.

Performance appraisals were redesigned to align with HR best practices and these were rolled out during 2019.

Employment equity (EE)

Great emphasis has been placed on EE with the remuneration committee assuming the oversight role of this function. An initiative has been implemented where subsidiaries must identify at least two EE candidates to shadow executives on the subsidiary board. The executives will spend time with the identified candidates mentoring and training them to ultimately assume an executive role on the subsidiary board. Elevating these candidates creates space for other employees to be promoted to management level in the subsidiaries to replace them. These candidates also provide succession possibilities for executives. This intervention is ongoing.

Management control on the B-BBEE scorecard has also been identified as an area of focus and the group has put specific plans in place to effectively improve the scores in this regard. Improving management control in the 2019 assessment has been added to the short-term incentive targets to be achieved in 2020.

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

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

Establishment of a human capital division

A group matrix style HR function was established during 2018 which contributed to greater collaboration between companies with wider sharing of HR best practices and policies. This initiative continued in 2019. Greater collaboration has enhanced Metair's ability to avoid risk in matters related to industrial relations as well as supporting employee stability and sharing leading practices across the group.

An HR conference was held in June 2019 attended by Metair and all subsidiaries which continued with professionalising HR within the group.

Individual subsidiary interaction will continue during 2020 between the group HR co-ordinator and the chairman of the committee to further assist HR professionals in the group.

2020 Focus areas

In addition to the ongoing focus areas, the following specific focus areas have been identified for 2020:

- Review the group-wide succession plan and bench strength;
- Review employment contracts to include clawback requirements for malice, value destruction and gross negligence; and
- Enhance the performance appraisal and assessment process in terms of the people involved in the assessment. Board participation to increase

Remuneration policy

The remuneration policy forms the basis of the group's remuneration model and strategy. The remuneration policy has been approved by the board and demonstrates the application of the company's ethical standards and processes around remuneration.

Metair is mindful of the sensitivities around remuneration and we are committed to applying a transparent and professional stance, and the policy was consequently designed with the following principles in mind:

- aligning with stakeholders' requirements and expectations;
- retaining and motivating qualified, skilled, motivated and engaged employees;
- enhancing transparency;
- fair and responsible remuneration practices;
- fair minimum wages; and
- driving a high-performance culture.

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

Remuneration strategy

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

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

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

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

Benchmarking

Metair uses Willis Towers Watson, a leading Global Advisory, Broking and Solutions Company with offices in over 140 countries worldwide, for benchmarking of all employee salaries and wages. Executive remuneration reports are used to establish the competitiveness of executive and senior management pay in the group. Pay-line reports are used to review competitiveness by race, gender and global grade. Age analysis reports are done to assist the committee to identify trends such as future retirements to enable proper succession planning is in place. Income gap analyses are used to monitor employee categories relative to each other, for example comparing the average guaranteed package for top management for global grades 15 and above against clerical, administration and semi-skilled employees in global grades 4 – 7. These reports are used to ensure fair and responsible remuneration packages and wages for all employees. The current policy is to remunerate against the median considering employee performance, retention, years of service and other relevant indicators as specified per position. Measurements against the median are done every three to five years to consider increases to adjust individual salaries to the correct level, however, increases are subject to what the company can afford. Stakeholders can use this information to make peer comparisons as it includes data from all companies in the industry worldwide.

Non-executive director remuneration

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

In line with the South African Revenue Service's (SARS) Binding General Ruling (Income Tax) 40 and Binding General Ruling (VAT) 41 which came into effect on 1 June 2017, all Metair non-executive directors that receive an aggregated fee in excess of R1 million (all director fees, committee fees and other income they receive) from all companies in which they hold office are obliged to register for VAT.

Non-executive directors that are independent contractors and seek to charge VAT are also required to add all the income of the respective billing entity for VAT purposes. Metair's approved fees are exclusive of VAT. Non-executive directors are required to send an invoice (inclusive of VAT where applicable) to Metair and the VAT then must be paid over to SARS. The company must pay an additional 15% on top of the approved director fees, which cannot be claimed as a deduction or reclaimed for VAT.

Executive director employment contracts and policies

All executive directors have seven-year employment contracts in place. Addendums to their service contracts are updated annually in terms of newly approved remuneration and any other changes that the committee requires. Executive director contracts do not contain termination packages or excessive notice periods.

Metair's approach and elements of executive management remuneration

The remuneration committee reviews remuneration on an annual basis and decides on the total remuneration. The committee also reviews targets to ensure that they are relevant, competitive, aligned to the strategy and optimise shareholder value.

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

Variable pay in the group consists of two elements – the STIP (Count 2 of total pay) and the LTIP (Count 4 of total pay).

Total annual remuneration in the group is designed around a remuneration counter system consisting of four pay elements (4 counts):

a. Guaranteed pay – Count 1
b. Capped short-term incentive – Count 2
c. Overseas assignments (when necessary) – Count 3
d. Capped long-term incentive – Count 4

Guaranteed pay – Count 1

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

Short-term incentive – Count 2

The design architecture for the STIP is based on a below market comparative position.

Specific elements	Maximum capped theoretical % CTC participation	
	Chief executive officer (CEO)	Chief financial officer (CFO)
Actual HEPS* vs budgeted HEPS	45	39
Annual specific performance KPIs**	10	5
ROIC*** vs target	13	6
Actual HEPS vs target	22	10
Strategic execution targets	10	10
Total maximum theoretical participation	**100**	**70**
Comparable market position	100 – 150	80 – 100

** HEPS – Headline earnings per share*
*** KPIs – Key performance indicators*
**** ROIC – Return on invested capital*

The above policy will change from 2020 to include a cash conversion target. The adjusted weighting will be as follows:

Specific elements	Maximum capped theoretical % CTC participation	
	Chief executive officer (CEO)	Chief financial officer (CFO)
Actual HEPS* vs budgeted HEPS	20	15
Annual specific performance KPIs**	30	20
ROIC*** vs target	15	10
HEPS and cash conversion target	25	20
Strategic execution targets	10	5
Total maximum theoretical participation	100	70
Comparable market position	100 – 150	80 – 100

** HEPS – Headline earnings per share*
*** KPIs – Key performance indicators*
**** ROIC – Return on invested capital*

Overseas assignments – Count 3

Overseas assignment costs refer to the refunding of costs related to temporary overseas assignments that reflect in the accounts as remuneration, although these are reimbursements.

Assignment costs consist of three elements and is in the third count of total remuneration:

- Living costs;
- Housing allowance and security; and
- Government and country legislated taxes and levies.

Long-term incentive – Count 4

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

The aim of the LTIP is to obtain, retain and extend the services of executive management of Metair. However, where required, the LTIP can be expanded to include certain high potential subsidiary senior executives with scarce and critical skills or key employees, even if they are not executives. All candidates recommended for inclusion in the scheme must be approved by the committee before being submitted to the board for final sign-off.

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

Share appreciation rights vest in years three, four and five and therefore have a three-year waiting and total five-year retention period. Performance shares have a three-year waiting period before vesting and therefore have a three-year retention period. This design architecture will be adjusted to accommodate shareholders' requirement to move away from share appreciation rights to performance share participation only. 2019 was set as the last year for award of share appreciation rights and these rights will therefore (due to the related vesting periods) run out in 2024.

The start date for the conversion to pure performance share awards will be in April 2020. The conversion is quite technical, and the optimal design change requires the performance share award percentage of CTC to be increased to compensate for the loss of the share appreciation awards.

The table below indicates the proposed adjustment in performance share awards to the different levels of participation:

Description	Old performance share award	% loss of share appreciation rights	New performance share award % (rounded)
Group CEO	19%	40%	60%
Group CFO	15.1%	32%	50%
Metair management	10.4%	12%	25%
Subsidiary CEO	15.1%	32%	45%
Subsidiary senior executives	11.4%	17%	30%
Subsidiary junior executives	10.4%	12%	20%

A maximum multiplier of two times will be applied when all performance criteria are met. This will cap the CEO and CFO participation at 120% and 100% of CTC respectively.

Share appreciation rights (existing awards will phase out by 2024)

The last share appreciation rights allocation was made in November 2019. No new allocations will be made in 2020 as this element will be replaced by performance shares.

Metair has clawback rights on the vesting of share appreciation rights. At the time of vesting, the number of shares is always subject to committee approval.

The final number of shares allocated to the participant at vesting of the share appreciation rights is based on the growth in share price for the number of shares allocated divided by the share price at vesting. Over and above the share appreciation rights, the board added some penalty clauses linked to four environmental, social and governance (ESG) elements. If performance targets relating to the ESG elements are not met, or if they cause the company to suffer reputational, brand or sustainability damage, the vesting amount can be reduced by 5% per element totalling 20% for all elements. For 2019 the targets were as follows:

ESG element	2019 targets
Health and safety	Lost-time injury frequency rate – target of below 1.0
Health and safety	Blood lead – target <40 µg per 100 ml for battery businesses
Broad-Based Black Economic Empowerment (B-BBEE)	Procurement- target 10% local content from enterprise developed businesses/black-owned businesses
Transformation	Increase in management control score on the new B-BBEE scorecard – a minimum of 77 points to be obtained for this element on the scorecard on a consolidated basis for South African subsidiaries. Develop 20 EE candidates on a group basis in the core of the business at executive committee level.

Performance shares

The performance criteria presented below are presented in two sections. Section 1 shows criteria for historical awards up to April 2019 and Section 2 for the performance criteria for awards made after April 2019 onwards (first award is April 2020).

Section 1

Historical performance criteria valid until 2022, for awards made up to April 2019

Metair's return measurements are based on return on invested capital (ROIC) combined with total shareholders' return (TSR). 50% of the Metair executives' vesting criteria is linked to meeting the ROIC target and 50% is based on Metair's TSR performance compared to its peer group of mid-tier industrial and trading companies.

Remuneration report (continued)

ROIC

Metair's definition of ROIC, in the final analysis is compared to the weighted average cost of capital defined as follows:

$$\text{ROIC} = \frac{\text{(A) Operating Income (t) x (1 – tax rate)}}{\text{(B) Book Value of Invested Capital (t-1)}}$$

Where:

(A) After-tax operating income =

a. Profit after tax.
b. Add back interest expenses (1 – tax rate).
c. Adjusted for headline earnings per share (HEPS) adjustments (1 – tax rate).

(B) Book value of invested capital at the start of the period (t-1) =

a. Opening book value (BV) of interest-bearing debt plus the opening BV of equity.
b. Plus, the weighted average BV of debt + BV of equity for the acquisition of new businesses.
c. Adjusted for the weighted average BV of debt repaid during the year.
d. Adjusted for the foreign currency translation reserve (FCTR) effect associated with intangible assets that arose on acquisition of subsidiaries.

Targets

During Metair's growth and technology balance phase, while Metair is still expanding and building the energy vertical through acquisitions:

- ROIC upper target = weighted average cost of capital (WACC) + 3%.
- ROIC lower threshold = 90% of WACC.

After the growth and technology balance phase, that is, once acquisitions to expand the energy vertical are complete and the company has had three years to deliver targeted ROIC at company level:

- ROIC upper target = WACC + 4%.
- ROIC lower threshold = 100% of WACC.

Long-term incentive plan (LTIP) participation threshold and multipliers

1. At 90% of WACC – 0.5 times.
2. At WACC – 1 time.
3. From WACC to target – 1 to 3 times (straight line).
4. Above target ROIC – 3 times.

Determination of WACC

The committee will appoint a third-party corporate finance specialist to determine the WACC for Metair, individual companies and segments at the start of each financial year.

Total shareholder return (TSR)

TSR is measured against a benchmark of mid-tier industrial and trading companies which are determined with each performance share award. While very few can be considered direct competitors, collectively they can be deemed to be an alternative investment portfolio for Metair's shareholders.

a. Definition

TSR is defined as the increase in the value of a portfolio of shares on the assumption that any dividends accruing to shareholders are immediately invested in additional shares in the portfolio.

For a single share, TSR can be calculated mathematically as the increase (or decrease) in share price plus dividends reinvested over the performance period, expressed as an annual rate of return.

A relatively strict approach in adopting the above formula is as follows:

- Starting share price is the average of the middle market closing prices of the share taken from the stock exchange over the three-month period ending on the business day before the start of the performance period.
- Ending share price is the average of the middle market closing prices of the share taken from the stock exchange over the three-month period ending on the last business day of the performance period.
- Cumulative dividend yield is the aggregate distributions to shareholders paid over the performance period divided by the middle market closing price of a share taken from the stock exchange on the relevant ex-dividend date.

The starting and ending share prices are averaged over a period – in this case three months – to reduce the sensitivity of the three-year TSR calculations to short-term share price volatility. TSR is a well-established metric, understood by and relevant to institutional shareholders, and can be obtained on request from sponsors or any financial institution.

b. Peer group

The peer group of companies will be considered and reviewed with each new award. The peer group should represent an alternative investment destination for shareholders.

c. Targets (Metair TSR relative to the peer group)

1. For TSR performance below the median for the peer group, none of the TSR-related maximum award will vest.
2. At the median, 33.3% will vest.
3. Between the median and upper quartile, the gradient will be from 33.3% to 100% vesting.
4. At or above the upper quartile, 100% of the maximum TSR-related award will vest.

Section 2

Prospective measurement for awards granted after April 2019 (first award is April 2020)

Metair's return measurements for vesting will still be based on return on invested capital (ROIC), but the previous total shareholders' return (TSR) measure will now be measured against specific HEPS growth targets as well as cash conversion rates.

Description	Old performance share award criteria	New performance share award criteria
ROIC targets	50%	50%
Total Shareholders Return	50%	0%
HEPS growth	0%	30%
Cash conversion target	0%	20%

a. ROIC

Targets adjusted to:

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

Participation threshold and multipliers

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

b. HEPS Targets:

- Minimum HEPS growth of 6% compounded over three years
- Targeted HEPS growth of 6% +1.5% compounded over three years

Participation threshold and multipliers

1. At minimum HEPS growth – 0.5 times.
2. HEPS growth from 6% to 6% + 1.5% – 0.5 to 2 times (straight line).
3. Above target HEPS growth – limited to 2 times.

c. Cash Conversion target:

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

Participation threshold and multipliers

1. At minimum cash conversion rate – 0.5 times.
2. Cash conversion between 80% and 100% – 0.5 – 2.0 times.
3. Above target cash conversion – limited to 2 times.

Retention shares

The final retention element is a specific retention award aimed at attracting, retaining and extending employment contracts with key talent within Metair. Retention awards will be made in the form of performance shares, the quantum of which will depend on what incentive would be required to retain that specific individual for at least a five-year forward period. The Metair Investments Limited 2009 Share Plan will be revised to include a five-year period to eliminate the additional agreements to retain shares for another two years upon vesting after the current three-year vesting period.

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

Retention shares from the company's perspective

Performance shares will vest on the third anniversary of their award to the extent that the specified performance criteria over the intervening period have been met, in line with the Metair Investments Limited 2009 Share Plan. But from a retention point of view, a contract to hold the shares for a further two years while still employed by the company will be entered into between the company and the executive. This contract will ensure a minimum retention period of five years from date of award, with the proviso that, in the case of hardship in meeting tax obligations at the time of the shares vesting, the committee can be approached to allow for the sale of some of these shares to pay part or all of the tax.

Any decision by the committee will be made with the shareholder requirement in mind to hold three times the individual's cost to company (CTC) in shares (see paragraph below) but will view any tax hardship in a sympathetic manner. Should the individual leave the company before the five-year period ends the retention of the shares will depend on the circumstances of the termination.

During the year, the committee met specifically on the executive management's retention share awards for purposes of clarifying interpretation and drafting issues especially relating to the restraint clause and fault and no-fault termination interpretation. The matter was attended to at the committee meeting in February 2019.

Retention shares from the shareholders' perspective

Shareholders expect Metair executives to show commitment and confidence in the company by holding unvested and vested shares. The board supports this view and has targeted a value of approximately three times annual CTC in total share exposure, but also recognises that enough time needs to be allowed to accumulate this shareholding as it is a significant number.

Implementation report

1. Job grading

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

The 2019 generalised outcome on the Towers Watson and Exsys system is summarised in the table below:

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

Income gap analysis

An income gap analysis has been compiled to depict the employee category/band ratios relative to each other. In 2019, the average guaranteed package for top management employees (global grades 15 and above) was 8.45 times higher (2018: 8.74 times) than the average guaranteed package for clerical/administration/semi-skilled employees (global grades 4 – 7).

Employee Category	2015	2016	2017	2018	2019
Ratio of top management (GG 15+) to clerical/administration/semi-skilled (GG 4 – 7)		8.93	8.78	8.74	8.45
Ratio of professionally qualified and subject matter expert/middle management (GG 12 – 14) to clerical/administration/semi-skilled (GG 4 – 7)	4.21	4.25	4.09	4.08	4.01
Professionally qualified and subject matter expert/middle management (GG 12 – 14) to skilled technical and academically qualified and junior management (GG 8 – 11)	2.17	2.19	2.19	2.18	2.20
Skilled technical and academically qualified and junior management (GG 8 – 11) to clerical/administration/semi-skilled (GG 4 – 7)	1.94	1.94	1.87	1.87	1.83

The Metair income gap analysis depicting the employee category/band ratios relative to the CEO's salary showed that in 2019 the CEO earned 3.81 times (2018: 3.73 times) higher than the average guaranteed package for top management employees (global grades 15 and above, excluding CEOs and CFOs).

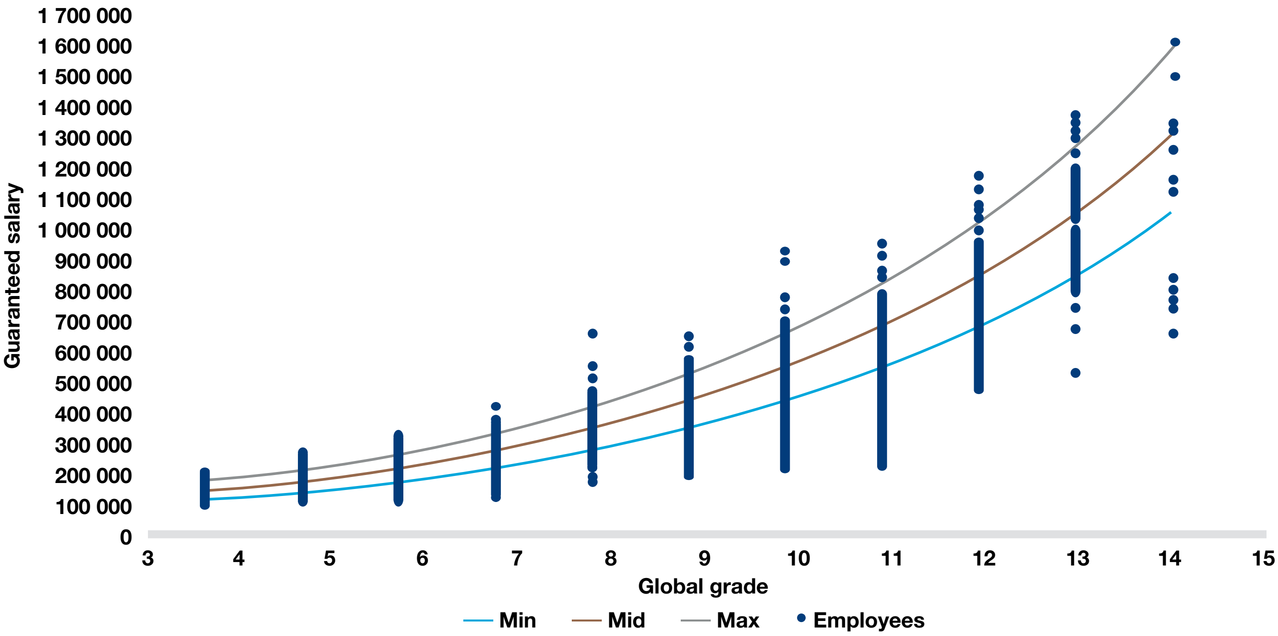
Employee Category	2016	2017	2018	2019
CEO (GG 21) to CFO (GG18)	1.63	1.63	1.63	1.70
CEO (GG 21) to top management (GG 15 and above, excluding CEO and CFO)	3.88	3.80	3.73	3.81
CEO (GG 21) to professionally qualified and subject matter expert/middle management (Global Grades 12 – 14)	7.45	7.42	7.26	7.29
CEO (GG 21) to skilled technical and academically qualified and junior management (Global Grades 8 – 11)	16.31	16.21	15.83	16.01
CEO (GG 21) to clerical/administration/semi-skilled (Global Grades 4 – 7)	31.68	30.30	29.63	29.25

2. Market position cap

The second element of Metair's approach plots remuneration for each position relative to the market and Metair's peers. The pay scale graph below shows the results of benchmarking group salaries for job grades 4 to 14 for 2019 and 2018.

The remuneration gap for Grades 8 to 11 was addressed in 2018 and again in 2019 in terms of competitiveness. An upliftment parameter of 8.5% instead of 7% was recommended for these grades. This market comparison is performed by an independent third party that benchmarks Metair against global peers in other manufacturing businesses. The comparison is used to determine where the group should remunerate within a three-tier grading across the lower quartile, the median or the upper quartile of the global peer group.

Metair group (all business units) salaries vs pay scale (October 2019)



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

The table below (Count 1 – Guaranteed pay) shows the lower quartile, median and upper quartile position for the guaranteed pay of the CEO and CFO in terms of their 2019 guaranteed packages, excluding short-term incentives. As can be seen from the table, the group CEO is at 100% and CFO is at 96% of the global median.

3. Pay structure

Count 1 – Guaranteed pay

The related market surveys and published reports on remuneration for 2020 and 2019 indicated a 6% increase for executive remuneration. The group decided to recommend a 6% (2019: 6%) salary increase for 2020.

In order to ensure fair and competitive remuneration for all workers, the percentage annual increase in hourly wages has exceeded the increase in salaried pay to help narrow the pay gap between salaried employees and wage earners for the last decade. Refer to the human capital section on page 56 for more information.

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

The table below (Count 1 – Guaranteed pay) shows group CEO and CFO remuneration for 2019.

2019

Count 1 – Guaranteed Pay

Position	Current Earnings (R)	Market Data January 2020: Lower quartile (R)	Market Data January 2020: Median (R)	Market Data January 2020: Upper quartile (R)	2019 actual earnings as % of market level: Lower quartile	2019 actual earnings as % of market level: Median	2019 actual earnings as % of market level: Upper quartile
CEO	7 373 653	6 444 939	7 582 281	8 719 624	114%	97%	85%
CFO	4 801 184	3 821 325	4 495 676	5 170 028	126%	107%	93%

2018

Count 1 – Guaranteed Pay

Position	Current Earnings (R)	Market Data January 2019: Lower quartile (R)	Market Data January 2019: Median (R)	Market Data January 2019: Upper quartile (R)	2018 actual earnings as % of market level: Lower quartile	2018 actual earnings as % of market level: Median	2018 actual earnings as % of market level: Upper quartile
CEO	6 770 542	6 270 262	7 376 779	8 483 296	108%	92%	80%
CFO	4 169 712	3 714 475	4 369 971	5 025 466	112%	95%	83%

Count 2 – Short-term incentive

The table below (Count 2 – Short-term incentive) compares the CEO and CFO short-term incentive participation for 2019 to the market:

The application of International Financial Reporting Standards (IFRS) results in a disconnect in the timing in which short-term incentives show in financial accounts since these incentives are paid and reflect in the company accounts in the year following the achieved and audited results on which the incentive is based. In this instance, the short-term incentives reflected in the annual financial statements, note 3, are based on the performance delivered against the 2018 financials and key performance indicator (KPI). However, the short-term incentives reflected in the table below are based on performance and KPIs delivered in 2019 but accrued in the annual financial statements of 2019 to be paid in 2020.

The CEO can participate at a theoretical capped maximum of 100% of CTC and the CFO at 70% where the actual capped percentage achieved for 2019 was at 72% for the CEO and 51% for the CFO.

The table below shows the actual performance elements for the 2019 STIP structure.

2019

Count 2 – Short-term incentive programme (incentive based on 2019 results to be paid in 2020)

Position	Actual % of CTC	Short-term incentive (R)	Market Data January 2020: Lower quartile (R)	Market Data January 2020: Median (R)	Market Data January 2020: Upper quartile (R)	2019 actual earnings as % of market level: Lower quartile	2019 actual earnings as % of market level: Median	2019 actual earnings as % of market level: Upper quartile
CEO	72%	5 318 757	3 480 185	4 094 335	4 708 485	153%	130%	113%
CFO	51%	2 468 154	1 524 949	1 794 057	2 063 166	162%	138%	120%

2018								
Count 2 – Short-term incentive programme (incentive based on 2018 results paid in 2019)								
			Market Data January 2019			**2018 actual earnings as % of market level**		
Position	**Actual % of CTC**	**Short-term incentive (R)**	**Lower quartile (R)**	**Median (R)**	**Upper quartile (R)**	**Lower quartile**	**Median**	**Upper quartile**
CEO	86%	5 659 475	3 434 561	4 040 660	4 646 759	165%	140%	122%
CFO	59%	2 437 313	1 627 886	1 915 160	2 202 434	150%	127%	111%

2019 STIP specific elements	Capped % CTC participation – CEO	Capped % CTC participation – CFO	Actual % CTC participation – CEO	Actual % CTC participation – CFO
Actual HEPS vs budgeted HEPS				
Incentive will be paid on a straight-line basis starting from 90% of budgeted HEPS	45%	39%	45%	39%
Annual specific performance KPIs:				
– Enhance shareholder value to NAV	2.5%	1.25%	2.5%	1.25%
– Improve FNB performance to 10% PBIT margin and appoint a suitable backup for the MD	2.5%	1.25%	0%	0%
– Sustain Mutlu Akü contribution in Rand – 5% growth on 2018	2.5%	1.25%	2.5%	1.25%
–Identify one Metair star and two back-up stars from the Energy Storage Vertical	2.5%	1.25%	2.5%	1.25%
Total	**10%**	**5%**	**7.5%**	**3.75%**
ROIC vs target				
Incentive will be earned on a straight-line basis between an ROIC of 14% and 15.5% for 2019	13%	6%	0%	0%
Over-performance Level 1 – Budgeted HEPS vs targeted HEPS for 2019				
Additional incentive paid on a straight-line basis between HEPS of 324 – 350 cps	22%	10%	10.2%	4.6%
Board specific KPIs: Performance against strategic execution targets				
– Optimal 5 year plan	2.5%	2.5%	2.5%	2.5%
– Intrinsic value exercise	2.5%	2.5%	2.5%	2.5%
– Develop and uplift plan options	2.5%	2.5%	2.5%	2.5%
– Appoint advisor to implement plan	2.5%	2.5%	2.5%	2.5%
Total	**10%**	**10%**	**10%**	**10%**
Maximum potential on budget	**100%**	**70%**	**72.7%**	**57.4%**

HEPS history (cents per share)

	2019	2018	2017	2016	2015
Target	Additional incentive paid on a straight-line basis between 324 – 350	Additional incentive paid on a straight-line basis between 272 – 300	Additional incentive paid on a straight-line basis between 238 – 262	Additional incentive paid on a straight-line basis between 230 – 248 and, 248 – 255 and, 255 – 285	Additional incentive paid on a straight-line basis between 260 – 290 and 290 – 310
Actual	336	327	281	229	248

Total Count 1 and 2 – Guaranteed pay and short-term incentive

2019							
		Market Data January 2020			2019 actual earnings as % of market level		
Position	Current Earnings (R)	Lower quartile (R)	Median (R)	Upper quartile (R)	Lower quartile	Median	Upper quartile
CEO	12 692 410	9 925 124	11 676 616	13 428 109	128%	109%	95%
CFO	7 269 338	5 346 274	6 289 733	7 233 194	136%	116%	100%

2018							
		Market Data June 2019			2018 actual earnings as % of market level		
Position	Current Earnings (R)	Lower quartile (R)	Median (R)	Upper quartile (R)	Lower quartile	Median	Upper quartile
CEO	12 430 017	9 693 003	11 403 533	13 114 063	128%	109%	95%
CFO	6 607 025	5 237 021	6 161 201	7 085 381	126%	107%	93%

The energy vertical head office is based in the Netherlands. Metair executive directors received director fees in the Netherlands from January 2019 which reflect in their total annual remuneration for the 2019 financial year.

Count 3 – Overseas assignments

There were no overseas assignments during the year.

Count 4 – Retention and the capped LTIP

The table below indicates the percentage of CTC that is used to calculate the number of share appreciation rights and performance shares that were awarded in 2019 to the CEO and CFO. The percentage of CTC allocation is applied on an annual basis.

	Share appreciation rights				Performance shares			
Position	% of CTC	Value (R)	No. of shares	At share value R/c	% of CTC	Deemed value (R)	No. of shares	At deemed share value R/c
CEO	40%	2 926 414	121 858	24.015	19%	1 390 053	62 615	22.20
CFO	29%	1 375 974	57 296	24.015	14%	649 283	29 247	22.20

Remuneration report (continued)

Details on awards for 2019	
Share appreciation rights	
Metair CEO	121 858
Metair CFO	57 296
Total group allocation	885 222
Allocation date	27 November 2019
Allocation price	R24.015
Vesting date	From 27 November 2022 in three equal portions annually
Performance shares	
Metair CEO	62 615
Metair CFO	29 247
Total group allocation	654 844
Allocation date	2 April 2019
Vesting date	2 April 2022

In line with shareholder requirements, Metair executives are required to hold three times CTC in vested and unvested shares. The following table shows the current holdings by way of personal holdings calculated at the Metair closing price of R23.10:

	Personal holdings	Unvested retention shares	Total	Times
CEO	106 459	800 000	906 459	2.8
CFO	143 048	–	143 048	0.7

Vesting in 2019

The table below contains details of vesting in 2019:

	Share appreciation rights				Performance shares				Bonus shares		
Position	% of CTC	Value (R)	No. of shares	At share value R/c	% of CTC	Deemed value (R)	No. of shares	At deemed share value R/c	Deemed Value (R)	No. of shares	At deemed share value R/c
CEO	40%	151 132	6 299	23.993	19%	1 228 141	53 654	22.89	18 312 000	800 000	22.89
CFO	–	–	–	–	15%	597 360	13 049	22.89	–	–	–

Details on vesting	
Bonus shares	
Metair CEO	800 000
Allocation date	1 April 2016
Vesting price	R22.89
Deemed value	R18 312 000
Vesting date	1 April 2019
Share appreciation rights	
Metair CEO	6 299
Date of award	25 November 2016
Vesting price	R23.993
Deemed value for CEO	R151 132
Vesting date	25 November 2019
The Metair CFO opted not to exercise his share appreciation rights and these were rolled to next year. Other share appreciation rights were not exercised as there was no appreciation from the grant price. The exercise of all thirds of the shares allocated on 2 April 2014, 26 November 2014 and 26 November 2015 were rolled to next year.	

Details on vesting (continued)	
Performance shares	
Metair CEO	53 654
Metair CFO	26 097
Allocation date	1 April 2016
Vesting price	R22.89
Deemed value for CEO	R1 228 140.96
Deemed value for CFO	R597 360.33
Vesting date	1 April 2019

Awards not yet vested

Details of awards that have not yet vested including awards made in 2019 are included in the table below.

Position	Type of awards	Grant date	Maturity date	Grant price	Number of awards	Fair value at grant date	Market value at 31 December 2019	Fair value as at 31 December 2019
CEO	Performance shares	03 Apr 17	03 Apr 20	R0.00	47 766	R31.60	R1 103 395	R1 509 406
		03 Apr 18	03 Apr 21	R0.00	55 805	R30.96	R1 289 096	R1 727 723
		03 Apr 19	03 Apr 22	R0.00	62 615	R32.61	R1 446 407	R2 041 875
	Share appreciation rights	02 Apr 14	03 Apr 19	R42.77	34 744	R13.04		R453 062
		26 Nov 14	26 Nov 19	R37.35	49 732	R9.50	–	R472 454
		26 Nov 15	26 Nov 20	R28.30	77 253	R8.04	–	R621 114
		25 Nov 16	26 Nov 21	R20.02	80 083	R6.75	–	R540 560
		27 Nov 17	27 Nov 22	R19.12	133 326	R5.85	R530 637	R779 957
		27 Nov 18	27 Nov 23	R17.70	152 663	R6.21	R824 380	R948 037
		27 Nov 19	27 Nov 24	R24.02	121 858	R7.37	–	R898 093
Total					**815 845**		**R5 193 914**	**R9 992 281**
CFO	Bonus shares	19 Jun 17	19 Jun 20	R0.00	250 000	R0.00	R0	R0
	Performance shares	03 Apr 17	03 Apr 20	R0.00	23 346	R20.22	R539 293	R539 293
		03 Apr 18	03 Apr 21	R0.00	27 275	R17.21	R630 053	R630 053
		03 Apr 19	03 Apr 22	R0.00	29 247	R22.20	R675 606	R675 606
	Share appreciation rights	26 Nov 14	26 Nov 19	R37.35	250 000	R11.17	–	R2 792 500
		02 Apr 14	03 Apr 19	R42.77	22 252	R13.04	–	R290 166
		26 Nov 14	26 Nov 19	R37.35	22 493	R9.50	–	R213 684
		26 Nov 15	26 Nov 20	R38.30	28 834	R8.04	–	R231 825
		25 Nov 16	26 Nov 21	R20.02	59 101	R6.75	–	R398 932
		27 Nov 17	27 Nov 22	R19.12	65 596	R5.85	R261 072	R383 737
		27 Nov 18	27 Nov 23	R17.70	75 110	R6.21	R405 594	R466 433
		27 Nov 19	27 Nov 24	R24.02	57 296	R7.37	–	R422 272
Total				**–**	**910 550**	**–**	**R2 511 617**	**R6 622 227**

Fair value is based on the higher of the intrinsic value or the originally determined value in terms of IFRS2. The intrinsic value is based on the market value of the Metair share of R23.10 on 31 December 2019 and assumes that all performance criteria have been met.

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

Total Annual Remuneration

Total Annual Remuneration for the group CEO and CFO consisting of all four pay counters for 2019 is shown in the table below.

2019				
Position	**Count 1 Guaranteed**	**Count 2 Short-term incentive**	**Count 4 Long-term incentive**	**Total**
CEO	7 373 653	5 318 757	1 379 272	14 071 682
CFO	4 801 184	2 468 154	597 360	7 866 699

Reconciliation between executive remuneration shown in the annual financial statements and the above:

Position	Count 1 Guaranteed	Subsistence allowance	Count 2 Short-term incentive prior year	Count 4 Long-term incentive	Total
CEO	7 373 653	110 798	5 659 475	1 379 272	14 523 198
CFO	4 801 184	77 720	2 437 313	597 360	7 913 577

2018					
Position	**Count 1 Guaranteed**	**Subsistence allowance**	**Count 2 Short-term incentive prior year**	**Count 4 Long-term incentive**	**Total**
CEO	6 770 542	5 659 475	1 092 783	–	13 522 800
CFO	4 169 712	2 437 313	–	1 828 800	8 435 825
The CFO retained 130 000 shares of the 250 000 shares that vested, with 120,000 shares sold for tax purposes. The balance of the shares remains restricted and invested in Metair shares, as per his agreement with the company.					

Reconciliation between executive remuneration shown in the annual financial statements and the above:

Position	Count 1 Guaranteed	Subsistence allowance	Count 2 Short-term incentive prior year	Count 3 Assignments	Count 4 Long-term incentive	Total
CEO	6 770 542	124 797	5 783 819	1 092 783	–	13 771 941
CFO	4 169 712	113 839	2 576 319	–	1 828 800	8 688 670

Top three executives' remuneration

The remuneration of the top three executives of the group, excluding Metair's holding company executives, is as follows:

Executive emoluments	Executive 1 R'000	Executive 2 R'000	Executive 3 R'000
Salaries and allowances	2 541	2 361	3 571
Performance bonuses	1 183	1 370	378
Pension and provident fund contributions	309	277	103
Company contributions	93	86	507
Gain on exercise of share options	501	467	–
Total	**4 627**	**4 561**	**4 559**

Non-executive directors' remuneration

An increase of 6% on non-executive directors' fees was recommended and will be presented for approval by shareholders at the 2020 annual general meeting. Directors' fees proposed for 2020 are exclusive of VAT and are as follows:

Board chairman	R686 880 per annum
Non-executive directors	R343 440 per annum
Audit and risk committee chairman	R41 200 per meeting
Audit and risk committee member	R25 180 per meeting
Remuneration committee chairman	R30 560 per meeting
Remuneration committee member	R19 110 per meeting
Nominations committee chairman	R30 560 per meeting
Nominations committee member	R19 110 per meeting
Social and ethics committee chairperson	R26 780 per meeting
Social and ethics committee member	R13 740 per meeting
Investment committee chairman	R26 780 per meeting
Investment committee member	R13 740 per meeting

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

Shareholder analysis

Company: Metair Investments Limited
Register date: 27 December 2019
Issued Share Capital: 198 985 886

Shareholder spread	No of shareholdings	%	No of shares	%
1 – 1 000 shares	1 556	50.42	510 500	0.26
1 001 – 10 000 shares	980	31.76	3 282 394	1.65
10 001 – 100 000 shares	362	11.73	11 902 582	5.98
100 001 – 1 000 000 shares	145	4.70	41 888 833	21.05
1 000 001 shares and over	43	1.39	141 401 577	71.06
Totals	**3 086**	**100.00**	**198 985 886**	**100.00**

Distribution of shareholders	No of shareholdings	%	No of shares	%
Banks/Brokers	71	2.30	30 648 695	15.40
Close Corporations	26	0.84	225 072	0.11
Endowment Funds	16	0.52	432 761	0.22
Individuals	2 322	75.24	7 856 704	3.95
Insurance Companies	33	1.07	5 789 897	2.91
Investment Companies	1	0.03	35 277	0.02
Medical Schemes	6	0.19	1 316 918	0.66
Mutual Funds	188	6.09	81 415 823	40.92
Other Corporations	22	0.71	47 226	0.02
Private Companies	76	2.46	2 454 432	1.23
Public Companies	4	0.13	8 200	0.00
Retirement Funds	118	3.82	59 309 286	29.81
Treasury Stock	1	0.03	7 374 032	3.70
Trusts	202	6.55	2 082 195	1.05
Totals	**3 086**	**100.00**	**198 985 886**	**100.00**

Public/non-public shareholders	No of shareholdings	%	No of shares	%
Non-public shareholders	**5**	**0.16**	**32 278 883**	**16.22**
Directors and Associates of the Company	3	0.10	1 049 507	0.53
Holdings of more than 10%	1	0.03	23 865 976	11.99
Treasury Stock	1	0.03	7 363 400	3.70
Public Shareholders	**3 081**	**99.84**	**166 707 003**	**83.78**
Totals	**3 086**	**100.00**	**198 985 886**	**100.00**

Beneficial shareholders holding 3% or more	No of Shares	%
Value Active PFP H4 QI Hedge Fund	23 865 976	11.99
Government Employees Pension Fund	18 706 229	9.40
Foord	11 982 461	6.02
Investec	9 615 803	4.83
Alexander Forbes Investments	7 866 401	3.95
Somerset Capital Management	7 574 579	3.81
Business Venture Investments No 1217	7 363 400	3.70
Mines Pension Fund	7 256 334	3.65
Standard Bank Group Retirement Funds	6 498 109	3.27
Vanguard	6 274 546	3.15
Totals	**107 003 838**	**53.77**

Institutional shareholding 3% or more	No of Shares	%
Value Capital Partners	37 698 710	18.95
Foord Asset Management	22 831 455	11.47
Kagiso Asset Management	21 044 956	10.58
Public Investment Corporation	16 539 334	8.31
Investec Asset Management	15 869 710	7.98
Somerset Capital Management	8 726 459	4.39
Dimensional Fund Advisors	6 473 521	3.25
Vanguard	6 274 546	3.15
Totals	**135 458 691**	**68.07**

Breakdown of non-public holdings		
Directors	**No of Shares**	**%**
Douwenga, S	**143 048**	**0.07**
Douwenga, S	143 048	0.07
Loock, CT	**906 459**	**0.45**
Loock, CT	902 598	0.45
Loock, CT	3 861	0.00
Totals	**1 049 507**	**0.53**

Treasury Stock	No of Shares	%
Business Venture Investments No.1217	7 374 023	3.70
Totals	**7 374 023**	**3.70**

Holdings of more than 10%	No of Shares	%
Value Active PFP H4 QI Hedge Fund	23 865	11.9
Totals	**23 865**	**11.9**

Breakdown of beneficial shareholders holding 3% or more		
Beneficial Shareholders Holding 3% or more	**No of Shares**	**%**
Value Capital Partners	**23 865 976**	**11.99**
Value Active PFP H4 QI Hedge Fund	23 865 976	11.99
Government Employees Pension Fund	**18 706 229**	**9.40**
Government Employees Pension Fund – Public Investment Corporation	13 664 163	6.87
Government Employees Pension Fund – Sentio Capital Management	3 426 890	1.72
Government Employees Pension Fund – Public Investment Corporation	944 274	0.47
Government Employees Pension Fund – LEGACY AFRICA Fund Managers	347 813	0.17
Government Employees Pension Fund – Mianzo Asset Management	323 089	0.16
Foord	**11 982 461**	**6.02**
Foord Balanced Fund	7 316 700	3.68
Foord Equity Fund	4 343 767	2.18
Foord Domestic Balanced Fund	321 994	0.16

Shareholder analysis (continued)

Breakdown of beneficial shareholders holding 3% or more		
Beneficial Shareholders Holding 3% or more	**No of Shares**	**%**
Investec	**9 615 803**	**4.83**
Investec E merging Companies Fund	3 111 410	1.56
Investec Special Focus Fund	2 541 059	1.28
Investec Value Fund	2 188 994	1.10
Investec Active Quants QI Hedge Fund En Commandite Partnership	822 924	0.41
Investec Absolute Balanced Fund	378 245	0.19
Investec Securities – Proprietary STRATE A/C No 2	269 107	0.14
Investec Active Quants Fund	239 510	0.12
Investec SA Value Fund	64 554	0.03
Somerset Capital Management	**7 574 579**	**3.81**
PFS Somerset Emerging Markets Small Cap Fund	6 279 957	3.16
PFS Somerset Emerging Markets Small Cap Fund	1 294 622	0.65
Alexander Forbes Investments	**7 866 401**	**3.95**
Alexander Forbes Investments Fully Discretionary Local	5 275 630	2.65
Alexander Forbes Investments Funds	875 400	0.44
Alexander Forbes Investments Funds	519 417	0.26
Alexander Forbes Investments Funds – Low Equity Conserver	238 188	0.12
Alexander Forbes Investments Funds	182 094	0.09
Alexander Forbes Investments Funds – Equity	166 669	0.08
Alexander Forbes Investments Funds – Multi-Factor	159 263	0.08
Alexander Forbes Investments – Shariah Equity	120 058	0.06
Alexander Forbes Investments Funds – Capped SWIX Tracker	116 905	0.06
Alexander Forbes Investments Funds – Local Balanced	90 831	0.05
Alexander Forbes Investments Funds	39 680	0.02
Alexander Forbes Investments Funds – Performer Balanced	27 212	0.01
Alexander Forbes Investments – Aggressive Equity	23 325	0.01
Alexander Forbes Investments Funds – Multi-Factor	17 684	0.01
Alexander Forbes Investments Funds	14 045	0.01
Vanguard	**6 274 546**	**3.15**
Vanguard Total International Stock Index Fund	2 952 144	1.48
Vanguard Emerging Markets Stock Index Fund	2 697 746	1.36
Vanguard FTSE All-World ex-US Small-Cap Index Fund	520 139	0.26
Vanguard Institutional Total International Stock Market Index Trust	72 579	0.04
Vanguard Total World Stock Index Fund	31 938	0.02
Business Venture Investments No.1217	**7 374 023**	**3.70**
Business Venture Investments No.1217	7 374 023	3.70
Mines Pension Fund	**7 256 334**	**3.65**
Sentinel Mining Industry Retirement Fund	6 025 459	3.03
Sentinel Mining Industry Retirement Fund	1 212 345	0.61
Sentinel Mining Industry Retirement Fund	18 530	0.01

Breakdown of beneficial shareholders holding 3% or more		
Beneficial Shareholders Holding 3% or more	**No of Shares**	**%**
Standard Bank Group Retirement Funds	**6 498 109**	**3.27**
Standard Bank Group Retirement Funds	2 786 970	1.40
Standard Bank Group Retirement Funds	1 988 355	1.00
Standard Bank Group Retirement Funds	1 722 784	0.87
Totals	**83 137 862**	**41.78**

Independent assurance statement

To the management and stakeholders of Metair Investments Limited

Introduction

IBIS ESG Assurance Proprietary Limited (IBIS) was commissioned by Metair Investments Limited (Metair) to conduct an independent third-party assurance engagement in relation to the sustainability information in its integrated annual report (the report) for the financial year that ended 31 December 2019.

IBIS is an independent licensed provider of sustainability assurance services. The assurance team was led by Petrus Gildenhuys with support from Adam Sutton-Pryce and Jason Naidoo from IBIS. Petrus is a Lead Certified Sustainability Assurance Practitioner (LCSAP) with more than 25 years' experience in sustainability performance measurement involving both advisory and assurance work. This assurance engagement is the first sustainability assurance engagement conducted for Metair by IBIS.

Assurance standard applied

This assurance engagement was performed in accordance with AccountAbility's AA1000AS (2008) standard and was conducted to meet the AA1000AS Type II moderate level requirements

Respective responsibilities and IBIS' independence

Metair

Metair is responsible for preparing their integrated annual report and for the collection and presentation of sustainability information within the report.

Metair is also responsible for maintaining adequate records and internal controls that support the reporting processes.

IBIS

IBIS' responsibility is to the management of Metair alone and in accordance with the scope of work and terms of reference agrees with Metair.

IBIS applies a strict independence policy and confirms its impartiality to Metair in delivering the assurance engagement.

Assurance scope

The scope of the subject matter for moderate assurance in accordance with the AA1000AS assurance standard, as captured in the agreement with Metair, is set out below:

Subject matters in the assurance scope

- Metair's alignment with the AA1000APS (AccountAbility Principles Standard) stakeholder engagement principles of inclusivity, materiality, responsiveness
- Metair's alignment with the GRI Standards "core" reporting requirements
- The following selected disclosures relating to material sustainability issues and commitments

- Total number of employees (including contractors)
- Total number of persons with disabilities
- Percentage of female employees
- Absenteeism rate
- Employee turnover
- Total number of employees trained
- Total number of persons with disabilities trained
- Total direct and indirect consumption of energy
- Total water consumption
- Total volume of solid waste sent for disposal at landfill
- Total volume of solid waste sent for recycling
- Total number of person hours worked
- Fatal Injury Frequency Rate (FIFR)
- Lost Time Injury Frequency Rate (LTIFR)
- Total Injury Frequency Rate (TIFR)

Assessment criteria

The following assessment criteria were used in undertaking the work:

AA1000APS (Accountability Principles Standard	Metair Sustainability Definitions (2017 Update)	Global Reporting Initiative (GRI) Standards
AA1000APS (2008) Principles of inclusiveness, materiality and responsive criteria	Metair's operational guideline that specifies definitions for reporting of sustainability information included in the integrated annual report	Alignment with GRI Standards "core" reporting requirements

Assurance procedures performed

Our assurance methodology included:

Site visits	Interviews	Inspection	Assessing	Reporting
Site visits to Hesto Harnesses, Smiths Manufacturing and Smiths Plastics, which involved testing, on a sample basis, the measurement, collection, aggregation and reporting processes in place.	**Interviews** with relevant functional managers at group and operations to understand and test the processes in place for maintaining information in relation with the subject matters in the assurance scope.	**Inspection and corroboration** of supporting evidence to evaluate the data generation and reporting processes against the assurance criteria.	**Assessing** the presentation of information relevant to the scope of work in the integrated annual report for consistency with the assurance observations.	**Reporting** the assurance observations to management as they arose to provide an opportunity for corrective action prior to completion of the assurance process.

Engagement limitations

IBIS planned and performed the work to obtain all the information and explanations believed necessary to provide a basis for the assurance conclusions for a moderate level of assurance in accordance with AA1000AS (2008).

The procedures performed in a moderate assurance engagement vary in nature from, and are less in extent, than for a high assurance engagement. As a result, the level of assurance obtained for a moderate assurance engagement is lower than for high assurance as per AA1000AS (2008).

Assurance conclusion

In our opinion, based on the work undertaken for moderate assurance as described, we conclude that the subject matters in the scope of this assurance engagement have been prepared in accordance with the defined criteria and are free from material misstatements.

Key observations and recommendations for improvement

Based on the work set out above, and without affecting the assurance conclusion, the key observations and recommendations for improvement are as follows:

In relation to AA1000APS

Inclusivity: Metair has followed board-approved stakeholder engagement processes during the reporting period. Evidence observed pointed to inclusive stakeholder engagement where integrated thinking and decision-making is performed. Through the group's stakeholder engagement process, Metair annually reviews their key stakeholder groups. Stakeholder engagement processes are formalised through the group stakeholder engagement policy. The board is responsible for stakeholder engagement and directors are informed of material engagements and their outcomes during quarterly board meetings. Due to the dynamic nature of the Metair group, engagement channels are both ad hoc and formal in nature.

Materiality: Evidence observed confirmed that Metair has maintained due process in mapping and disclosing its material stakeholder matters in a transparent and balanced manner. An established materiality determination process was performed in 2019 and considers a range of internal and external sources including engagements with key stakeholders. The material issues determination process is connected to Metair's rigorous risk management process where material issues are linked to Metair's top risks, opportunities and strategic objectives. The integrated annual report sets out matters of primary concern to stakeholders, how they are addressed and the relevant engagement channels for key stakeholder groups.

Responsiveness: Metair's responses to stakeholder issues observed across different stakeholder groups and case studies sampled indicate a high level of accountability to stakeholder issues raised. Responses to stakeholders were found to be directly related to the stakeholder concerns and were conducted in a timely, fair and appropriate manner without prejudice to any one stakeholder group. With the introduction of the new AA1000AP (2018) standard, which includes the addition of the Impact Principle, it is recommended that Metair starts introducing processes to formally monitor and report the key outcomes from stakeholder engagement processes on an annual basis.

In relation to Metair's alignment with the GRI Standards

Although Metair does not claim reporting to any GRI reporting option, a review of the report against the GRI Standards indicated alignment with the GRI Standards reporting requirements.

In relation to the selected disclosures

It was observed that appropriate measures are in place to provide reliable source-data related to the selected disclosures in the assurance scope. Metair has an established sustainability data management system in place, which assists with the collection and consolidation of sustainability information. It was found that the actual collection, verification, and reporting of sustainability information presented challenges at a subsidiary level, with some data inconsistencies being identified during the assurance process that were subsequently corrected. IBIS is satisfied with the accuracy of the final data in the assurance scope.

There is room for improvement with regards to the current Metair Sustainability Definitions guidance. In particular, IBIS noted inconsistencies in the interpretation of definitions by the subsidiaries for training as well as environmental spend information. Definitions included in the guideline can be enhanced with more specific requirements and criteria as well as the introduction of guidance on the implementation of key internal controls to ensure that sustainability information collected by subsidiaries is consistent across all Metair subsidiary companies.

A comprehensive management report detailing specific findings and recommendations for continued sustainability reporting improvement has been submitted to Metair management for consideration.

Petrus Gildenhuys
Director
IBIS ESG Assurance (Pty) Ltd

AA1000
Licensed Assurance Provider
000-156

Johannesburg
24 February 2020

Supplementary schedules

Glossary

ABM	Associated Battery Manufacturers (East Africa) Limited
AGOA	Africa Growth and Opportunity Act. US legislation to support the development of Sub-Saharan countries
APDP	Automotive Production and Development Programme. A government support programme for the South African automotive industry
B-BBEE	Broad-Based Black Economic Empowerment
BV	Book value
CDP	Carbon Disclosure Project
CEO	Chief executive officer
CFO	Chief financial officer
CGT	Capital gains tax
CGU	Cash generating unit
CPI	Consumer price index
CSI	Corporate social investment
CTC	Cost to company
EBITDA	Earnings before interest, tax, depreciation and amortisation
ECL	Expected credit loss
EE	Employment equity
ESG	Environmental, social and governance
EU	European Union
EV	Electric vehicle
FMCG	Fast-moving consumer goods
FNB	First National Battery
GDP	Gross domestic product
GG	Global grade
GHG	Greenhouse gas
GJ	Gigajoules
GRI	Global Reporting Initiative
HDSA	Historically disadvantaged South African
HEPS	Headline earnings per share
HR	Human resources
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards
IMDS	International Material Data System
IIRC	International Integrated Reporting Council
IP	Intellectual property
IRBA	Independent Regulatory Board for Auditors
ISO	The International Organisation for Standardization
IT	Information Technology
JSE	Johannesburg Stock Exchange

Supplementary schedules (continued)

Glossary

KPI	Key Performance Indicator
LCV	Light commercial vehicle
LME	London Metal Exchange
LTIFR	Lost time injury frequency rate
LTIP	Long-term incentive plan
MD	Managing director
MERSETA	Manufacturing, Engineering and Related Services SETA
MIB	Metair International Battery Metair's battery marketing organisation
MOI	Memorandum of Incorporation
MWh	Megawatt hours
NAACAM	National Association of Automotive Component and Allied Manufacturers of South Africa
NAAMSA	National Association of Automobile Manufacturers South Africa
NAV	Net asset value
OE	Original Equipment
OEM	Original Equipment Manufacturer
OHSAS	Occupational Health and Safety Assessment Series
PBIT	Profit before interest and tax
PHW	Person-hours worked
RCF	Revolving Credit Facility
ROE	Return on equity
ROIC	Return on invested capital
SABS	South African Bureau of Standards
SAICA	South African Institute of Chartered Accountants
SANS	South African National Accreditation System
SENS	Stock Exchange News Service
SETA	Sector Education and Training Authority Skills development institutions established by the Skills Development Act in South Africa
SHE	Safety, health and environment
STIP	Short-term incentive plan
TCFD	Taskforce for Climate-related Financial Disclosure
TL	Turkish Lira
TSAM	Toyota South Africa Motors
TSR	Total shareholders return
UWC	University of the Western Cape
VCA	Vehicle Certification Agency
VCT	Voluntary counselling and testing
WACC	Weighted average cost of capital

Appendix I – Key stakeholders

Shareholders		
Primary concerns	**How we address these concerns**	**Engagement channels include**
Acceptable return on invested capital, capital allocation, strategy, sustainability of the business, total shareholder returns and unlocking share value.	• Regular management engagement to stay aware of shareholder expectations. • Non-executive director engagements with major shareholders. • Well-defined return targets. • Regular review of strategy to ensure alignment with shareholder priorities. • Delivery on our strategy supports returns and the sustainability of the business.	• Integrated annual report • Sustainability information • Results commentaries • The abridged report • Annual general meeting • Annual and interim results presentations • One-on-one meetings • Investor perception surveys • Site visits • Website • Pre- and post-results feedback • Pre-close period meetings • SENS announcements • Press releases • Analyst reports • Ad hoc meetings (as requested)
Analysts		
Primary concerns	**How we address these concerns**	**Engagement channels include**
Acceptable return on invested capital, sustainability of the business, access to management.	• Regular engagement to understand their needs and meet their disclosure requirements where possible.	• Participation in industry forums. • Annual and interim results presentations • One-on-one meetings • Site visits • Website • Research papers
Customers (existing and potential)		
Primary concerns	**How we address these concerns**	**Engagement channels include**
Product quality, delivery standards, cost competitiveness, brand strength, sustainability of our business, B-BBEE, transformation and innovation.	• Our strategic focus on manufacturing excellence, marketing excellence and cost efficiencies aligns the company with customers' needs. • We are committed to delivering flawless model launches, zero quality incidents and to continue to produce innovative products. • We participate in industry forums to better understand our customers' needs and to represent the interests of automotive component and energy storage manufacturers. • Our strategy includes effective management of ESG concerns, transformation and quality production. • External verification of sustainability reporting, B-BBEE status and ISO 9001 and ISO/IATF 16949 accreditation.	• Contract negotiations • Ongoing interactions in the ordinary course of business • Quality reviews • Performance reviews • Industry forums • Trade shows and exhibits • Customer reward systems • Customer visits
Suppliers and trading partners		
Primary concerns	**How we address these concerns**	**Engagement channels include**
Fair payment terms, fair treatment and sustainability.	• Metair takes an ethical approach to doing business and our payment terms align with industry norms. • Participation in industry forums to better understand the concerns of suppliers.	• Contract negotiations • Ongoing interactions in the ordinary course of business • Supplier audits • Service level agreement negotiations • Industry forums • Trade shows and exhibits • Annual meetings

Appendix I – Key stakeholders (continued)

Business partners (JVs and associates)		
Primary concerns	**How we address these concerns**	**Engagement channels include**
Financial performance, fair treatment and quality of management.	• We are committed to ethical business practices and respect the interests of our business partners. • Implementation of strategy.	• Ongoing interactions in the ordinary course of business
Government regulators		
Primary concerns	**How we address these concerns**	**Engagement channels include**
Transformation, health and safety, environmental responsibility, regulatory compliance, sustainable employment, corporate social responsibility.	• Metair's commitment to custodianship and ethical business practices supports social and environmental responsibility. • We invest in employee development and take a responsible and sensitive approach where adjustments are required to employment levels in line with all regulatory requirements. • Our CSI projects promote socio-economic development in our host communities. • Policies and procedures are in place to ensure compliance with all relevant regulations.	• Engagements on specific policy issues • Representation on industry bodies • Regular regulatory submissions • Interactions as required
Employees		
Primary concerns	**How we address these concerns**	**Engagement channels include**
Equal work/equal pay demands, health and safety, transformation, shareholding participation expectation, banning of labour brokers, preferred procurement from BEE accredited parties, education, training and skills development, company involvement in secondary and tertiary education in communities, rural area economic development, deliverable and sustainable corporate social investment programs, anti-internationalisation and globalisation demands for South African businesses.	• Metair's ethical approach to doing business includes fair treatment and remuneration of our workers and a focus on health and safety standards and procedures. • Operations ensure that working conditions are acceptable, including workstations, canteen facilities, ablution facilities and meeting areas. • We invest substantially in skills development and aim to maintain good relationships with unions as representatives of our employees. • Remuneration benchmarking and formal job grading and evaluation provide objective measures of fair remuneration. • We are committed to transformation and have implemented initiatives to improve transformation performance at both group and operational levels. • CSI projects focus on rural and company-specific areas of support for schools, clinics, NGOs and any other feasible projects or entities. • Internationalisation and globalisation are driven by local sustainability needs to retain or gain international supply contracts and business opportunities.	• Operational performance reviews • Feedback sessions • CEO site visits • Electronic communication • Anonymous Tip Offs hotline • Company website • Induction programmes • Job grading systems • Job specification requirements • Training and skills development

Trade Unions		
Primary concerns	**How we address these concerns**	**Engagement channels include**
Fair remuneration, equal work/equal pay demands, health and safety, transformation, banning of labour brokers, preferred procurement from BEE accredited parties, education, training and skills development, anti-internationalisation and globalisation demands for South African businesses.	• We respect the rights of employees to freedom of association and aim to maintain constructive relationships with unions that appropriately balance the needs and interests of all parties. • Metair's ethical approach to doing business includes fair treatment and remuneration of our workers and a focus on health and safety standards and procedures. • We aim to maintain good relationships with unions as representatives of our employees. • Operations ensure that working conditions are acceptable, including workstations, canteen facilities, ablution facilities and meeting areas. • Remuneration benchmarking and formal job grading and evaluation provide objective measures of fair remuneration. • We are committed to transformation and have implemented initiatives to improve transformation performance at both group and operational levels. • Internationalisation and globalisation driven by local sustainability needs to retain or gain international supply contracts and business opportunities.	• Union interactions as required • Wage negotiations • Company website
Industry bodies (NAACAM, NAAMSA)		
Primary concerns	**How we address these concerns**	**Engagement channels include**
Good corporate conduct, support in engaging government and regulators on industry matters.	• We take an ethical approach to doing business and engage with regulators and government to further the interests of the company and broader industry.	• Representation on industry bodies • Member of the South African Battery Manufacturers Association • Member of and represented on the National Executive Committee of NAACAM
Media		
Primary concerns	**How we address these concerns**	**Engagement channels include**
Access to management	• Management aims to be appropriately accessible within operational constraints.	• Interactions as requested • Press releases • Website
Consultants and service providers		
Primary concerns	**How we address these concerns**	**Engagement channels include**
Fair payment terms, fair treatment and fair contractual responsibility.	• Metair takes an ethical approach to doing business and our payment terms align with industry norms.	• Ongoing engagements in the normal course of business

Appendix II – Accreditation

	Environmental	Health and Safety	Quality (non-auto)	Quality (auto)	Energy Management	Quality (OEM)	Quality (OEM)	Quality (OEM)	Quality (EU)
Subsidiaries	**ISO 14001**	**OHSAS 18001/ ISO 45001**	**ISO 9001**	**ISO/ IATF 16949**	**ISO 50001**	**Q1 Ford**	**QSB Isuzu**	**Formal Q**	**VCA**
First National Battery	✔	✔	✔	✔	✔	✔	✔	✔	N/A
Smiths Manufacturing	✔	✔	✔	✔	✔	N/A	✔	N/A	N/A
Hesto Harnesses	✔	✔	✔	✔	✔	Planned for March 2023	✔	N/A	N/A
Smiths P/Automould	✔	✔	✔	✔	In progress	In progress	N/A	N/A	N/A
Supreme Spring	✔	✔	✔	✔	✔	✔	✔	✔	N/A
Alfred Teves	✔	✔	✔	N/A	Planned for 2020	N/A	N/A	N/A	✔
Lumotech	✔	✔	✔	✔	Stage 1	✔	N/A	✔	✔
Tenneco	✔	✔	✔	✔	✔	✔	✔	✔	N/A
Valeo Systems	✔		✔	✔		✔	N/A	✔	N/A
Unitrade	✔	✔	✔	✔	Stage 1	N/A	N/A	N/A	N/A
Rombat	✔	✔	✔	✔	✔	N/A	N/A	N/A	N/A
Mutlu Akü	✔	✔	✔	✔	✔	✔			N/A
ABM	✔		✔	Planned for 2020		N/A	N/A	N/A	N/A
MOLL	✔	N/A	✔	✔	✔	N/A	N/A	✔	N/A

Appendix III – Sustainability data table

		FY2019	FY2018	FY2017	FY2016	FY2015
Labour						
Total number of permanent employees	Number	7 645	7 439	7 432	7 028	6 801
Total number of temporary employees	Number	644	788	810	1153	849
Total number of contractors	Number	998	1 074	861	492	568
Total employees (including contractors)	Number	9 287	9 301	9 103	8 673	8 218
Percentage of employees who are deemed "HDSA" (South Africa only)	%	92.0%	90.70%	90.30%	90.90%	92.0%
Percentage of employees who are women	%	33.5%	32.40%	32.30%	32.8%	33.3%
Percentage of employees who are permanent	%	92.2%	90.40%	81.6%	81.0%	82.8%
Percentage of employees who belong to a trade union	%	71.7%	70.40%	69.70%	72.8%	58.5%
Total number of employee terminations	Number	1 810	2 059	1 875	2 096	1 619
Employee turnover rate	%	9.7%	8.9%	11.5%	8.4%	8.2%
Total number of person hours worked – all employees and contractors	Number	18 890 351	18 572 407	17 721 822	18 160 037	16 518 238
Total number of person days lost due to absenteeism	Number	71 134	76 074	61 797	69 699	60 501
Absenteeism rate	%	3.2%	3.60%	3.00%	3.3%	3.2%
Total number of person days lost due to industrial action	Number	52	36 502	9 601	4 287	7 407
Industrial action rate	%	0.0%	1.70%	0.4%	0.2%	0.4%
Total number of employees trained	Number	10 630	8 867	7 593	8 590	6 122
Total number of training interventions	Number	26 807	26 632	15 288	17 592	30 633
Rand value of employee training spend	R (million)	34.7	28.2	27.3	30.9	15.0
Rand value of research and development spend	R (million)	28.0	35.0	38.6	59.8	74.7
Health and Safety (all employees and contractors)						
Total number of lost time injuries	Number	73	107	86	109	115
Total number of medical treatment cases	Number	89	156	87	156	243
Total number of first aid cases	Number	549	771	875	582	661
Total number of recordable injuries	Number	162	263	173	265	358
Fatal injury frequency rate	Rate	0	0	0	0	0
Lost time injury frequency rate	Rate	0.77	1.15	0.97	1.20	1.39
Total recordable injury frequency rate	Rate	1.01	2.83	1.95	2.92	4.33
Total injury frequency rate	Rate	7.53	11.13	11.83	9.33	12.34
Total number of employees and contractors receiving Voluntary Counselling and Testing (VCT) for HIV/Aids (i.e. counselled)	Number	670	540	408	501	772
Total number of employees and contractors tested for HIV/Aids	Number	1 119	882	809	902	902
Environmental						
Carbon footprint						
– Scope 1	tCO_2e	47 031	44 800*	44 603	46 468	46 353
– Scope 2	tCO_2e	173 311	153 767*	138 134	141 376	146 046
– Scope 3	tCO_2e	421 099	423 946*	455 455	398 100	370 722
– Total	tCO_2e	641 441	622 513*	638 192	585 944	563 120
Energy						
Total electricity consumption	MWh	217 121	212 156	201 381	191 055	180 782
Total petrol consumption	litres	279 185	270 015	288 285	303 528	290 229
Total diesel consumption	litres	726 353	757 849	1 430 114	690 653	651 778

Appendix III – Sustainability data table (continued)

		FY2019	FY2018	FY2017	FY2016	FY2015
Environmental						
Water						
Total water consumption	m^3	624 332	650 727	621 330	622 027	587 363
Total volume of water discharged	m^3	262 253	194 061	192 909	180 595	191 948
Non-hazardous waste						
Total volume of non-hazardous waste sent to landfill	kgs	6 203 292	6 254 820	3 359 479	3 457 811	5 841 258
Total volume of paper recycled	kgs	73 100	386 865	802 564	660 000	369 592
Total volume of cardboard recycled	kgs	1 707 760	1 552 227	902 285	867 985	854 426
Total volume of plastic recycled (internal and external)	kgs	4 748 610	3 780 586	3 647 220	4 142 133	2 728 303
Total volume of glass recycled	kgs	105	870	450	490	1 045
Total volume of metal recycled (including tin cans) (internal and external)	kgs	2 663 296	1 572 258	1 752 462	1 799 905	1 323 514
Total volume of biodegradable wet waste recycled	kgs	720 928	525 110	423 458	350 855	409 980
Total volume of other waste recycled (e-waste, wood, polystyrene, packaging foil etc.)	kgs	1 117 875	1 177 002	1 106 516	544 963	312 594
Total volume of non-hazardous waste recycled	kgs	11 031 674	8 994 897	8 634 955	8 366 331	5 999 454
Hazardous waste						
Total volume of hazardous waste sent to appropriate disposal sites	kgs	22 086 842	20 362 268	22 187 270	17 838 510	1 9274 878
Total volume of lead recycled	Tonnes	±67 300	±64 400	±67 000	±75 000	±68 000
Total volume of oils recycled	litres	27 847	52 424	37 276	66 701	58 098
CSI/SED Expenditures						
Rand Value of Corporate Social Investment (CSI)/Socioeconomic Development (SED) expenditures	R (million)	18.9	11.2	10.1	13.6	21.4
Rand Value of CSI/SED spend on education	R (million)	2.8	1.6	1.9	2.9	8.6
Rand Value of CSI/SED spend on skills development, including Adult Education and Training (AET)	R (million)	1.6	1.0	0.9	1.2	2.9
Rand Value of CSI/SED spend on health, including HIV/AIDS	R (million)	4.0	3.8	2.5	2.3	2.1
Rand Value of CSI/SED spend on basic needs and social development, including nutrition and/or feeding programmes	R (million)	2.3	2.0	1.3	2.2	2.0
Rand Value of CSI/SED spend on infrastructure development	R (million)	0.0	0.1	0.8	0.4	0.2
Rand Value of CSI/SED spend on arts, sports and culture	R (million)	2.2	1.2	1.2	1.4	0.2
Rand Value of CSI/SED spend on other	R (million)	1.3	1.1	1.0	2.4	3.5
Rand Value of CSI/SED spend on environmental projects	R (million)	1.7	0.0	0.3	–	0.0
Rand Value of CSI/SED spend on job creation/small business support	R (million)	1.3	0.3	0.2	0.7	1.9
Enterprise development (support for small business development)						
Rand value of enterprise development spend	R (million)	16.6	14.2	20.9	21.5	27.3
Preferential procurement (South African operations only)						
Rand value of total discretionary procurement spend	R (million)	2 786.4	2 498.9	2 231.5	3 416.3	2 241.4
Rand value of HDSA procurement spend	R (million)	1 694.0	1 213.3	886.0	1 732.5	1 377.9
Preferential procurement spend rate	%	65.4%	48.6%	39.7%	50.7%	61.5%

** 2018 Carbon Footprint recalculated – refer page 63*

Appendix IV – Human capital

Total headcount	Male	Female	Total
South Africa			
Permanent	3 545	2 395	5 940
Temporary	147	182	329
Contractors			998
Total	**3 702**	**2 567**	**7 267**
Romania			
Permanent	611	93	704
Temporary	45	11	56
Contractors	14	20	34
Total	**670**	**124**	**794**
Turkey			
Permanent	905	85	990
Contractors	259	–	259
Total	**1 164**	**85**	**1 249**
UK			
Permanent	9	2	11
Total	**9**	**2**	**11**
Group (excluding contractors)			**8 289**
Group including independent contractors			**9 287**

** Metair subsidiaries do not make use of labour brokers.*

Contents

Level of assurance

These financial statements have been audited in compliance with the applicable requirements of the Companies Act of South Africa.

Preparer

The financial statements were prepared under the supervision of Mr S Douwenga (Finance director) B Comm (Hons), CA(SA)

Published

17 March 2020

Statement of responsibility

by the board of directors

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

The directors acknowledge that they are ultimately responsible for the system of internal controls established by the group and place considerable importance on maintaining a strong control environment. The directors are of the opinion, based on the information and explanations given by management and the internal auditor's 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 have adequate resources to continue in operation for the foreseeable future and accordingly the financial statements have been prepared on a going concern basis.

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

The consolidated financial statements are stated in South African Rand and are prepared in accordance with International Financial Reporting Standards (IFRS) and its interpretations adopted by the International Accounting Standards Board (IASB) in issue and effective for the group at 31 December 2019 and the SAICA Financial Reporting Guides, as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and the Companies Act of South Africa, 2008.

They are based on appropriate accounting policies which have been applied consistently and are supported by reasonable and prudent judgements and estimates. The directors also prepared the other information included in the annual report and are responsible for both its accuracy and its consistency with the financial statements. The financial statements have been audited by the independent auditors,

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 FINANCIAL STATEMENTS

The group financial statements and the financial statements of the company for the year ended 31 December 2019, set out on pages 128 to 214, were approved by the board of directors and signed on its behalf by:

SG Pretorius
Chairman

CT Loock
Managing director

Johannesburg
17 March 2020

The audit report of PricewaterhouseCoopers Incorporated is presented on page 131.

Certificate by the company secretary

In my capacity as company secretary, I hereby confirm, in terms of section 33(1) of the Companies Act of South Africa, that for the year ended 31 December 2019, the company has lodged with the Companies and Intellectual Property Commission (CIPC) all such returns as are required of a public company in terms of this Act and that all such returns are true, correct and up to date.

SM Vermaak

17 March 2020

Directors' report

The directors have pleasure in submitting their report for the year ended 31 December 2019.

GENERAL REVIEW

The main business of the group is the manufacture and supply of motor vehicle components and energy storage solutions such as automotive and industrial batteries. The group also manufactures non-automotive products. The financial statements on pages 134 to 214 set out fully the financial position, results of operations and cash flows of the group and company for the financial year.

FINANCIAL RESULTS

The consolidated net profit for the year attributable to equity holders of the company was R624.2 million (2018: R667.4 million).

DIVIDENDS

The following dividends were declared for ordinary shares:

Declared and paid – 31 December 2018
Ordinary dividend – R1 per share

A dividend of R1.20 per share was declared on 17 March 2020 in respect of the year ended 31 December 2019.

STATED CAPITAL

Full details on the present position of the company's stated capital are set out in the notes to the financial statements.

There were no changes to stated capital for the year under review. The group acquired (through a wholly owned subsidiary, Business Venture Investments No 1217 Proprietary Limited), an additional 1 923 027 shares (2018: 5 969 577 shares) for R45 million (2018: R105 million) as part of its share buyback programme. The shares were held in treasury. Share incentive scheme particulars relating to options and awards under the Metair 2009 share plan are given in note 26.1 to the financial statements.

CHANGES IN NON-CURRENT ASSETS

The main changes to property, plant and equipment (including lease assets capitalised under IFRS 16) of the group were as follows:

	R'000
Additions	522 674

The main changes to the intangible assets of the group were as follows:

	R'000
Additions	23 992

Details can be found in note 7 and note 8 of the financial statements.

DIRECTORS

The composition of the board of directors is set out on pages 16 to 19 of the integrated annual report.

SG Pretorius (appointed January 2014)
CT Loock (appointed March 2006)
S Douwenga (appointed March 2014)
JG Best (appointed February 2009 resigned May 2019)
TN Mgoduso (appointed March 2016)
PPJ Derby (appointed March 2016 resigned February 2020)
G Motau (appointed November 2016)
B Mawasha (appointed March 2018)
CMD Flemming (appointed March 2019)
S Sithole (appointed March 2019)
TP Moeketsi (appointed March 2019 resigned June 2019)
MN Muell (appointed May 2019)
NL Mkhondo (appointed June 2019)

SECRETARY

SM Vermaak

Business address
10 Anerley Road, Parktown, Johannesburg, 2193

Postal address
PO Box 2077, Saxonwold, 2132

INTEREST OF DIRECTORS

Interest of directors in the company's stated capital are disclosed in note 26 of the financial statements.

The directors have no material interest in contracts with the group.

SUBSIDIARIES

Details of the company's investments in its subsidiaries are disclosed on page 212 and note 9 to the financial statements.

HOLDING COMPANY

The company has no holding company.

AUDITORS

PricewaterhouseCoopers Incorporated are the current appointed auditors in accordance with section 90(6) of the Companies Act of South Africa.

RESOLUTIONS

The following special resolutions, the nature of which might be significant to members in their appreciation of the state of affairs of the group, were passed at a general meeting held on 2 May 2019:

Special resolution number 1

Resolved as a special resolution in terms of section 66(9) of the Companies Act, that the remuneration of the non-executive directors with effect from 1 January 2019 to 31 December 2019 be and is hereby approved.

The reason for and effect of special resolution number 1 is to approve, to the extent required, the remuneration for non-executive directors for the period commencing 1 January 2019 and ending 31 December 2019.

Special resolution number 2

Resolved as a special resolution in accordance with section 45 of the Companies Act, that the board be and is hereby authorised, by way of a general authority to, at any time and from time to time during the period of two years commencing on the date of passing of this special resolution to provide, any direct or indirect financial assistance limited to related and inter-related companies which Metair, directly or indirectly, holds a controlling equity interest (50% plus one share), (but subject to the provisions of the MOI and section 45(1) of the Companies Act) in such amount and in any form including, but not limited to, by way of loan (on an interest-free or a market-related interest basis), guarantee, the provision of security or otherwise) to any of its present or future subsidiaries and/or any juristic person that the company directly or indirectly controls from time to time (collectively hereinafter referred to as the 'Metair group') and being on such terms and conditions as the Board in its discretion deems fit, for any purpose whether in the normal course of business of the Metair group or of a transactional nature, subject thereto that the board will, before making such financial assistance available, satisfy itself that:

(i) immediately after providing the financial assistance, the company will satisfy the solvency and liquidity test as prescribed in section 4 of the Companies Act; and

(ii) the terms under which the financial assistance is proposed to be given are fair and reasonable to the company.

The effect of the special resolution and the reason therefore is that such special resolution is required in terms of section 45 of the Companies Act to grant the directors the authority to allow the company to provide financial assistance by way of loan, guarantee, the provision of security or otherwise, to any company which is related or inter-related to the company or any other juristic person that the company directly or indirectly controls.

The special resolution does not authorise Metair to provide financial assistance to a director or prescribed officer of the company.

In accordance with section 45(5) of the Companies Act, the Board hereby gives notice to its shareholders of the fact that no financial assistance has been provided to subsidiaries during the 2018 financial year.

Special resolution number 3

Resolved as a special resolution in accordance with section 44 of the Companies Act, that the Board be and is hereby authorised, by way of an authority to, at any time and from time to time during the period of two years commencing on the date of passing of this special resolution to provide, any direct or indirect financial assistance to any related or inter-related companies in which Metair, directly or indirectly, holds a controlling equity interest (50% plus one share) for the purpose of or in connection with the subscription of any option, or any securities, issued or to be issued by Metair or any related or inter-related companies in which Metair, directly or indirectly, holds a controlling equity interest (50% plus one share), (but subject to the provisions of the MOI and section 44 of the Companies Act) in such amount an in any form (including, but not limited to, by way of loan (on an interest-free or a market-related interest basis), guarantee, the provision of security or otherwise) whether in the normal course of business or of a transactional nature, subject thereto that the Board will, before making such financial assistance available, satisfy itself that:

(i) immediately after providing the financial assistance, Metair will satisfy the solvency and liquidity test as prescribed in section 4 of the Companies Act; and
(ii) the terms under which the financial assistance is proposed to be given are fair and reasonable to Metair.

The effect of the special resolution and the reason therefore is that such special resolution is required in terms of section 44 of the Companies Act to grant the directors the authority to allow Metair to provide financial assistance by way of loan, guarantee, the provision of security or otherwise, to any related or inter-related company in which Metair, directly or indirectly, holds a controlling interest for the purpose of or in connection with the subscription of any option, or any securities, issued or to be issued by Metair or any related or inter-related company which Metair, directly or indirectly, holds a controlling interest, or for the purchase of any securities in Metair or any related or inter-related company in which Metair, directly or indirectly, holds a controlling interest.

Furthermore, this special resolution specifically makes provision for Metair to provide financial assistance in respect of the issuance of preference shares by members of the Metair group, as part of the group's tax efficient funding strategy.

The special resolution does not authorise Metair to provide financial assistance to a director or prescribed officer of Metair.

Special resolution number 4

Resolved as a special resolution in terms of the Companies Act and the Listing Requirements of the JSE Limited ('JSE'), that the authorisation granted to the company in terms of Article 13 of its MOI to acquire the company's own securities by way of a general approval, upon such terms and conditions and in such amounts as the directors may from time to time decide, subject only to the provisions of the Companies Act and the JSE Listings Requirements, be and is hereby approved, subject to the following terms and conditions:

(i) any repurchase of securities must be effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the company and any counterparty;

(ii) this general authority shall be valid until the company's next annual general meeting, provided that it shall not extend beyond 15 months from the date of passing of this special resolution;

Directors' report (continued)

(iii) repurchases may not be made at a price greater than 10% above the weighted average of the market value of the securities for the five business days immediately preceding the date on which the repurchase will be effected;

(iv) at any point in time, the company may only appoint one agent to effect repurchases on the company's behalf;

(v) an announcement shall be published as soon as the company has cumulatively repurchased 3% of the initial number (being the number of that class of shares in issue at the time that the general authority was granted) of the relevant class of securities and for each 3% in aggregate of the initial number of that class acquired thereafter, containing the details as required by paragraph 11.27 of the JSE Listings Requirements;

(vi) repurchases shall not, in the aggregate, in any one financial year exceed 5% of the company's issued share capital of that class;

(vii) acquisitions by the subsidiaries of the company may not result in a subsidiary, together with all other subsidiaries of the company holding more than 10% of the relevant class of the issued share capital of the company from time to time;

(viii) repurchases may not be made by the company and/or its subsidiaries during a prohibited period as defined by the JSE Listings Requirements unless a repurchase programme is in place where the dates and quantities of securities to be traded during the relevant period are fixed and full details of the programme have been disclosed and approved by the JSE prior to the prohibited period;
With regard to the above, the company must instruct an independent third party, which makes its investment decisions in relation to the company's securities independently of, and uninfluenced by, the company, prior to the commencement of the prohibited period to execute the repurchase programme submitted to the JSE;

(ix) the intention of the board is that the repurchase of the company's securities will be effected within the parameters laid down by this resolution as well as by the Companies Act, the JSE Listings Requirements and the board, as and when the directors of the company deem such repurchases to be appropriate, having regard for prevailing market and business conditions; and

(x) the directors will ensure that the requisite prior resolution of the board has been taken authorising such repurchases, confirming that the company and its subsidiaries engaged in such repurchases have passed the solvency and liquidity test envisaged in the Companies Act and confirming that, since such tests were performed, there have been no material changes to the financial position of the Metair group.

The directors shall not make any repurchases under this general authority unless they are of the opinion that, after considering the effect of the maximum number of shares to be repurchased and for a period of 12 months after the date of the notice of the annual general meeting:

a) the company and the Metair group will be able, in the ordinary course of business, to pay their debts;

b) the assets of the company and the Metair group will be in excess of the liabilities of the company and the Metair group, the assets and liabilities being recognised and measured in accordance with the accounting policies used in the latest audited financial statements;

c) the share capital and reserves of the company and the Metair group are adequate for the ordinary business purposes of the company and the Metair group; and

d) the working capital of the company and the Metair group will be adequate for ordinary business purposes.

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

POST-BALANCE SHEET EVENTS

There were no significant post-balance sheet events.

APPROVAL OF FINANCIAL STATEMENTS

The directors have approved the financial statements on pages 134 to 214 which are signed on their behalf by:

SG Pretorius
Chairman

CT Loock
Managing director

Johannesburg
17 March 2020

Independent auditor's report

To the shareholders of Metair Investments Limited

REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

OUR OPINION

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Metair Investments Limited (the company) and its subsidiaries (together the group) as at 31 December 2019, 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 the requirements of the Companies Act of South Africa.

What we have audited

Metair Investments Limited's consolidated and separate financial statements set out on pages 134 to 214 comprise:

- the consolidated and separate balance sheets as at 31 December 2019;
- the consolidated and separate income statements for the year then ended;
- the consolidated and separate statements of comprehensive income for the year then ended;
- the consolidated and separate statements of changes in equity for the year then ended;
- the consolidated and separate statements of cash flows for the year then ended;
- the notes to the financial statements;
- the accounting policies; and
- the investments in subsidiaries and associates.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated and separate financial statements section of our report.*

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

Independence

We are independent of the group in accordance with the sections 290 and 291 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised January 2018)*, parts 1 and 3 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised November 2018)* (together the IRBA Codes) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* respectively.

OUR AUDIT APPROACH

Overview

- Overall group materiality: R42 856 000, which represents 5% of the three year average consolidated profit before taxation.
- Group audit scope:
  - We have performed full scope audits over 10 components and review procedures over 1 component.
  - The group engagement team performed analytical review procedures on components not in scope for audit or review.
- Key audit matters:
  - Impairment assessment of goodwill and indefinite life intangible asset relating to Mutlu.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated and separate financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Overall group materiality: R42 856 000

How we determined it: 5% of the three year average consolidated profit before taxation.

Rationale for the materiality benchmark applied: We chose the three year average consolidated profit before taxation as the benchmark because, in our view, it is the benchmark against which the performance of the group is most commonly measured by users, and is a generally accepted benchmark. Average consolidated profit before taxation is relevant to the industry as a result of vehicle model changes by a customer leading to inconsistent or fluctuating profits over the cycle. We chose 5%, which is consistent with quantitative materiality thresholds used for profit-orientated companies in this sector.

How we tailored our group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the group, the accounting processes and controls, and the industry in which the group operates.

Every component that contributes significantly to the consolidated revenue, consolidated profit before taxation and consolidated total assets of the group was subject to a full scope audit. We performed full scope audits over 10 components and review procedures over 1 component, based on the risk associated with the component and considerations relating to aggregation risk within the group. In order to obtain audit evidence in respect of other components not part of the audit or review scope, the group engagement team performed analytical review procedures on these components.

Independent auditor's report (continued)

Where the work was performed by component auditors, we determined the level of involvement necessary in the audit work at those components to be able to conclude whether sufficient appropriate audit evidence has been obtained as a basis for our opinion on the consolidated financial statements as a whole.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Consolidated financial statements

Key audit matter: Impairment assessment of goodwill and indefinite life intangible asset relating to Mutlu

This key audit matter relates to the consolidated financial statements

Refer to the accounting policies for Intangibles and Impairment of non-financial assets and to note 8 - Intangible Assets.

As at 31 December 2019 the group's consolidated balance sheet included goodwill relating to Mutlu with a closing net book value of R203 million and the Mutlu brand with a closing net book value of R163 million, classified as an indefinite life intangible asset. The Mutlu factory and business operations are based in Turkey and have been exposed to continued economic and political uncertainty during the 2019 financial year.

Assets that are not subject to amortisation, such as goodwill and indefinite life intangible assets are required to be assessed for impairment annually, irrespective of whether any impairment indicators exist in accordance with *IAS 36 - Impairment of assets*.

Management performed their annual impairment assessment of the Mutlu cash-generating unit (CGU), to which the goodwill relating to Mutlu and the Mutlu brand were allocated and based their assessment on value-in-use calculations, which have been estimated using a discounted cash flow model.

In determining the value-in-use of the CGUs, the following key assumptions were used by management:

- discount rate;
- long-term growth rate;
- compound annual volume growth rate; and
- the period (years).

The value in use calculation is sensitive to changes in future cash flows included in the model, and changes in the discount rate and long-term growth rate applied.

Future cash flows are estimated based on financial budgets and approved business plans covering a five-year period.

The impairment assessment of the goodwill and indefinite life intangible asset relating to Mutlu is considered to be a matter of most significance to the current year audit due to:

- the significant judgements applied by management with regards to determining the key assumptions and future cash flows that are included in the value-in-use calculation, and
- the magnitude of the goodwill and indefinite life intangible assets balance to the consolidated financial statements.

How our audit addressed the key audit matter:

We tested the mathematical accuracy of the value-in-use calculation and the discounted cash flow model prepared by management, noting no material exceptions.

We assessed the reasonableness of the valuation methodologies applied by management, by comparing the valuation methodology to generally accepted valuation methodology, and found this to be consistent.

We performed stress testing on the value-in-use model which involved an assessment of management's cash flow forecasts and assumptions by comparison to prior years' actual results, our understanding of the industry, the entity specific circumstances and economic environment to determine the degree by which the key assumptions needed to change in order to trigger an impairment. We recalculated a range of values and compared this to the value as calculated by management. Management's value fell within our recalculated range of values.

Management's cash flow forecasts were agreed to board approved budgets, noting no exceptions.

We assessed the reasonableness of the budgeting process by comparing current year actuals results with the prior year budgeted results.

The growth projections applied by management were compared to historically achieved growth rates, margins and working capital rates.

The long-term growth rate used by management was compared to long-term inflation rates obtained from independent sources. The PwC determined rate was incorporated into our stress testing referred to above to assess the impact of any difference on the valuation results.

Making use of our internal valuation experts, we independently calculated a weighted average cost of capital discount rate, taking into account independently obtained data such as the cost of debt, the risk-free rate in Turkey, market risk premiums, debt/equity ratios as well as the beta of comparable companies. We then compared the calculated weighted average cost of capital to the discount rate used by management. While our range is, itself, subjective, the discount rate adopted by management was marginally higher. The difference in rates was included in our stress testing to assess the impact on the valuation results. The use of our independently calculated discount rates in the management's assessment would not have resulted in an impairment charge.

Separate financial statements

We have determined that there are no key audit matters in respect of the separate financial statements to communicate in our report.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the document titled "*Metair Investments Limited Integrated Annual Report 2019*", which includes the Directors' report, the Board audit and risk committee's report and the Certificate by company secretary as required by the Companies Act of South Africa. The other information does not include the consolidated or the separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the group and the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group and/or the company or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's and the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group and/or company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships, and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that PricewaterhouseCoopers Inc. has been the auditor of Metair Investments Limited for 22 years.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: L de Wet
Registered Auditor

Johannesburg
17 March 2020

Balance sheets

As at the end of December 2019

	Notes	GROUP 2019 R'000	GROUP 2018 R'000	COMPANY 2019 R'000	COMPANY 2018 R'000
ASSETS					
Non-current assets		**4 061 014**	3 928 747	**564 758**	563 086
Property, plant and equipment	7	**2 707 381**	2 538 145		
Intangible assets	8	**605 059**	707 481		
Interest in subsidiaries	9			**561 965**	560 293
Investment in associates	10	**733 440**	674 296	**2 793**	2 793
Deferred taxation	15	**15 134**	8 825		
Current assets		**4 906 321**	4 493 253	**1 524 961**	1 620 647
Inventory	11	**1 735 629**	1 849 091		
Trade and other receivables	12	**1 699 884**	1 667 541		
Contract assets	1.2	**303 725**	288 770		
Taxation		**26 460**	8 955		
Short-term loans - subsidiaries	9			**1 524 490**	1 620 323
Derivative financial assets	19.4.1	**552**	6 944		
Cash and cash equivalents	13	**1 140 071**	671 952	**471**	324
Total assets		**8 967 335**	8 422 000	**2 089 719**	2 183 733
EQUITY AND LIABILITIES					
Capital and reserves					
Stated capital	26	**1 497 931**	1 497 931	**1 497 931**	1 497 931
Treasury shares	26	**(142 176)**	(112 510)		
Share-based payment reserve	27.1	**149 047**	125 656	**68 271**	66 598
Foreign currency translation reserve	27.2	**(1 791 227)**	(1 418 319)		
Equity accounted earnings	27.3	**470 111**	395 614		
Changes in ownership reserve	27.4	**(21 197)**	(21 197)		
Retained earnings	27.5	**4 025 564**	3 699 197	**312 996**	440 357
Ordinary shareholders equity		**4 188 053**	4 166 372	**1 879 198**	2 004 886
Non-controlling interests	27.6	**122 733**	121 349		
Total equity		**4 310 786**	4 287 721	**1 879 198**	2 004 886
Non-current liabilities		**1 843 251**	1 587 453		
Borrowings	14	**1 299 437**	983 762		
Post-employment benefits	22	**85 317**	76 943		
Deferred taxation	15	**284 727**	281 456		
Deferred grant income	16	**134 476**	187 507		
Provisions for liabilities and charges	17	**39 294**	57 785		
Current liabilities		**2 813 298**	2 546 826	**210 521**	178 847
Trade and other payables	16	**1 360 535**	1 444 018	**777**	585
Contract liabilities	1.2	**161 133**	846		
Borrowings	14	**896 974**	858 032		
Taxation		**29 500**	42 214		
Provisions for liabilities and charges	17	**87 790**	106 203		
Short-term loans - subsidiaries	9			**209 744**	178 262
Derivative financial liabilities	19.4.1	**15 900**	3 171		
Bank overdrafts	13	**261 466**	92 342		
Total liabilities		**4 656 549**	4 134 279	**210 521**	178 847
Total equity and liabilities		**8 967 335**	8 422 000	**2 089 719**	2 183 733

Income statements

For the year ended 31 December 2019

		GROUP		COMPANY	
		2019	2018	2019	2018
	Notes	**R'000**	**R'000**	**R'000**	**R'000**
Revenue	1	11 237 995	10 276 966		
Cost of sales		(9 234 430)	(8 377 612)		
Gross profit		2 003 565	1 899 354		
Other operating income and dividend revenue	3	113 775	211 965	6 295	
Distribution expenses		(438 854)	(402 026)		
Administrative and other operating expenses		(661 051)	(696 485)	(5 681)	(2 110)
Impairment gain/(loss) on financial assets		718	(4 138)	77 305	36 485
Operating profit	3	1 018 153	1 008 670	77 919	34 375
Interest income	2	32 777	24 208	1	3
Interest expense	2	(259 875)	(210 056)		
Share of results of associates and impairment	10	80 314	76 507		
Profit before taxation		871 369	899 329	77 920	34 378
Taxation	4	(213 576)	(200 049)		(1)
Profit for the year		657 793	699 280	77 920	34 377
Attributable to:					
Equity holders of the company		624 186	667 377	77 920	34 377
Non-controlling interests		33 607	31 903		
		657 793	699 280	77 920	34 377
Earnings per share					
Basic earnings per share (cents)	5	325	338		
Diluted earnings per share (cents)	5	324	336		

Statements of comprehensive income

For the year ended December 2019

		GROUP		COMPANY	
		2019	2018	2019	2018
	Notes	R'000	R'000	R'000	R'000
Profit for the year		657 793	699 280	77 920	34 377
Other comprehensive income:					
Items that will not be reclassified to profit or loss:					
- Actuarial losses recognised	22	(14 773)	(5 405)		
- Taxation effect	15	3 090	1 089		
		(11 683)	(4 316)		
Items that may be reclassified to profit or loss:					
- Net exchange losses arising on translation of foreign operations		(373 198)	(313 341)		
Other comprehensive loss for the year net of taxation		(384 881)	(317 657)		
Attributable to:					
Equity holders of the company		(384 314)	(318 311)		
- Actuarial losses recognised		(11 406)	(4 550)		
- Net exchange losses arising on translation of foreign operations		(372 908)	(313 761)		
Non-controlling interests	27.6	(567)	654		
- Actuarial (losses)/gains recognised		(277)	234		
- Exchange (losses)/gains arising on translation of foreign operations		(290)	420		
Total comprehensive income for the year		272 912	381 623	77 920	34 377
Attributable to:					
Equity holders of the company		239 872	349 066	77 920	34 377
Non-controlling interests	27.6	33 040	32 557		

Statement of changes in equity

For the year ended December 2019

		GROUP						
	Notes	Stated capital R'000	Treasury shares R'000	Other reserves R'000	Retained earnings R'000	Attributable to equity holders of the group R'000	Non-controlling interests R'000	Total equity R'000
Year ended 31 December 2019								
Balance as at 1 January 2019	26, 27	**1 497 931**	**(112 510)**	**(918 246)**	**3 699 197**	**4 166 372**	**121 349**	**4 287 721**
Net profit for the year	27				**624 186**	**624 186**	**33 607**	**657 793**
Other comprehensive loss	27			**(372 908)**	**(11 406)**	**(384 314)**	**(567)**	**(384 881)**
Total comprehensive income for the year	27			**(372 908)**	**612 780**	**239 872**	**33 040**	**272 912**
Employee share option scheme	27.1			**23 391**		**23 391**		**23 391**
Treasury shares acquired	26		**(44 984)**			**(44 984)**		**(44 984)**
Vesting of share-based payment obligation	26, 27.1		**15 318**	**(18 678)**		**(3 360)**		**(3 360)**
Transfer of net vesting impact to retained earnings	27.1, 27.5			**18 678**	**(18 678)**			
Transfer of associate profit and dividend	27.3			**74 497**	**(74 497)**			
Dividend*	27.5				**(193 238)**	**(193 238)**	**(31 656)**	**(224 894)**
Balance as at 31 December 2019		**1 497 931**	**(142 176)**	**(1 193 266)**	**4 025 564**	**4 188 053**	**122 733**	**4 310 786**
Year ended 31 December 2018								
Balance as at 1 January 2018	26, 27	1 497 931	(10 152)	(687 570)	3 275 935	4 076 144	119 393	4 195 537
Opening adjustment on adoption of IFRS 15 & 9	28			3 269	(8 222)	(4 953)	990	(3 963)
Adjusted balances at 1 January 2018		1 497 931	(10 152)	(684 301)	3 267 713	4 071 191	120 383	4 191 574
Net profit for the year	27				667 377	667 377	31 903	699 280
Other comprehensive loss	27			(313 761)	(4 550)	(318 311)	654	(317 657)
Total comprehensive income for the year	27			(313 761)	662 827	349 066	32 557	381 623
Employee share option scheme	27.1			9 859		9 859		9 859
Treasury shares acquired	26, 27.1		(104 873)			(104 873)		(104 873)
Vesting of share-based payment obligation	26, 27.1		2 515	(3 041)		(526)		(526)
Transfer of net vesting impact to retained earnings	27.1, 27.5			3 041	(3 041)			
Transfer of associate profit and dividend	27.3			69 957	(69 957)			
Dividend**	27.5				(158 345)	(158 345)	(31 591)	(189 936)
Balance as at 31 December 2018		1 497 931	(112 510)	(918 246)	3 699 197	4 166 372	121 349	4 287 721

* An ordinary dividend of R1 per share was declared in respect of the year ended 31 December 2018.

** An ordinary dividend of 80 cents per share was declared in respect of the year ended 31 December 2017.

The adoption of IFRS 16 had no impact on opening retained earnings at 1 January 2019.

Statement of changes in equity (continued)

For the year ended December 2019

		COMPANY					
	Notes	Stated capital R'000	Treasury shares R'000	Share-based payment reserves R'000	Retained earnings R'000	Attributable to equity holders of the company R'000	Total equity R'000
Year ended 31 December 2019							
Balance as at 1 January 2019	26, 27	**1 497 931**		**66 598**	**440 357**	**2 004 886**	**2 004 886**
Net profit for the year	27.5				**77 920**	**77 920**	**77 920**
Total comprehensive profit for the year					**77 920**	**77 920**	**77 920**
Employee share option scheme	27.1			**24 392**		**24 392**	**24 392**
Purchase of treasury shares	26		**(29 014)**			**(29 014)**	**(29 014)**
Settlement of share options	27.1		**29 014**	**(22 719)**	**(6 295)**		
Dividend*	27.5				**(198 986)**	**(198 986)**	**(198 986)**
Balance as at 31 December 2019		**1 497 931**		**68 271**	**312 996**	**1 879 198**	**1 879 198**
Year ended 31 December 2018							
Balance as at 1 January 2018	26, 27	1 497 931		53 257	689 768	2 240 956	2 240 956
Opening adjustment on adoption of IFRS 9	28				(124 657)	(124 657)	(124 657)
Adjusted balances at 1 January 2019	27	1 497 931		53 257	565 111	2 116 299	2 116 299
Net profit for the year	27.5				34 377	34 377	34 377
Total comprehensive income for the year	27				34 377	34 377	34 377
Employee share option scheme	27.1			17 151		17 151	17 151
Purchase of treasury shares	26		(3 810)			(3 810)	(3 810)
Settlement of share options	27.1		3 810	(3 810)			
Dividend**	27.5				(159 131)	(159 131)	(159 131)
Balance as at 31 December 2018		1 497 931		66 598	440 357	2 004 886	2 004 886

* An ordinary dividend of R1 per share was declared in respect of the year ended 31 December 2018.

** An ordinary dividend of 80 cents per share was declared in respect of the year ended 31 December 2017.

Statements of cash flows

For the year ended December 2019

		GROUP		COMPANY	
		2019	2018	2019	2018
	Notes	R'000	R'000	R'000	R'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash generated from/(utilised in) operations	18.1	1 229 928	887 748	(5 488)	(2 117)
Interest paid	18.4	(259 893)	(210 140)		
Taxation paid	18.2	(220 468)	(148 295)		(1)
Dividends paid	18.3	(224 894)	(189 936)	(198 986)	(159 131)
Dividends from associates	10	31 168	6 550		
Net cash inflow/(outflow) from operating activities		555 841	345 927	(204 474)	(161 249)
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisition of property, plant and equipment (excludes leased assets)	7	(455 837)	(269 498)		
Acquisition of intangible assets	8	(23 992)	(33 705)		
Final insurance proceeds on property, plant and equipment	3	33 683			
Grant repayment		(26 027)			
Increase in investments in associate	10	(2 553)	(16 061)		
Advances repaid by subsidiaries	9			173 138	217 344
Interest received	2	32 777	24 208	1	3
Proceeds on disposal of property, plant and equipment	3, 7	7 234	1 940		
Net cash (outflow)/inflow from investing activities		(434 715)	(293 116)	173 139	217 347
CASH FLOWS FROM FINANCING ACTIVITIES					
Revolving credit facility drawdown	18.5	41 000	130 000		
Revolving credit facility repaid	18.5		(58 000)		
Mutlu borrowings repaid	18.5	(128 510)	(68 283)		
Mutlu and Rombat borrowings raised	18.5	385 042	89 334		
Lease payments	18.5	(47 457)	(13 062)		
Advances raised from/(repaid) to subsidiaries	9			31 482	(56 364)
Acquisition of treasury shares	26	(44 984)	(104 873)		
Utilisation of treasury shares - CGT paid	27.1	(3 360)	(526)		
Net cash inflow/(outflow) from financing activities		201 731	(25 410)	31 482	(56 364)
Net increase/(decrease) in cash and cash equivalents		322 857	27 401	147	(266)
Cash and cash equivalents at the beginning of the year		579 610	597 305	324	590
Exchange loss on cash and cash equivalents		(23 862)	(45 096)		
Cash and cash equivalents at end of the year	13	878 605	579 610	471	324

Notes to the financial statements

1. SEGMENT REPORT AND REVENUE	GROUP					
	2019			2018		
	Segment revenue R'000	% of total segment revenue	Segment PBIT R'000	Segment revenue R'000	% of total segment revenue	Segment PBIT R'000
1.1 SEGMENT REVIEW						
Energy storage						
Automotive						
Local	4 381 959	35	463 557	3 848 580	34	377 703
Direct exports	1 865 595	15	171 476	1 842 575	16	232 461
	6 247 554	50	635 033	5 691 155	50	610 164
Industrial						
Local	589 790	5	31 185	660 958	6	77 455
Direct exports	18 539		(18)	31 744		4 090
	608 329	5	31 167	692 702	6	81 545
Total energy storage	6 855 883	55	666 200	6 383 857	56	691 709
Automotive components						
Local						
Original equipment	5 031 676	40	433 296	4 516 489	39	420 440
Aftermarket	538 424	4	93 363	482 016	4	76 535
Non-auto	28 207		1 741	29 826		191
	5 598 307	44	528 400	5 028 331	43	497 166
Direct exports						
Original equipment	5 678		1 692	2 681		1 245
Aftermarket	43 644		7 597	41 607		10 331
	49 322	1	9 289	44 288	1	11 576
Total automotive components	5 647 629	45	537 689	5 072 619	44	508 742
Total segment results	12 503 512		1 203 889	11 456 476		1 200 451
Reconciling items:						
- Share of results of associates and impairment			80 314			76 507
- Managed associate*	(1 265 517)		(109 962)	(1 179 510)		(107 488)
Amortisation and depreciation on fair value uplift of assets arising from businesses acquired			(22 963)			(24 661)
Other reconciling items**			(52 811)			(59 632)
Total	11 237 995		1 098 467	10 276 966		1 085 177
Net finance costs			(227 098)			(185 848)
Profit before taxation			871 369			899 329
Included in the above:						
Depreciation and amortisation			(295 462)			(244 500)
- Energy storage***			(203 242)			(169 344)
- Automotive components****			(92 220)			(75 156)
Impairment charges*****						(1 031)
- Automotive components						(1 031)

* The full results of Hesto Harnesses Pty (Ltd) ('Hesto') have been included in the segment review as Metair has a 74.9% equity interest and is responsible for the operational management of this associate.

** Other reconciling items relate to Metair head office companies.

*** Allocated to automotive R193.7 million (2018: R149.3 million) and industrial R9.5 million (2018: R20 million).

**** Allocated to original equipment R74.6 million (2018: R 58.9 million) and aftermarket and non-auto R17.6 million (2018: R16.3 million).

***** MOLL does not form part of the Energy storage vertical results. The associate investment in MOLL was impaired by R25 million during the current year.

1. SEGMENT REPORT AND REVENUE (continued)

1.1 SEGMENT REVIEW (continued)

Segment information

Segment description and principal activities

The group manages an international portfolio of companies that manufacture and supply automotive components and energy storage solutions for local and export automotive and industrial markets. The group's manufacturing locations include South Africa, Romania and Turkey and the group also exports products directly from these locations into Africa, Middle East, Russia and Europe. The executive directors of the group and company are the chief operating decision makers ('CODMs'). In order to determine operating and reportable segments, management examines the group's performance from a product, market and geographic perspective and the reportable segments in the annual report are identical to the operating segments identified. The group's business is managed and analysed in two distinct verticals – the energy storage and automotive components business units. Following the acquisitions of Rombat and Mutlu, the impact of the energy storage businesses on the group results has become significant, and the evaluation and management of the group's businesses by the chief operating decision maker is therefore focused on energy storage and automotive components. The reportable segments of these businesses are identified as follows:

Energy storage vertical– automotive and industrial

The energy storage business consists of the automotive and industrial segments which manufacture products for local and export markets. FNB (South Africa), Mutlu (Turkey), Rombat (Romania) and Dynamic (United Kingdom) are included in energy storage results.

Automotive batteries are mainly supplied to the aftermarket through the group's unique distribution channels and retail networks in addition to the supply of batteries to the original equipment manufacturers (OEMs).

Industrial energy products relates to products sold in the telecoms, utility, mining, retail and materials/product handling sectors and are mainly sold into sub-Saharan Africa and Turkey.

Automotive components vertical, including exports – original equipment (OE), aftermarket and non-automotive

The traditional automotive component business comprises of the following segments which manufacture products for the local and export markets:

- OE;
- aftermarket; and
- non-automotive products.

OE involves the manufacture and distribution of components used in the assembly of new vehicles. Supply is linked to a particular vehicle model as the group benefits from long industry product lifecycles. Aftermarket involves the manufacture and distribution of components used to service vehicles produced by local OEMs as well as generic parts for imported vehicles. This creates the opportunity for the group to supply products to owners of vehicles throughout its life cycle. Non-automotive markets include manufacture and distribution of products mostly related to industrial and utility sectors.

Automotive components include coil and leaf springs, headlights, wiring harnesses and cable, air-conditioning, radiators, climate control systems, shock absorbers, plastic injection mouldings and brake pads. The group's 'non-battery' operating subsidiaries represents the automotive component business unit and these include the businesses of Smiths Manufacturing, Automould and Auto Plastics, Supreme Spring and ATE, Lumotech, Unitrade and Hesto.

Basis of measurement

The executive directors assesses the performance of these operating segments based on operating profit, or profit before interest and tax (PBIT), which includes reported depreciation, amortisation as well as impairment charges. PBIT also includes the results of the managed associate (Hesto) but excludes the results of the share of other associates.

Interest income and expenses are not allocated to segments and amortisation of intangible assets arising from business combinations are also excluded. The amounts provided to the executive directors do not include regular measures of segment assets and liabilities and have therefore not been disclosed. The revenue from external parties reported to the executive directors is measured in a manner consistent with that in the income statement. All segment revenues include those from external customers from the sales of goods.

Notes to the financial statements (continued)

1. SEGMENT REPORT AND REVENUE (continued)

1.1 SEGMENT REVIEW (continued)

Entity-wide information

Major customers

29% (2018: 29%) of total revenue results from sales to a single external customer of the group.

Geographical information

The group is domiciled in South Africa. The result of its revenue from South African operations (including Hesto) is R7 716 million (2018: R7 105 million) and from Europe and the Middle East (EME) is R4 788 million (2018: R4 351 million). EME domiciled operations predominantly consists of Romania and Turkey.

Non-current assets

Non-current assets (excluding deferred tax assets) amounted to R4 069 million (2018: R3 920 million) of which foreign operations amounted to R2 377 million (2018: R2 452 million). Goodwill of R248 million (2018: R298 million) is fully allocated to energy storage and arises out of the acquisition of Mutlu and Rombat. Goodwill is tested for impairment and no impairments were recorded in the current or prior years. Details can be found in note 8 – Intangible assets and impairment testing on Mutlu and Rombat cash generating units.

1.2 REVENUE

A. Revenue streams

The group generates revenue primarily from the sale of automotive components (car parts), automotive batteries and industrial products to its customers. The group currently has two distinct business verticals, Energy Storage and Automotive Components. The group's segment report (note 1.1 above) as well as pages 8 - 12 of the annual integrated report provides further information about the group's products, markets and revenue streams.

	GROUP 2019 R'000	GROUP 2018 R'000
Revenue from contracts with customers	11 237 995	10 276 966

B. Disaggregation of revenue from contracts with customers

The group derives revenue from the transfer of goods and services over time and at a point in time. In the following tables, revenue is disaggregated by primary geographical region (domiciled sales), major products and markets as well as the timing of revenue recognition for the year ended 31 December. The tables also includes a reconciliation of the disaggregated revenue with the group's reportable segment revenue.

	GROUP					
	2019			2018		
	Revenue as reported R'000	Hesto (managed associate) exclusion R'000	Total segment revenue including Hesto R'000	Revenue as reported R'000	Hesto (managed associate) exclusion R'000	Total segment revenue including Hesto R'000
Primary geographical markets						
South Africa	6 450 490	(1 265 517)	7 716 007	5 925 214	(1 179 510)	7 104 724
Turkey and UK	3 498 391		3 498 391	3 022 186		3 022 186
Romania	1 289 114		1 289 114	1 329 566		1 329 566
	11 237 995	(1 265 517)	12 503 512	10 276 966	(1 179 510)	11 456 476
Major product and service lines						
Automotive batteries	6 247 555		6 247 555	5 691 155		5 691 155
Automotive components and car parts	4 236 083	(1 265 517)	5 501 600	3 818 339	(1 179 510)	4 997 849
Automotive customer tooling and related services	117 822		117 822	44 944		44 944
Industrial and non-automotive products	636 535		636 535	722 528		722 528
	11 237 995	(1 265 517)	12 503 512	10 276 966	(1 179 510)	11 456 476
Timing of revenue recognition						
Products transferred at a point in time	7 098 531	(46 937)	7 145 468	6 748 672		6 748 672
Products and services transferred over time	4 139 464	(1 218 580)	5 358 044	3 528 294	(1 179 510)	4 707 804
	11 237 995	(1 265 517)	12 503 512	10 276 966	(1 179 510)	11 456 476

1. SEGMENT REPORT AND REVENUE (continued)

1.2 REVENUE (continued)

B. Disaggregation of revenue from contracts with customers (continued)

		Reportable segments			
		Automotive		Industrial	
ENERGY STORAGE:	Total revenue R'000	Local R'000	Direct export R'000	Local R'000	Direct export R'000
2019					
Primary geographical markets					
South Africa	**2 068 378**	**1 358 831**	**249 568**	**441 440**	**18 539**
Turkey and UK	**3 498 391**	**2 451 445**	**898 596**	**148 350**	
Romania	**1 289 114**	**571 683**	**717 431**		
	6 855 883	**4 381 959**	**1 865 595**	**589 790**	**18 539**
Major product and service lines					
Automotive batteries	**6 247 554**	**4 381 959**	**1 865 595**		
Industrial batteries	**608 329**			**589 790**	**18 539**
	6 855 883	**4 381 959**	**1 865 595**	**589 790**	**18 539**
Timing of revenue recognition					
Products transferred at a point in time	**6 855 883**	**4 381 959**	**1 865 595**	**589 790**	**18 539**
2018					
Primary geographical markets					
South Africa	2 032 105	1 279 134	273 013	448 728	31 230
Turkey and UK	3 022 186	2 041 522	779 306	201 358	
Romania	1 329 566	527 924	790 256	10 872	514
	6 383 857	3 848 580	1 842 575	660 958	31 744
Major product and service lines					
Automotive batteries	5 691 155	3 848 580	1 842 575		
Industrial batteries	692 702			660 958	31 744
	6 383 857	3 848 580	1 842 575	660 958	31 744
Timing of revenue recognition					
Products transferred at a point in time	6 383 857	3 848 580	1 842 575	660 958	31 744

Notes to the financial statements (continued)

1. SEGMENT REPORT AND REVENUE (continued)

1.2 REVENUE (continued)

B. Disaggregation of revenue from contracts with customers (continued)

	Reportable segments				
		Local		Direct export	
AUTOMOTIVE COMPONENTS:	**Total revenue R'000**	**Original equipment R'000**	**Aftermarket and non-auto R'000**	**Original equipment R'000**	**Aftermarket R'000**
2019					
Primary geographical markets					
South Africa	**5 647 629**	**5 031 676**	**566 631**	**5 678**	**43 644**
	5 647 629	**5 031 676**	**566 631**	**5 678**	**43 644**
Major product and service lines					
Automotive components and parts	**5 501 600**	**4 913 854**	**538 424**	**5 678**	**43 644**
Customer tooling services	**117 822**	**117 822**			
Non-automotive products	**28 207**		**28 207**		
	5 647 629	**5 031 676**	**566 631**	**5 678**	**43 644**
Timing of revenue recognition					
Products transferred at a point in time	**289 585**		**275 786**		**13 799**
Products and services transferred over time	**5 358 044**	**5 031 676**	**290 845**	**5 678**	**29 845**
	5 647 629	**5 031 676**	**566 631**	**5 678**	**43 644**
2018					
Primary geographical markets					
South Africa	5 072 619	4 516 489	511 842	2 681	41 607
	5 072 619	4 516 489	511 842	2 681	41 607
Major product and service lines					
Automotive components and parts	4 997 849	4 471 545	482 016	2 681	41 607
Customer tooling services	44 944	44 944			
Non-automotive products	29 826		29 826		
	5 072 619	4 516 489	511 842	2 681	41 607
Timing of revenue recognition					
Products transferred at a point in time	364 815		341 855		22 960
Products and services transferred over time	4 707 804	4 516 489	169 987	2 681	18 647
	5 072 619	4 516 489	511 842	2 681	41 607

C. Contract balances

The following section provides information about receivables, contract assets and contract liabilities:

	GROUP	
	31 Dec 2019 R'000	**31 Dec 2018 R'000**
Receivables, which are included in 'trade and other receivables' (note 12)	**1 415 105**	1 431 619
Contract assets*	**303 725**	288 770
Contract liabilities	**(161 133)**	(846)

* *Any unconditional rights to consideration is presented separately as a receivable. A right to consideration is 'unconditional' if only the passage of time is required before payment is due. Although the group has an enforceable right to payment for performance completed to date (i.e. Automotive parts completed but not delivered) it does not necessarily have a present unconditional right to consideration until goods are actually delivered and invoiced.*

1. SEGMENT REPORT AND REVENUE (continued)

1.2 REVENUE (continued)

C. Contract balances (continued)

C.1 Significant changes in contract assets and liabilities

Contract assets relate primarily to the group's rights to consideration for work completed to date on automotive components and tooling, but not billed at the reporting date. The contract assets were not impaired (refer note 19. B). Theses contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the goods have been delivered and invoiced, upon acceptance by the customer. The associated finished goods, work in progress and materials have been de-recognised within cost of sales.

The contract liabilities primarily relate to the advance consideration received from customers for construction of tooling. The amount of R0,8 million (2018: R0.6 million) recognised in contract liabilities at the beginning of the period has been reallocated to contract assets on a contract by contract basis, and invoiced as per specific contractual arrangements.

Other accruals (still due to customers) include rebates and discounts payable for R14.6 million (2018: R11.3 million), as well as refund liabilities for R13 million (2018: R14 million) which are included within trade and other payables (note 16).

The significant changes in the contract assets and the contract liabilities during the period are reconciled in the tables below:

	GROUP			
	2019		2018	
	Contract assets R'000	Contract liabilities R'000	Contract assets R'000	Contract liabilities R'000
Opening balances at 1 January	288 770	(846)	223 843	(1 282)
Tooling activities concluded	(4 845)	(2 113)	1 282	1 282
Increases due to cash received excluding amounts recognised as revenue during the period		(158 174)		(846)
Transfers from contract assets to receivables (manufactured goods now invoiced)	(272 130)		(225 125)	
Work completed but not yet invoiced during the year	291 930		288 770	
Closing balances at 31 December	303 725	(161 133)	288 770	(846)

The major movements relate to increases in revenue recognised from changes in the levels of finished goods, work in progress and materials in respect of automotive components for OEM customers at balance sheet date.

C.2 Revenue recognised in relation to previous periods

Revenue of R11.1 million (2018: R12.5 million) was recognised in the current year from performance obligations satisfied (or partially satisfied) in previous periods. These relate to a battery distributor arrangement in which entitlement to consideration is contingent on the occurrence or non-occurrence of future "on-sales". Within one of the groups entities, a supply arrangement exists whereby certain distributors could be requested to supply batteries to other customers of the group entity. A credit note (refund) is given to the distributor for their stock utilised. The arrangement is treated as a sale with a right to return, a form of variable consideration. Most distributors generally hold up to two weeks stock holding. A portion of batteries sold is therefore reversed, based on estimated historical data sales trends. A refund liability and right to recover goods (assets) are created.

1. SEGMENT REPORT AND REVENUE (continued)

1.2 REVENUE (continued)

C. Contract balances (continued)

C.3 Transaction price allocated to remaining performance obligations

The group's performance obligations are short term in nature. Purchase orders are received for daily car builds and ordering commitments, from OEMs, don't exceed 3 months in general. Tooling contracts in progress have a duration of not more than one year at reporting date. Therefore no information is provided about remaining performance obligations at 31 December, that have an original expected duration of one year or less, as allowed by IFRS 15.

At 31 December 2019, an amount of R0.6 million (2018: R2.9 million) was allocated to an OEM customer material right and relates to future potential discounts, which will be realised during 2020. In addition, as a result of the battery distributor arrangement (refer C.2 above), revenue of R12.6 million (2018: R11.1 million) has been deferred or constrained until 2020 (2019).

C.4 Contract costs

No such incremental costs were incurred that may qualify for capitalisation under IFRS 15. The group does incur training costs from time to time. These costs will be assessed for capitalisation, were applicable. Costs to fulfil contracts in progress form part of inventory. The group did not incur any nomination fee expenses or pre-production costs which could be potentially capitalised under IFRS 15 during the year.

D. Performance obligations and summary of revenue recognition policies

The following tables highlights the key considerations under IFRS 15, by business vertical, from which the group generates its revenue. The full revenue accounting policies can be found within the group's overall accounting policies.

1. SEGMENT REPORT AND REVENUE (continued)

1.2 REVENUE (continued)

D. Performance obligations and summary of revenue recognition policies (continued)

Automotive components	
Products and services	**Nature, timing of satisfaction of performance obligations and significant payment terms**
Automotive components	Under our arrangements with OEMs, the customers control all of the work in progress as the parts are being built. Revenue is recognised progressively (over time). For finished goods, revenue is recognised based on an 'entitled to invoice' method as selling price is known and fixed. For work in progress and specific materials, these are based on costs incurred to date plus an appropriate mark up. Payment terms are normally 30, 45 and 60 days from invoice following actual delivery of the part. The entitlement to consideration is recognised as a contract asset and transferred to receivables when the entitlement to payment becomes unconditional (delivery and acceptance of parts).
OEM customer tooling	Revenue for tooling services is recognised progressively based on costs incurred to date (input method). Revenue is recognised on a grossing up basis (as principal) even though the production of the tooling is normally outsourced to third party tool-makers. Payment terms are usually based on specified instalments over the duration of the contract or construction of the tool.
Customer options (material rights)	Life-time price reductions for future goods, which result in a material right for a customer, are separated and a portion of revenue (the sales price) is only allocated when those future goods are transferred.
Other (non - OEM) products	Under other revenue streams other than OEMs, customers do not take control of the products until delivered. Revenue is recognised upon formal acceptance of the product, including risks and rewards of ownership. Payment is on 30 day terms.
Warranty	All contracts include standard warranty clauses to guarantee that products comply with agreed specifications. Warranty provisions are recognised by the group. There are no extended warranties.
Financing components	The group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and the payment by the customer exceeds one year. As a consequence, the group does not adjust any of the transaction prices for the time value of money. Payment terms are within industry norms.

Energy Storage	
Products and services	**Nature, timing of satisfaction of performance obligations and significant payment terms**
Automotive batteries	The group recognises revenue when the customer takes possession of the battery. This usually occurs upon delivery to the customer's premises. For certain distributor arrangements, the amount of revenue recognised is adjusted for the expected refunds to be granted to the distributor, which are estimated based on the historical data for specific sale channels in which the goods are redirected. No cash refunds are made but credit notes are issued. These arrangements are treated as a sale with a right of return, a form of variable consideration. Export sales "inco" terms are usually free on board and recognised upon shipment of the batteries. Payments terms for sale of batteries varies according to sale channels and are up to 90 days for distributors, 45 to 60 days for OEMs and up to 90 days upon shipment for exports.
Industrial products	Under industrial revenue streams, customers do not take control for the product until they are completed. Revenue is recognised on formal acceptance by the customer (point in time), usually upon delivery to the customers premises. Payment terms are 60 and 90 days from delivery.
Warranty	All contracts include standard warranty clauses to guarantee that products comply with agreed specifications. Warranty provisions are recognised by the group. There are no extended warranties.
Financing components	The group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and the payment by the customer exceeds one year. As a consequence, the group does not adjust any of the transaction prices for the time value of money. Payment terms are within industry norms.

Notes to the financial statements (continued)

		GROUP		COMPANY	
		2019 R'000	2018 R'000	2019 R'000	2018 R'000
2.	**NET FINANCE COSTS**				
	Interest income				
	On bank deposits	31 425	20 120	1	3
	Other	1 352	4 088		
		32 777	24 208	1	3
	Interest expense				
	Bank borrowings and overdraft	(168 372)	(128 633)		
	Leases and hire purchase	(12 926)	(4 018)		
	Dividend on redeemable preference shares	(60 532)	(59 206)		
	Defined employee benefits and other	(18 045)	(18 199)		
		(259 875)	(210 056)		
	Net finance (expense)/income	(227 098)	(185 848)	1	3
3.	**OPERATING PROFIT**				
	Operating profit is stated after taking into account the following:				
	Other operating income and dividend revenue				
	Distribution from subsidiaries			6 295	
	Management fees received - external	7 474	7 759		
	Government grants	104 674	117 409		
	Bad debts recovered	124	375		
	Rent received	137	88		
	Derivatives at fair value through profit or loss:				
	- Fair value (loss)/profit	(24 204)	9 073		
	Insurance recovery on fire**		60 657		
	Insurance proceeds - general	2 232	953		
	Profit on transfer of aftermarket business (note 10)	8 313			
	Sundry income	15 025	15 651		
		113 775	211 965	6 295	
	Expenses by nature				
	Auditors' remuneration:				
	- Audit fees and disbursements	9 877	10 487	1 148	1 117
	- Non-audit assurance services	533	1 500		
	- Non-audit non-assurance services	510	10 787		
	Depreciation and amortisation (notes 7 and 8)	295 462	244 500		
	Impairment of property, plant and equipment		1 031		
	Property, plant and equipment destroyed in fire**		4 101		
	Operational losses on fire**		12 280		
	(Profit)/loss on disposal of property, plant and equipment	(1 969)	613		
	Lease charges*	13 342	35 778		
	Impairment (gain)/loss on financial assets	(718)	4 138	(77 305)	(36 485)
	Managerial, technical service fees and transaction costs paid to outside parties	34 758	47 710		
	Foreign exchange losses	9 728	39 022		
	Sales and marketing	102 036	98 300		
	Transport, handling and logistics	177 951	172 812		
	Other distribution costs	48 624	37 735		
	Raw materials, consumables used and other overheads	7 622 227	6 896 223		
	Employee benefit expense	1 965 655	1 806 013	3 389	314
	Other administrative and general expenses	55 601	57 231	1 144	679
	Total cost of sales, distribution expenses, administrative and other operating expenses	10 333 617	9 480 261	(71 624)	(34 375)

* The group applied IFRS 16 - Leases for the first time from 1 January 2019.The comparatives distinguish between operating (expensed) and finance (capitalised) leases. Current year charges include short-term and low value lease expenses as applied under the new accounting rules.

		GROUP		COMPANY	
		2019	2018	2019	2018
		R'000	R'000	R'000	R'000
3.	**OPERATING PROFIT (continued)**				
	Employee benefit expense				
	Wages and salaries	1 717 065	1 587 987	3 389	314
	Share-based payment expenses	24 392	17 151		
	Termination benefits	1 882	1 167		
	Social security costs	129 555	113 928		
	Pension costs - defined contribution plans	86 407	78 652		
	Post-employment medical aid benefits (note 22.1)	2 718	3 617		
	Other post-employment benefits (note 22.2)	3 636	3 511		
		1 965 655	1 806 013	3 389	314
	Number of persons employed by the group at the end of the year				
	Hourly	3 699	3 883		
	Monthly	2 467	2 206		
		6 166	6 089		
	Directors' emoluments				
	Executive directors				
	Salaries and allowances	19 787	19 988	19 787	19 988
	Other benefits	2 648	2 474	2 648	2 474
		22 435	22 462	22 435	22 462
	Paid by subsidiary companies	(22 435)	(22 462)	(22 435)	(22 462)
	Non-executive directors	3 105	314	3 105	314
	Fees	5 487	3 743	5 487	3 743
	Paid by subsidiary company	(2 382)	(3 429)	(2 382)	(3 429)

**** Fires and related insurance proceeds**

Mutlu fire (2018)
During 2018, a fire destroyed a portion of the industrial battery formation (charging) facility at Mutlu. The carrying value of property, plant and equipment was written off. Related operational losses includes inventory damaged by the fire and incidental expenses. The insurance process was concluded in 2019 and the remaining cash receivable of R31.5 million was received (2018: R14.8 million).

Smiths Plastics fire (2018)
During 2018, a fire partly destroyed Plant 2 of the plating line. Related operational losses have been recognised in profit or loss and includes inventory damaged by the fire as well as incidental expenses.

The insurance claim was agreed with the insurers and a total net profit of R2.8 million was recognised in 2018. Proceeds of R14.3 million were received during 2019.

The total gain recognised was allocated as follows:

	GROUP	MUTLU	SMITHS PLASTICS
	2018	2018	2018
	R'000	R'000	R'000
Gain on property, plant and equipment	29 582	27 483	2 099
Recovery on stock written off and business interruption expenses	14 694	13 955	739
Total profit for the year	44 276	41 438	2 838
Made up of:			
Total proceeds recognised as other income for the year	60 657	46 328	14 329
Less: Property, plant and equipment written off	(4 101)	(3 491)	(610)
Less: Stock written off and business interruption	(12 280)	(1 399)	(10 881)
Total profit for the year	44 276	41 438	2 838

R33.7 million of the total R48.9 million cash settlement received in the year, relates to property, plant and equipment.

Notes to the financial statements (continued)

3. **OPERATING PROFIT (continued)**

Directors' emoluments (continued)

	COMPANY			
	2019		2018	
	CT Loock R'000	S Douwenga R'000	CT Loock R'000	S Douwenga R'000
Executive directors				
Salaries and allowances	7 090	4 601	7 613	4 015
Performance bonuses	5 659	2 437	5 784	2 576
Pension and provident fund contributions	354	212	337	205
Company contributions	40	66	39	64
Gain on the exercise of share options*	1 379	597		1 829
	14 522	7 913	13 773	8 689
Paid by subsidiary companies	(14 522)	(7 913)	(13 773)	(8 689)

	COMPANY					
	2019			2018		
	Net R'000	Fees R'000	Paid by subsidiary company R'000	Net R'000	Fees R'000	Paid by subsidiary company R'000
Non-executive directors						
SG Pretorius	648	973	(325)	2	622	(620)
B Mawasha	324	921	(597)	2	355	(353)
TN Mgoduso	324	604	(280)	2	499	(497)
PPJ Derby	324	530	(206)	2	406	(404)
HG Motau	324	527	(203)	2	422	(420)
CMD Flemming	270	545	(275)			
S Sithole	270	433	(163)			
MN Muell	216	341	(125)			
NL Mkhondo	162	208	(46)			
TP Moeketsi	108	134	(26)			
JG Best	135	271	(136)	300	501	(201)
RS Broadley				2	487	(485)
L Soanes				2	451	(449)
	3 105	5 487	(2 382)	314	3 743	(3 429)

* Unrestricted portion.

Information regarding share awards/share options granted to executive directors of Metair Investments Limited can be found in note 26.1.

		GROUP		COMPANY	
		2019 R'000	2018 R'000	2019 R'000	2018 R'000
4.	**TAXATION**				
	Normal taxation	213 220	199 391		1
	Current:				
	- Current year	195 870	188 762		1
	- Prior years	(1 358)	(1 283)		
	Deferred:				
	- Current year	13 512	10 475		
	- Prior years	5 196	1 437		
	Dividend withholding/other taxes	356	658		
		213 576	200 049		1
		%	%	%	%
	Reconciliation of taxation rate:				
	Standard rate - South Africa	28.0	28.0	28.0	28.0
	Associates' results net of taxation	(3.4)	(2.4)		
	Associates' impairment	0.8			
	Prior year adjustment	0.4	0.1		
	- Current	(0.2)	(0.1)		
	- Deferred	0.6	0.2		
	Non-deductible expenses	4.4	4.3	2.0	1.7
	- Non-deductible expenses for preference dividends	1.9	1.8		
	- Non-deductible expenses for interest and fees	1.2	1.1		
	- Non-deductible expenses on corporate and legal costs	0.4	0.6	2.0	1.7
	- Non-deductible expenses	0.9	0.8		
	Dividend withholding/other taxes		0.1		
	Taxation losses for which no deferred taxation asset was recognised	0.6	0.9		
	Utilisation of previously unrecognised tax losses	(0.6)			
	Exempt income	(0.2)	(0.1)	(30.0)	(29.7)
	Research and development tax credits	(0.6)	(0.8)		
	Learnership allowances		(0.3)		
	Investment tax credit - Turkey (Mutlu)	(1.7)	(4.0)		
	Foreign tax rate difference*	(3.2)	(3.6)		
	Effective rate	24.5	22.2		

* Mutlu and Rombat statutory taxation rates are 22% (2018: 22%) and 16% (2018: 16%) respectively.

The tax effects relating to items of other comprehensive income are disclosed in notes 15 and 27.

Deferred income taxation assets are recognised for assessable taxation losses to the extent that the realisation of the related taxation benefit through taxable profits is probable and is based primarily on the future forecasted profitability of the relevant entity. Factors considered include future profitability forecasts and internal reorganisations. Also see note 15 for information about recognised tax losses and assets.

The group did not recognise deferred income taxation assets of R49.5 million (2018: R44.6 million) in respect of estimated taxation losses amounting to R212.7 million (2018: R180.3 million) that can be carried forward against future taxable income. They can be carried forward indefinitely. The carry forward of South African assessed losses will be restricted to 80% of the taxable income of the relevant company from 2021.

Notes to the financial statements (continued)

		GROUP 2019	GROUP 2018
5.	**EARNINGS PER SHARE**		
	Basic earnings per share represents the income in cents attributable to equity holders of the company, based on the group's attributable profit or loss from ordinary activities divided by the weighted average number of shares in issue during the year, excluding treasury shares.	**325**	338
	Headline earnings per share represents the income in cents attributable to equity holders of the company, based on the group's attributable profit or loss from ordinary activities, adjusted as required by SAICA Circular 1/2019, divided by the weighted average number of shares in issue during the year excluding treasury shares.	**336**	327
	Diluted earnings per share		
	Diluted earnings per share (cents)	**324**	336
	Diluted headline earnings per share (cents)	**335**	325
	For the diluted earnings per share calculation, the weighted average number of ordinary shares outstanding is adjusted to take into account all dilutive potential ordinary shares.		
	The company has one category of potential dilutive ordinary shares: Share options.		
	The number of shares taken into account is determined by taking the number of shares that could have been acquired at fair value based on the monetary value of the subscription rights attached to the outstanding share options and awards. This calculation is done to determine the 'purchased' shares to be added to the ordinary shares outstanding for the purpose of computing the dilution.		

	GROUP			
	Earnings per share		Earnings per share	
	2019	2019	2018	2018
Reconciliation between basic and headline earnings	R'000	cents	R'000	cents
Net profit attributable to ordinary shareholders	**624 186**	**325.3**	667 377	338.3
(Profit)/loss on disposal of property, plant and equipment	**(1 567)**	**(0.8)**	534	0.3
Gross amount	**(1 969)**		613	
Taxation effect	**402**		(79)	
Impairment of property, plant and equipment			800	0.4
Gross amount			1 031	
Taxation effect			(231)	
Impairment of associate	**25 351**	**13.2**		
Gross amount	**25 351**			
Gain on transfer of Smiths Manufacturing (Pty) Ltd aftermarket business	**(3 497)**	**(1.8)**		
Gross amount	**(8 313)**			
Taxation effect	**3 651**			
Non-controlling interest effect	**1 165**			
Gain on insurance recovery on fire - property, plant and equipment			(23 066)	(11,7)
Gross amount			(29 582)	
Taxation effect			6 516	
Headline earnings	**644 473**	**335.8**	645 645	327.3
Weighted average number of shares in issue ('000)	**191 904**		197 284	
Diluted earnings per share				
Net profit attributable to ordinary shareholders	**624 186**	**324.2**	667 377	336.2
Number of shares used for diluted earnings calculation ('000)	**192 538**		198 530	
Diluted headline earnings per share				
Headline earnings	**644 473**	**334.9**	645 645	325.2
Number of shares used for diluted earnings per share calculation ('000)	**192 453**		198 530	
Weighted average number of shares in issue ('000)	**(191 904)**		(197 284)	
Adjustment for dilutive share options ('000)	**549**		1 246	

		GROUP 2019 R'000	GROUP 2018 R'000	COMPANY 2019 R'000	COMPANY 2018 R'000
6.	**DIVIDENDS**				
	A dividend of 100 cents (2018: 80 cents) per share in respect of the 2018 (2017) year declared on 18 March 2019 (14 March 2018) and paid on 23 April 2019 (24 April 2018).	**193 238**	158 345	**198 986**	159 131

		GROUP Land and buildings R'000	Plant, machinery and equipment R'000	Vehicles and furniture and fittings R'000	Right of use assets R'000	Total R'000
7.	**PROPERTY, PLANT AND EQUIPMENT**					
	2019					
	At cost	**989 794**	**3 081 610**	**194 093**	**137 563**	**4 403 060**
	Less: Accumulated depreciation and impairment	**(123 208)**	**(1 418 995)**	**(119 483)**	**(33 993)**	**(1 695 679)**
		866 586	**1 662 615**	**74 610**	**103 570**	**2 707 381**
	2018					
	At cost	1 032 933	2 835 573	181 990		4 050 496
	Less: Accumulated depreciation and impairment	(116 575)	(1 279 179)	(116 597)		(1 512 351)
		916 358	1 556 394	65 393		2 538 145
	Reconciliation of movement:					
	Year ended 31 December 2019					
	Opening net book value	**916 358**	**1 556 394**	**65 393**		**2 538 145**
	Application of IFRS 16 at 1 January 2019				**84 529**	**84 529**
	Transfers*	**24 163**	**(35 228)**	**6 470**	**4 595**	
	Additions	**20 414**	**424 346**	**26 647**	**51 267**	**522 674**
	Disposals	**(2 342)**	**(174)**	**(184)**	**(2 565)**	**(5 265)**
	Depreciation	**(15 124)**	**(203 489)**	**(16 792)**	**(32 203)**	**(267 608)**
	Currency adjustment	**(76 883)**	**(79 234)**	**(6 924)**	**(2 053)**	**(165 094)**
	Closing net book value	**866 586**	**1 662 615**	**74 610**	**103 570**	**2 707 381**
	Year ended 31 December 2018					
	Opening net book value	1 009 769	1 538 605	57 363		2 605 737
	Transfers	11 798	(24 282)	8 506		(3 978)
	Additions	4 276	246 671	20 783		271 730
	Disposals	(8)	(6 264)	(382)		(6 654)
	Depreciation	(15 528)	(186 687)	(14 808)		(217 023)
	Impairment		(1 031)			(1 031)
	Currency adjustment	(93 949)	(10 618)	(6 069)		(110 636)
	Closing net book value	916 358	1 556 394	65 393		2 538 145

* Transfers include reclassifications of assets acquired under finance leases. R4.6 million has been reclassified from vehicles and equipment to right of use assets as at 1 January 2019 in terms of IFRS 16 - Leases. Due to the adoption method applied prior year balances are not restated. The remainder relates to previous assets under construction which have now been completed.

Property, plant and equipment comprise of owned (including assets under construction) and leased assets. The group leases assets which include land and buildings, machinery, equipment and vehicles.

A register of land and buildings is available at the registered offices of the subsidiaries owning the respective properties.

Property, plant and equipment amounting to R109.0 million (2018: R115.7 million) are encumbered as security for bank overdrafts.

R67 million of the total additions for R523 million, relates to instalment sale liabilities and leases. R456 million relates to capital expenditure.

7. PROPERTY, PLANT AND EQUIPMENT (continued)

Assets under construction are included as follows:

	GROUP	
	2019	**2018**
	R'000	**R'000**
Land and buildings	**15 255**	5 386
Plant and equipment	**264 002**	104 828

Depreciation expenses are included within cost of sales of R223.4 million (2018: R191.7 million); distribution costs of R9.0 million (2018: R3.6 million); and administrative expenses of R35.2 million (2018: R21.7 million) in the income statement.

Right of use assets are included as follows:

	GROUP	
	31 Dec 2019	**01 Jan 2019**
	R'000	**R'000**
Land and buildings (Property)	**55 009**	29 326
Machinery, forklifts and factory equipment	**33 502**	50 243
Vehicles	**12 947**	9 599

The group has changed its accounting for lease contracts and has applied IFRS 16 with initial application from 1 January 2019, using the modified retrospective approach.The group previously capitalised leases that were only classified as finance' leases under IAS 17. The details of the change in accounting policy is disclosed in note 28.1.

The group leases various assets under non-cancellable lease agreements, with lease terms ranging from 1 to 5 years. The net book value of the assets leased and capitalised under IFRS 16 amounted to R101.5 million (1 Jan 2019: R91.7 million).

The group also acquires assets under instalment sale agreements (HPs). The net book values of these assets amounted to R54 million (2018: R43.1 million, including IAS 17 finance leases).

Lease liabilities are included within borrowings. Refer to note 14 for details of lease liabilities recognised.

Lease rentals amounting to R6.5 million (2018: R12.4 million) relating to property and R6.8 million (2018: R23.4 million) relating to equipment are included in the income statement. These leases are short term and / or leases of low value items. These leases are not capitalised as the group has elected not to recognise right of use assets and lease liabilities for these leases. Equipment comprise mainly of IT and administrative equipment.

7. PROPERTY, PLANT AND EQUIPMENT (continued)

The amounts recognised in profit and loss in respect of the group's leases are as follows:

	GROUP	
	2019 R'000	**2018 R'000**
Interest on lease liabilities (included in finance costs)	**8 731**	4 018
Expenses relating to short term leases	**9 831**	
Expenses relating to leases of low value assets that are not short term leases	**3 511**	
Expense under IAS17 (operating leases)		35 778
Depreciation charges on right of use assets:		
- Property	**8 378**	
- Machinery, forklifts and equipment	**16 106**	
- Vehicles	**7 719**	

The total cash outflow for leases in 2019 was R60.8 million.

The group's leasing activities :

The group leases forklifts, vehicles, equipment and machinery for operational requirements. Rental or lease contracts range from 1 to 5 years. Lease terms are negotiated on an individual basis and contain different terms and conditions, but are generally 'vanilla' in nature. The lease arrangements generally do not contain any covenants, but leased assets may not be used as security for borrowing purposes (other than HPs).

Group companies own most of their properties other than ATE and Rombat's Lithium-Ion (Li-ion) facility. ATE has entered into a 5 year agreement to lease property in Benoni, South Africa, from which it operates. The lease has been capitalised under IFRS 16. Annual rentals start from R5 991 000, with escalations of 8% per annum.

Rombat leases property in Bucharest, Romania, from which it carries out it's Li-Ion cell manufacturing. Operations commenced in November 2019 and the lease term is for 5 years. Annual lease rentals are Euro 276 000 and there is no escalations.

The new accounting method for leases can be found within the groups accounting policies. Generally leases are recognised as a right of use asset and a corresponding liability at the date at which the leased asset is available for use by the group. Right of use assets are depreciated. Lease payments are allocated between the liability and finance costs.

		GROUP						
		Goodwill R'000	Trade-marks R'000	Licences R'000	Brands R'000	Customer relation-ship R'000	Develop-ment costs and other R'000	Total R'000
8.	**INTANGIBLE ASSETS**							
	2019							
	At cost	**266 173**	**48 537**	**37 509**	**209 535**	**110 987**	**93 201**	**765 942**
	Less: Accumulated amortisation and impairment	**(17 797)**	**(22 154)**	**(23 763)**	**(19 664)**	**(48 460)**	**(29 045)**	**(160 883)**
		248 376	**26 383**	**13 746**	**189 871**	**62 527**	**64 156**	**605 059**
	2018							
	At cost	316 222	52 585	34 909	239 576	126 967	85 495	855 754
	Less: Accumulated amortisation and impairment	(17 797)	(20 662)	(21 650)	(18 662)	(46 863)	(22 639)	(148 273)
		298 425	31 923	13 259	220 914	80 104	62 856	707 481
	Reconciliation of movement:							
	Year ended 31 December 2019							
	Opening net book value	**298 425**	**31 923**	**13 259**	**220 914**	**80 104**	**62 857**	**707 482**
	Additions		**26**	**4 283**			**19 683**	**23 992**
	Amortisation		**(2 960)**	**(2 854)**	**(2 982)**	**(7 566)**	**(11 492)**	**(27 854)**
	Currency adjustments	**(50 049)**	**(2 606)**	**(942)**	**(28 061)**	**(10 011)**	**(6 892)**	**(98 561)**
	Closing net book value	**248 376**	**26 383**	**13 746**	**189 871**	**62 527**	**64 156**	**605 059**
	Year ended 31 December 2018							
	Opening net book value	367 758	33 786	12 267	267 928	106 206	46 627	834 572
	Transfers						3 978	3 978
	Additions			4 617			29 088	33 705
	Disposals							
	Amortisation		(2 831)	(3 302)	(3 223)	(8 482)	(9 639)	(27 477)
	Currency adjustments	(69 333)	968	(323)	(43 791)	(17 620)	(7 198)	(137 297)
	Closing net book value	298 425	31 923	13 259	220 914	80 104	62 856	707 481

8. INTANGIBLE ASSETS (continued)

General

Goodwill, trademarks, brands and customer relationships are allocated to their respective underlying cash-generating units. The respective businesses acquired are defined as the underlying cash-generating units which support the valuation of the goodwill, trademarks, brands and customer relationships.

Significant trademarks and brands comprise of Mutlu, Povver, Celik and Rombat.

Additions to intangible assets comprises predominantly of capitalised development costs within the Energy Storage vertical, licences and software.

Brands are recognised as indefinite useful life intangible assets when an analysis of the relevant underlying factors confirm that there is no foreseeable limit to the period over which the asset is expected to generate net cash flows for the entity. This assumption is further justified by the strong presence these brands have in their respective marketplace. The Mutlu brand has a track record of stability, is long established and has demonstrated the ability to survive changes in the economic environment. Factors considered include the market-leading position of the Mutlu brand in Turkey, its wide name-recognition and strong presence in the marketplace, management's intention to maintain advertising spend and to keep the brand indefinitely.

Amortisation on finite intangible assets of R15.3 million (2018: R16.5 million) is included within cost of sales and R12.6 million (2018: R11.0 million) within administration expenses in the income statement. Intangible assets recognised as defined life intangible assets are carried at cost less accumulated amortisation and impairment. Amortisation is calculated using the straight-line method to allocate the costs of these assets over their useful lives. Trademarks, brands and customer relationships are amortised over periods ranging from 5 to 25 years. There are no restrictions on title.

Goodwill and indefinite life intangible assets are allocated to the following cash-generating units ('CGUs'):

	Opening net book value R'000	Currency adjustments R'000	Closing net book value R'000
2019			
Goodwill			
- Rombat SA	**48 247**	**(2 494)**	**45 753**
- Mutlu group	**250 178**	**(47 555)**	**202 623**
Brands			
- Mutlu group	**187 611**	**(24 743)**	**162 868**
	486 036	**(74 792)**	**411 244**
2018			
Goodwill			
- Rombat SA	44 644	3 603	48 247
- Mutlu group	323 114	(72 936)	250 178
Brands			
- Mutlu group	225 561	(37 950)	187 611
	593 319	(107 283)	486 036

Impairment tests on goodwill and indefinite life intangible assets

The group's goodwill and indefinite life intangible assets arising in the CGUs, Mutlu and Rombat, belong to the energy storage vertical. The recoverable amount has been determined based on value-in-use calculations and is estimated using a discounted cash flow model ('DCF').

DCF calculations use cash flow projections based on financial budgets and five-year business plans approved by management and the board, which include assumptions on profit before interest and tax, depreciation, working capital movements and capital maintenance expenditure. Cash flows beyond a five-year period are extrapolated using the estimated growth rates stated below (terminal value). The estimated future cash flows used are pre-tax.

The perpetuity growth rate is consistent with long-term industry growth forecasts. The discount rate reflects specific risks relating to the cash-generating unit. No impairment was required in the current or prior year.

8. INTANGIBLE ASSETS (continued)

The summary of key assumptions used for value-in-use calculations are as follows:	ROMBAT %	MUTLU %
2019		
Compound annual volume growth rate*	**3.5**	**3.8**
Long-term growth rate**	**2.9**	**3.6**
Discount rate (WACC)***	**12.2**	**27.9**
Period (years)	**5.0**	**5.0**
2018		
Compound annual volume growth rate*	3.5	3.7
Long-term growth rate**	3.7	5.0
Discount rate (WACC)***	13.0	29.9
Period (years)	5.0	5.0

* Compound annual volume growth rate in the initial five-year period for automotive batteries.

** Long-term growth rate used to extrapolate cash flows beyond the five-year period.

*** Implied pre-tax discount rate applied to cash flow projections reflecting specific risks relating to the CGU and the country they operate in.

Raw material input costs: Lead constitutes approximately 60% of the material cost of batteries and therefore the group is exposed to commodity price risk in the quoted market price of lead which may impact on input costs. However this risk is mitigated by the following:
- Operations benefit from vertical integration of scrap battery recycling which also allows the group to meet its legal recycling obligations and acts as a key source of raw materials.
- Recovery of old batteries through the group's distribution network and recycling of its lead content allows the group to significantly reduce its costs, thus achieving strong operational efficiency and overall lower input costs when compared to LME (London Metals Exchange).
- A natural hedge exists for USD denominated lead price which is partially off-set through export sales denominated in foreign currency.
- Medium and long-term product pricing generally follow trends in USD and LME as battery prices are predominantly based on the USD exchange rate and the LME price of lead per tonne. USD2 100 USD/tonne (2018: USD2 200 USD/tonne) has been used in the forecast period costs for lead.

Implied pre-tax discount rate: The discount rate of each CGU is determined using a Weighted Average Cost of Capital ('WACC') approach. Risk adjusted discount rates are derived from risk-free rates based upon long-term government bonds in the territory, or territories, within which each CGU operates. We have taken the yield of the ten-year benchmark sovereign bond for Romania denominated in the CGUs domestic currency as a proxy for the risk-free rate for Rombat. For Turkey (Mutlu), we have used the 30-year US government bond and applied a 'build-up approach', including adjusting for an inflation differential between the Turkish Lira and US Dollar. A relative risk adjustment (or beta) has been applied to risk-free rates to reflect the risk inherent in each CGU relative to all other sectors on average, determined using an average of the betas of comparable listed companies, relevered. The discount rate is further adjusted (where applicable) for a small stock premium (SSP), a company specific risk premium (CSRP), forecasting risk ('alpha') and a market or equity risk premium (MRP). Since we have made use of domestic sovereign bonds as a measure of the risk-free rate for Rombat, no country risk premium has been applied. However, a country risk premium of 4.4% was applied to the risk-free rate determination of Mutlu. In determining the cost of debt we have used a 'build-up approach' considering each CGUs capacity to borrow on a standalone basis. A long-term target debt to equity ratio of 20% has been applied to arrive at a WACC.

Long-term growth rates: To forecast beyond the detailed cash flows into perpetuity, a long-term growth rate has been used. In each case, this approximates long-term industry and country forecasts in the territory where the CGU is primarily based.

Goodwill sensitivity analysis

The results of the group's impairment tests are dependent upon estimates and judgements made by management, particularly in relation to the key assumptions described above. Sensitivity analysis to potential changes in key assumptions has therefore been reviewed.

The table below shows the discount rate and long-term growth rate assumptions used in the calculation of value-in-use and the amount by which each assumption must change in isolation in order for the estimated recoverable amount to approximate the carrying value.

8. INTANGIBLE ASSETS (continued)

Sensitivity analysis of assumptions used in the goodwill impairment test	ROMBAT	MUTLU
Change required for the carrying value to approximate the recoverable amount:		
2019		
Discount rate %	**12.2**	**27.9**
Percentage points change	**+5.6**	**+6.2**
Long-term growth rate %	**2.9**	**3.6**
Percentage points change	**-9.9**	**-14.5**
2018		
Discount rate %	13.0	29.9
Percentage points change	+2.7	+1.5
Long-term growth rate %	3.7	5.0
Percentage points change	-4.2	-3.1

Changes to the compound annual volume growth rates are not significantly sensitive to recoverable amounts.

	COMPANY	
	2019 R'000	2018 R'000
9. INTEREST IN SUBSIDIARIES		
Unlisted		
Investments at cost	493 695	493 695
Share-based payment costs	68 270	66 598
	561 965	560 293
Advances to subsidiary companies, net of impairments	1 524 490	1 620 323
Current advances from subsidiary companies	(209 744)	(178 262)
	1 314 746	1 442 061
Total net investment interest and advances to/(from) related parties	1 876 711	2 002 354

Advances to subsidiary companies are interest-free, unsecured and repayable on demand and to be settled in cash. These are presented as short-term loans to/(from) group subsidiary companies, net of impairment allowances. The gross carrying amount of loans, which represent the maximum exposure to loss, is R1 760 085 710 (2018: R1 933 224 000). A listing of amounts due to/(from) subsidiary companies can be found on page 214.

The total loss provision amounted to R235 595 517 at 31 December 2019 and R312 901 000 at 31 December 2018. The loss allowance provision decreased as Metair Management Services (Pty) Ltd ('MMS') repaid some advances during the year. The nature of MMS's business operations makes it difficult to predict its future cash flows. Further information on impairments can be found in note 19.2 B (financial instruments - credit risk). Related party loans receivable are classified within a "held-to-collect" business model as the company holds the loans with the objective to collect the contractual cash flows which solely relates to payments of the principle amount and therefore classified at amortised cost.

The interest of Metair Investments Ltd in the aggregate after tax income/(loss) of the subsidiaries was as follows:

	GROUP	
	2019 R'000	2018 R'000
Net income	1 038 535	1 218 576
Net losses	(23 191)	(52 021)

Details of subsidiaries of the group are disclosed on page 212. The group structure is available on page 6 of the integrated annual report.

All subsidiary undertakings are included in the consolidation. The total non-controlling interest for the period is R122.7 million (2018: R121.3 million) of which R118.8 million (2018: R117.2 million) is for Smiths Manufacturing. Smiths Manufacturing is situated in South Africa and is a conventional manufacturing company producing automotive products such as climate control and air-conditioning systems predominantly for the OE sector. Management has assessed the level of influence the group is able to exercise over Smiths Manufacturing and it has control over the company due to its voting and similar rights as well as the ability to direct the relevant activities.

9. INTEREST IN SUBSIDIARIES (continued)

Summarised financial information on subsidiaries with material non-controlling interests

Set out below are the summarised financial information, prepared in accordance with IFRS, for Smiths Manufacturing (Pty) Ltd (Smiths) (75% held) that has non-controlling interest that is material to the group. The amounts disclosed are based on those included in the consolidated financial statements before inter-company eliminations.

	2019 R'000	2018 R'000
Summarised balance sheet		
Non-controlling interest %	25	25
Current		
Assets	524 132	545 393
Liabilities	(233 770)	(259 467)
Total net current assets	290 362	285 926
Non-current		
Assets	266 709	271 260
Liabilities	(96 523)	(104 557)
Total net non-current assets	170 186	166 703
Net assets	460 548	452 629
Summarised results		
Revenue	1 850 541	1 810 102
Other comprehensive (loss)/income	(1 109)	935
Profit attributable to non-controlling interest	33 292	31 401
Total comprehensive income allocated to non-controlling interest	33 014	31 635
Dividends paid to non-controlling interest	31 401	31 009
Accumulated non-controlling interest	118 818	117 205
Summarised cash flow		
Net cash inflow from operating activities	38 867	9 821
Net cash outflow from investing activities	(19 487)	(9 584)
Net cash outflow from financing activities	(3 213)	

	GROUP		COMPANY	
	2019 R'000	2018 R'000	2019 R'000	2018 R'000
10. INVESTMENT IN ASSOCIATES				
Unlisted				
Investments at cost less impairment	270 658	285 143	2 793	2 793
Share of post-acquisition reserves included in equity accounted earnings	462 782	389 153		
Total carrying value	733 440	674 296	2 793	2 793
Reconciliation of movements:				
Balance at the beginning of the year	674 296	580 440	2 793	2 793
Adjustment on initial application of IFRS 15 and IFRS 9		3 269		
Additional investment in / acquisition of associate	10 866	16 061		
Impairment of associate	(25 351)			
Share of equity accounted earnings	105 665	76 507		
Dividends received	(31 168)	(6 550)		
Foreign currency translation	(868)	4 569		
Investment in associates	733 440	674 296	2 793	2 793

Set out below are the associates of the group, which are accounted for on the equity method.
The associates have share capital consisting of ordinary shares and subscribed capital which are held directly by the group except, Valeo Systems SA and Tenneco Automotive Holdings SA that is held directly by the company.

Their principal place of business is the same as country of incorporation and the proportion of ownership is the same as the voting rights held.

10. INVESTMENT IN ASSOCIATES (continued)

Nature of investment in associates	Percentage holding (effective) %	Place of business/ country of incorporation	Group carrying amount R'000
2019			
Unlisted			
Hesto Harnesses (Pty) Ltd	**74.9**	**South Africa**	**279 222**
Valeo Systems SA (Pty) Ltd	**49.0**	**South Africa**	**87 943**
Tenneco Automotive Holdings SA (Pty) Ltd	**25.1**	**South Africa**	**71 424**
Associated Battery Manufacturers (East Africa) Limited ('ABM')	**25.0**	**Kenya**	**170 467**
MOLL	**25.1**	**Germany**	**108 168**
Prime Motors Industry Srl ('Prime')	**35.0**	**Romania**	**16 216**
Vizirama 12 (Pty) Ltd	**33.0**	**South Africa**	
Eye2square Innovations (Pty) Ltd	**20.0**	**South Africa**	
Denso Sales South Africa (Pty) Ltd	**49.0**	**South Africa**	
			733 440
2018			
Unlisted			
Hesto Harnesses (Pty) Ltd	74.9	South Africa	246 181
Valeo Systems SA (Pty) Ltd	49.0	South Africa	74 286
Tenneco Automotive Holdings SA (Pty) Ltd	25.1	South Africa	57 985
Associated Battery Manufacturers (East Africa) Limited	25.0	Kenya	157 475
MOLL	25.1	Germany	122 302
Prime Motors Industry Srl ('Prime')	35.0	Romania	16 067
Vizirama 12 (Pty) Ltd	33.0	South Africa	
Eye2square Innovations (Pty) Ltd	20.0	South Africa	
			674 296

Details of the associates are disclosed on page 213. There are no significant restrictions on the ability of associates to transfer funds to the group. The group does not provide or has received guarantees or similar undertakings for financing facilities, except for a limited letter of support of R3.6 million (2018: R3.6 million) granted to Valeo for overdraft facilities. The risk of default is considered remote. The associate companies operate in the automotive component industry and manufacture automotive parts and batteries for OE and aftermarket segments.

The group's associates are private entities and there is no quoted market price available for shares.

The group owns 74.9%, of the majority of the voting rights in Hesto. However, the Shareholder's Agreement stipulates that unanimous consent is required for all decisions relating to the relevant activities of Hesto. The other shareholder also has a currently exercisable and substantive option (call option) that results in Metair accounting for the investment as an associate (also refer note 24).

Hesto manufactures and sells automotive wiring harnesses and related components in South Africa. Hesto is a strategic and specialist automotive component manufacturer giving the group OE product and market focus as well being a product differentiator. Hesto's results are also included in the group's segmental analysis, as a managed associate.

During the first half of 2018 the group acquired 35% of Romanian lithium-ion ('Li-ion') battery maker, Prime for R16 million (EUR1 million). The acquisition establishes an incubation and research and development centre for Li-ion development and to accelerate production of Li-ion batteries for the European market.

MOLL is a renowned battery manufacturer for the automotive industry, and has been supplying European OEMs such as Audi, Daimler, Porsche, Lamborghini and VW. The acquisition strengthens our access to German OEMs as well as potential access to new markets such as China and technological transfer. Additional investment of R10.9 million was made during 2019. The investment in MOLL Opco was impaired by R25 million during the current year.

ABM owns the Chloride and Exide brands for the Kenyan as well as Tanzanian and Ugandan markets. The ABM group is purely aftermarket and represents significant potential for synergies and technology transfer in maintenance free batteries for automotive and lithium batteries for solar.

During July 2019, Smiths Manufacturing (Pty) Ltd concluded the repositioning of its aftermarket business. Denso Sales South Africa (Pty) Ltd ("DSSA") was formed and Smiths received a 49% shareholding. DSSA supplies retail aftermarket car parts to the southern African markets. A gain of R8.3 million, pre-tax, was made and represents cash received from DSSA for the business. The carrying value of the assets disposed was negligible.

Notes to the financial statements (continued)

10. INVESTMENT IN ASSOCIATES (continued)

Summarised financial information for associates

Set out below are the summarised financial information for the associates, which are accounted for using the equity method. Hesto, ABM and MOLL are disclosed individually, whilst the other associates are aggregated.

	2019			
	Hesto Harnesses R'000	**ABM R'000**	**MOLL R'000**	**Other associates R'000**
Summarised income statements				
Revenue	1 265 517	1 132 200	1 073 234	937 030
Profit after taxation	81 000	69 597	1 405	72 304
Total comprehensive income	81 000	69 597	1 405	81 843
Attributable to group	60 669	17 400	351	27 245
Dividends received from associates	(27 628)	(3 540)		
Post foreign earnings currency translation		(868)		
Summarised balance sheets				
Current				
Assets	303 922	475 278	284 653	708 154
Liabilities	(124 841)	(116 411)	(264 192)	(233 753)
Non-current				
Assets	233 256	253 970	259 578	128 672
Liabilities	(39 545)	(105 883)	(92 367)	(15 297)
Net assets	372 792	506 954	187 672	587 776

	2018			
	Hesto Harnesses R'000	**ABM R'000**	**MOLL R'000**	**Other associates R'000**
Summarised income statements				
Revenue	1 179 510	1 022 799	1 101 739	1 238 049
Profit/(loss) after taxation	73 774	78 928	(87 649)	73 740
Total comprehensive income	73 774	78 928	(87 649)	70 596
Attributable to group	55 257	19 732	(22 000)	23 522
Dividends received from associates		(6 550)		
Summarised balance sheets				
Current				
Assets	327 931	439 836	284 246	645 749
Liabilities	(183 904)	(115 085)	(244 929)	(212 488)
Non-current				
Assets	228 929	239 593	280 328	85 580
Liabilities	(44 277)	(92 388)	(109 224)	(3 369)
Net assets	328 679	471 956	210 421	515 472

The information above reflects the amounts presented in the financial statements of the associates (and not the group's share of those amounts) adjusted for differences in accounting policies between the group and the associates.

The statutory financial year-end of ABM is the end of February, however the results presented are at 31 December 2019 and equity accounted up to this date.

The majority partner in MOLL Opco has a put option to sell their entire shareholding to the remaining shareholders of the entity. We have examined the terms of the option and have determined that the likelihood of the derivative option instrument arising is remote and the fair value of the option liability to be immaterial at year-end.

10. INVESTMENT IN ASSOCIATES (continued)

Reconciliation of summarised financial information

Reconciliation of summarised financial information of associates are presented in the table below:

	Hesto Harnesses R'000	ABM R'000	MOLL R'000	Other associates R'000
2019				
Opening net assets 1 January	328 679	471 956	210 421	515 472
Profit for the year	81 000	69 597	1 405	72 304
Dividends paid	(36 887)	(14 160)		
Foreign currency translation and other		(20 439)	(24 154)	
Closing net assets	372 792	506 954	187 672	587 776
Shareholding	74.9%	25.0%	25.1%	Varying
Acquisition cost less impairment	1	121 986	129 817	18 854
Post equity accounted profits/(losses)	279 221	48 481	(21 649)	156 729
Carrying amount	279 222	170 467	108 168	175 583

	Hesto Harnesses R'000	ABM R'000	MOLL R'000	Other associates R'000
2018				
Opening net assets 1 January	250 540	358 044	264 277	424 614
Profit for the year	73 774	78 928	(87 649)	73 740
Dividends paid		(26 200)		
Net asset value of associates purchased				15 465
Foreign currency translation	4 365	61 184	33 793	1 653
Closing net assets	328 679	471 956	210 421	515 472
Shareholding	74.9%	25.0%	25.1%	Varying
Acquisition cost less impairment	1	121 986	144 302	18 854
Post equity accounted profits/(losses)	246 180	35 489	(22 000)	129 484
Carrying amount	246 181	157 475	122 302	148 338

11. INVENTORY

	GROUP 2019 R'000	GROUP 2018 R'000	COMPANY 2019 R'000	COMPANY 2018 R'000
Raw material	730 510	758 600		
Work in progress	433 780	482 089		
Finished goods	563 281	601 520		
Right to recover returned goods	8 058	6 882		
	1 735 629	1 849 091		
Write-downs of inventories to net realisable value amounted to	17 731	16 717		
The cost of inventories recognised as expense and included in cost of sales amounted to	7 905 261	7 496 647		
Inventory pledged as security for bank overdrafts amounting to	7 205	5 300		

Inventory and work in progress related to automotive components revenue are recognised over time and contract assets are created. An asset for the right to recover returned goods is recognised in relation to batteries sold under certain distributor arrangements.

Notes to the financial statements (continued)

		GROUP		COMPANY	
		2019	2018	2019	2018
		R'000	R'000	R'000	R'000
12.	**TRADE AND OTHER RECEIVABLES**				
	Trade receivables	1 455 818	1 480 946		
	Less: Provision for impairment of trade receivables	(40 713)	(49 327)		
		1 415 105	1 431 619		
	Prepayments and deposits	85 395	75 339		
	Tooling receivables	68 221	13 516		
	Insurance proceeds and claims receivable	315	45 856		
	Grant claim receivable	4 245	3 853		
	VAT asset	8 236	6 996		
	Rebates and discounts receivable	72 225	58 487		
	Other receivables	46 142	31 875		
		1 699 884	1 667 541		
	Trade receivables is analysed as follows:				
	Original equipment (OEMs)	360 223	437 118		
	Exports	262 720	340 470		
	Aftermarket	739 755	612 000		
	Non-automotive	93 120	91 358		
		1 455 818	1 480 946		

OEM receivables decreased towards the end of the current year as most OEMs lowered volume call offs and some shut-down operations earlier. Mutlu export capacity shifted to the local aftermarket in Q4 2019 and as a result, export activity decreased. Aftermarket sales in Q4 was strong, especially in Mutlu Akü. Overall, our cash collections have improved. The net remeasurement of the loss allowances in current year was therefore minimal.

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

	GROUP	
	2019	2018
	R'000	R'000
Rand	684 485	718 261
British Pound	27 242	24 086
Euro	78 286	184 073
US Dollar	157 490	115 916
Australian Dollar	1 303	666
Romanian Lei	133 837	136 070
Turkish Lira	616 730	486 613
Singapore Dollar	513	1 856
	1 699 886	1 667 541

12. TRADE AND OTHER RECEIVABLES (continued)

The provision for impairment (loss allowance) can be reconciled as follows (also refer to note 19.2B for details):

	Total R'000	Original equipment R'000	Export R'000	After-market R'000	Non-automotive R'000
2019					
At 1 January	**49 327**	**127**	**28 923**	**17 810**	**2 467**
Net remeasurement of loss allowance	**(718)**	**67**	**(2 180)**	**1 404**	**(9)**
Amounts written off	**(4 839)**	**(72)**		**(4 332)**	**(435)**
Currency adjustments	**(3 057)**	**(3)**	**(1 856)**	**(1 198)**	
As at 31 December	**40 713**	**119**	**24 887**	**13 684**	**2 023**
2018					
At 1 January	34 452	97	20 776	10 479	3 100
Adjustment on initial application of IFRS 9	11 226	74	4 758	6 267	127
Balance at 1 January 2018 under IFRS 9	45 678	171	25 534	16 746	3 227
Net remeasurement of loss allowance	4 138	(44)	729	2 610	843
Amounts written off	(4 223)			(2 620)	(1 603)
Currency adjustments	3 734		2 660	1 074	
As at 31 December	49 327	127	28 923	17 810	2 467

The loss allowance has decreased mainly due to currency devaluation and amounts utilised. The profile of gross debtors have remained relatively consistent and collection efforts have improved at Rombat and Mutlu. 84% (2018: 81%) of the group's total debtors are within terms.

An ageing profile of total trade receivables from a market perspective is presented below:

	Total R'000	Original equipment R'000	Export R'000	After-market R'000	Non-automotive R'000
2019					
Up to 3 months	**1 355 505**	**357 147**	**230 724**	**692 073**	**75 561**
3 to 6 months	**33 890**	**1 317**	**1 444**	**20 793**	**10 336**
Over 6 months	**66 423**	**1 759**	**30 552**	**26 889**	**7 223**
	1 455 818	**360 223**	**262 720**	**739 755**	**93 120**
2018					
Up to 3 months	1 386 307	436 305	298 871	571 801	79 330
3 to 6 months	41 078	813	11 784	19 387	9 094
Over 6 months	53 561		29 815	20 812	2 934
	1 480 946	437 118	340 470	612 000	91 358

12. TRADE AND OTHER RECEIVABLES (continued)

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.

Mutlu has obtained security over trade receivables in the form of bank guarantees, mortgages and bank letters of credit which can be called upon if the trade debtor is in default. The total value of coverage is R658 million (2018: R454 million), which represents approximately 86% (2018: 74%) of total Mutlu debtors outstanding at year end. Local aftermarket and export customers, in which the default risk is raised when compared to international OEM customers, are fully covered by collateral received as well as credit insurance over certain export debtors. Mutlu has a very low history of customer defaults and the collateral has been taken into account in determining the loss allowance under IFRS 9. The security has increased as a result of higher aftermarket sales in Mutlu.

Receivables are classified within a “held-to-collect” business model since the group holds the trade receivables with the objective to collect the contractual cash flows and therefore measured at amortised cost. Trade receivables are recognised initially at the amount of consideration that is unconditional. Information about the group’s exposure to credit risk, the impairment policies and loss allowance model for trade receivables can be found in note 19.2B.

Trade receivables of R109.3 million (2018: R126.3 million) have been pledged as security for bank overdrafts.

		GROUP		COMPANY	
		2019 R'000	2018 R'000	2019 R'000	2018 R'000
13.	**CASH AND CASH EQUIVALENTS**				
	For the purposes of the cash flow statement, cash and cash equivalents consist of the following:				
	Cash at bank and on hand	1 140 071	671 952	471	324
	Bank overdrafts	(261 466)	(92 342)		
		878 605	579 610	471	324
	The following bank rates applied at year-end:				
	Interest rate on South African short-term bank deposits	8.1%	6.7%		
	Interest rate on Turkish short-term bank deposits	17.9%	22.5%		
	Interest rate on European short-term bank deposits	0.8%	1.8%		
	Interest rate on South African bank overdrafts	9.7%	9.6%		
	Interest rate on European bank overdrafts	1.7%	6.9%		

Property, plant and equipment of R109.0 million (2018: R115.7 million), inventory of R7.2 million (2018: R5.3 million) and trade receivables of R109.3 million (2018: R126.3 million) have been pledged as security for bank overdrafts.

		GROUP		COMPANY	
		2019 R'000	2018 R'000	2019 R'000	2018 R'000
14.	**BORROWINGS**				
	Redeemable preference shares	840 000	840 000		
	Bank borrowings	1 218 445	964 044		
	Instalment sale liabilities	37 846	33 367		
	Lease liabilities	100 120	4 383		
	Total borrowings	2 196 411	1 841 794		
	Current portion included in current liabilities	(896 974)	(858 032)		
	Non-current portion	1 299 437	983 762		

Redeemable preference shares

An aggregate of 1 400 cumulative redeemable no par value preference shares were issued on 2 September 2014 and are mandatorily redeemable. The remaining obligation of R840 million is to be settled on 13 December 2021.

Preference dividends are to be paid on a semi-annual basis on 15 April and 15 October of each year during the term and carry a dividend rate of 70% of the ruling South African prime rate calculated on a nominal annual monthly compounded basis (NACM).

The preference shares are subject to covenant requirements (refer note 19.3) and these requirements have been complied with.

14. BORROWINGS (continued)

Bank borrowings

Bank borrowings includes term loans and call loans of R438 million (2018: R225 million) and revolving credit facilities (RCF's) of R780 million (2018: R739 million).

The group has two RCF's for R750 million (RCF 1) and R525 million (RCF 2), provided by ABSA Bank Limited, Investec Bank and Standard Bank of South Africa Limited. Drawdowns amounted to R780 million (2018: R739 million) at balance sheet date. RCF 1 has a tenure of five years with an original maturity date of 13 August 2019. The tenure was extended to 13 August 2020. Interest is charged at 2.05% over the ruling JIBAR rate, determined either on a one, three or six month basis, as selected by the group (interest period). RCF 2 has a tenure of five years with a final maturity date of 23 August 2023. Interest is charged at 2.35%, over JIBAR. Interest accrues on a daily basis and is payable in arrears at the end of each interest period. Drawdowns are payable on a rolling basis at each interest period, but not later than the final maturity date. RCF 2 is classified as non-current at balance sheet date as a result of the rolling mechanism and expected to be settled in 2023. RCF 1 is classified as current as it is repayable in 2020, unless re-financed. The RCF funding is guaranteed on a joint and several basis by certain subsidiaries within the group.

The secured term and call loans of R438 million (2018: R225 million of secured term loans), consist of borrowings arising in Mutlu and Rombat for R312 million and R126 million respectively.

Mutlu - Turkish Lira denominated borrowings:

Various term and call loans totalling TL132.3 million arising in Mutlu (2018: TL82.8 million) with maturities ranging up to 2022. The interest rates are fixed and range from 14.7% to 20.8% (at an average of 17.9%) per annum (2018: from 14.2% to 25%). The short term capital portion is TL42.3 million (R99.7 million). Annual repayments approximate TL57 million (R135 million) and TL33 million (R78 million) for 2021 and 2022. The total long term portion is TL90 million (R212 million) and interest rates ranges from 14.7% to 20.8%.

Rombat - Euro denominated borrowings:

Approximately Euro 8 million arising in Rombat (Romania) which matures in 2026. Interest is charged at 1.4% per annum and is fixed. The loan is secured over property, plant and equipment, for Euro 14 million. Capital repayments amounts to Euro 0.4 million per quarter (Euro 1.6 million per annum), commencing in 2021.

	GROUP		COMPANY	
	2019 R'000	**2018 R'000**	**2019 R'000**	**2018 R'000**
Maturity of non-current borrowings (bank and preference shares)				
Later than 1 year and not later than 2 years	987 054	890 197		
Later than 2 year and not later than 5 years	221 663	67 648		
	1 208 717	957 845		
The carrying amount of the total borrowings are denominated in the following currencies:				
Rand	1 732 212	1 616 744		
Euro	146 318			
Turkish Lira	317 881	225 050		
	2 196 411	1 841 794		

The group had the following undrawn borrowing (including overdraft) facilities at year-end:

- RCF 1 is fully utilised (2018: R41 million available)
- RCF 2 of R495 million (2018: R495 million)
- Other South African facilities of R606 million (2018: R554 million)
- US Dollar denominated facilities of USD44 million (2018: USD70 million)
- Turkish Lira denominated facilities of TL214 million (2018: TL84 million)
- Euro denominated facilities of EUR10 million (2018: EUR22 million)

Except for the RCF funding, all undrawn borrowing facilities are renewable annually. The borrowing powers of the company are unlimited in terms of its memorandum of incorporation.

Instalment sale liabilities

Assets acquired by instalment sale agreements are paid over an agreed time period. The title of the asset passes automatically, once the full amount has been paid. Payment obligations are effectively secured as the rights to the asset revert to the financer in the event of default. Instalment sale agreements are secured over vehicles and machinery with a book value of R54.0 million (2018: R43.1 million).

		GROUP		COMPANY	
		2019 R'000	2018 R'000	2019 R'000	2018 R'000
14.	**BORROWINGS (continued)**				
	Instalment sale liabilities - minimum payments:				
	Within 1 year	**16 866**	11 647		
	Later than 1 year and not later than 5 years	**26 974**	24 487		
	Minimum instalments	**43 840**	36 134		
	Future finance charges	**(5 994)**	(2 767)		
	Present value of liabilities	**37 846**	33 367		
	The present value of all instalment sale liabilities may be analysed as follows:				
	Within 1 year	**13 850**	10 237		
	Later than 1 years and not later than 2 years	**12 115**	10 971		
	Later than 2 years and not later than 5 years	**11 881**	12 159		
	Present value of liabilities	**37 846**	33 367		
	Lease liabilities				
	The group applied IFRS 16 for the first time from 1 January 2019. Refer to note 28.1 for further details. Lease rental obligations are capitalised and lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default.				
	Capitalised leases are secured over vehicles and equipment with a book value of:	**3 641**	4 639		
	Gross lease liabilities - minimum lease payments:				
	Within 1 year	**38 380**	1 705		
	Later than 1 year and not later than 5 years	**75 572**	2 903		
	Minimum lease payments	**113 952**	4 608		
	Future finance charges on leases	**(13 832)**	(225)		
	Present value of lease liabilities	**100 120**	4 383		
	The present value of all lease liabilities may be analysed as follows:				
	Within 1 year	**33 396**	1 596		
	Later than 1 years and not later than 2 years	**39 435**	1 349		
	Later than 2 years and not later than 5 years	**27 289**	1 438		
		100 120	4 383		
	All borrowings are interest-bearing and the approximate annual interest rates at year-end are as follows:	**%**	%		
	Preference shares	**7.1**	7.1		
	Bank borrowings				
	- Revolving credit facility 1	***JIBAR+2.05**	*JIBAR+2.05		
	- Revolving credit facility 2	***JIBAR+2.35**	*JIBAR+2.35		
	- Call and term loans (TL borrowings)	**14.7 - 20.8**	14.2 - 25.0		
	- Term loan (Euro borrowings)	**1.4**			
	Instalment sale liabilities	**10.0**	10.0		
	Lease liabilities	**9.0 - 10.5**	10.0		

* Johannesburg inter-bank agreed rate.

		GROUP		COMPANY	
		2019	2018	2019	2018
		R'000	R'000	R'000	R'000
15.	**DEFERRED TAXATION**				
	Deferred income taxation is calculated on all temporary differences under the liability method using a principal taxation rate of 28% (2018: 28%) for South Africa, 16% (2018: 16%) for Romania, 22% (2018: 22%) for Turkey and 19% (2018: 19%) for the United Kingdom.				
	The following amounts are shown in the consolidated balance sheet:				
	Deferred taxation assets	**(15 134)**	(8 825)		
	Deferred taxation liabilities	**284 727**	281 456		
		269 593	272 631		
	The movement as follows:				
	At the beginning of the year	**272 631**	285 457		
	Adjustments for IFRS 15 and IFRS 9		(2 350)		
	Income statement charge:				
	- Current year	**13 512**	10 475		
	- Prior year	**5 196**	1 437		
	Taxation credited to other comprehensive income:				
	- Actuarial losses	**(3 090)**	(1 089)		
	Taxation credited to equity:				
	- Share-based payments	**1 001**	7 292		
	Currency adjustments	**(19 657)**	(28 591)		
	At the end of the year	**269 593**	272 631		
	Deferred taxation assets:				
	Deferred taxation asset to be recovered after more than 12 months	**(73 035)**	(74 820)		
	Deferred taxation asset to be recovered within 12 months	**(60 689)**	(53 992)		
		(133 724)	(128 812)		
	Deferred taxation liabilities:				
	Deferred taxation liability to be recovered after more than 12 months	**340 020**	360 388		
	Deferred taxation liability to be recovered within 12 months	**63 297**	41 055		
		403 317	401 443		
	Amounts aggregated:				
	Deferred taxation assets	**(133 724)**	(128 812)		
	Deferred taxation liabilities	**403 317**	401 443		
	Net deferred taxation liability	**269 593**	272 631		

15. DEFERRED TAXATION (continued)

Deferred taxation liabilities

	GROUP Plant and equipment R'000	Intangibles R'000	Claims and other receivables R'000	Total R'000
2019				
Opening balance	**301 002**	**55 443**	**44 997**	**401 442**
Reallocations			**(494)**	**(494)**
Charged/(credited) to the income statement:				
- Current year	**22 113**	**(961)**	**(5 118)**	**16 034**
- Prior year	**3 688**	**37**	**5 169**	**8 894**
Currency adjustments	**(15 347)**	**(6 790)**	**(422)**	**(22 559)**
Closing balance	**311 456**	**47 729**	**44 132**	**403 317**
2018				
Opening balance	303 110	76 181	14 881	394 172
Adjustments for IFRS 15 and IFRS 9			163	163
Charged/(credited) to the income statement:				
- Current year	15 768	(9 528)	30 036	36 276
- Prior year	1 772	(22)	10	1 760
Currency adjustments	(19 647)	(11 188)	(93)	(30 928)
Closing balance	301 003	55 443	44 997	401 443

Deferred taxation assets

	Share-based payments R'000	Post-employment benefits R'000	Assessed losses set off R'000	GROUP Provision for doubtful debts R'000	Warranty claims R'000	Derivatives and other R'000	Total R'000
2019							
Opening balance	**(1 608)**	**(20 912)**		**(5 551)**	**(16 455)**	**(84 285)**	**(128 811)**
Reallocations						**494**	**494**
Charged/(credited) to the income statement:							
- Current year	**(2 453)**	**(830)**	**(4 609)**	**1 600**	**2 148**	**1 622**	**(2 522)**
- Prior year	**22**	**(8)**				**(3 712)**	**(3 698)**
Charged/(credited) to other comprehensive income		**(3 121)**				**31**	**(3 090)**
Deferred taxation on share-based payment reserve*	**1 001**						**1 001**
Currency adjustments	**17**	**1 740**	**(27)**	**228**	**313**	**631**	**2 902**
Closing balance	**(3 021)**	**(23 131)**	**(4 636)**	**(3 723)**	**(13 994)**	**(85 219)**	**(133 724)**
2018							
Opening balance	(6 857)	(21 136)	(3 623)	(3 212)	(16 398)	(57 489)	(108 715)
Adjustments for IFRS 15 and 9				(1 921)		(592)	(2 513)
Charged/(credited) to the income statement:							
- Current year	(1 975)	(1 211)	3 623	(78)	(460)	(25 700)	(25 801)
- Prior year	(49)					(274)	(323)
Charged/(credited) to other comprehensive income		(583)				(506)	(1 089)
Deferred taxation on share-based payment reserve*	7 292						7 292
Currency adjustments	(19)	2 018		(341)	405	274	2 337
Closing balance	(1 608)	(20 912)		(5 552)	(16 453)	(84 287)	(128 812)

* The measurement of the deductible expense on share-based payment reserve is based on the entity's share price at the balance sheet date.

15. DEFERRED TAXATION (continued)

Deferred tax assets have been recognised for the carry forward amount of unused tax losses relating to the group's operations where, among other things, taxation losses can be carried forward indefinitely and there is evidence that it is probable that sufficient taxable profits will be available in the future to utilise all tax losses carried forward.

Deferred tax assets have been recognised to the extent that it is probable that the entities will generate future taxable income against which these tax losses can be utilised. Currently there are no statutory limitations as to its usage.

Deferred tax liabilities are not recognised for the income tax effect that may arise on the remittance of unremitted earnings by subsidiaries. It is management's intention that, where there is no double taxation relief, these earnings will be permanently re-invested in the group.

Dividend withholding tax is payable at a rate of 20% (2018: 20%) on dividends distributed to shareholders. Dividends paid to companies and certain other institutions and certain individuals are not subject to this withholding tax. This tax is not attributable to the company paying the dividend but is collected by the company and paid to the tax authorities on behalf of the shareholder. On receipt of a dividend, the company includes the dividend withholding tax on this dividend in its computation of the income tax expense in the period of such receipt.

	GROUP		COMPANY	
	2019 R'000	2018 R'000	2019 R'000	2018 R'000
16. TRADE AND OTHER PAYABLES				
Trade creditors	927 143	1 005 329		
Accrual for leave pay	28 017	29 746		
Sundry creditors and other accruals	123 651	169 535	777	585
Tool-maker payables	80 857	18 015		
Deferred income on government grants	171 388	230 522		
Payroll and statutory accruals	70 761	75 131		
Royalties payable	27 425	27 137		
VAT and other indirect taxes	28 139	40 943		
Rebates and discounts payable	14 560	11 300		
Refund liabilities	13 214	13 993		
Preference share interest accrual	9 856	9 874		
	1 495 011	1 631 525	777	585
Non-current portion of deferred income on government grants included in non-current liabilities	(134 476)	(187 507)		
Current portion included in current liabilities	1 360 535	1 444 018	777	585
The carrying amounts of the group's trade and other payables are denominated in the following currencies:				
Rand	530 194	556 503	777	585
Yen	75 339	81 121		
US Dollar	513 748	445 761		
Euro	138 889	146 086		
British Pound	7 667	9 401		
Thai Baht	21 658	30 378		
Romanian Lei	69 899	190 658		
Turkish Lira	137 490	171 285		
Singapore Dollar	96	122		
Indian Rupee	31	210		
	1 495 011	1 631 525	777	585

17. PROVISIONS FOR LIABILITIES AND CHARGES

Warranty

Provision is made for the estimated liability on all products sold which are still under warranty including claims initiated, not yet settled. Claims are expected to be settled in the next financial year. Management estimates the provision based on historical warranty claim information and any recent trends that may suggest future claims would differ from historical amounts. Factors that could impact the estimated claims information include the success of the group's productivity and quality initiative, as well as parts and labour costs. Warranties are assurance based and cannot be separately purchased.

Executive bonuses

Executive bonuses are approved by the remuneration committee.

Environmental

A provision is recognised for the present value of costs that may be incurred for statutory environmental and similar matters arising from Rombat. The unwinding of discount is negligible.

Other provisions

Other provisions comprises predominantly of scrap battery returns (recycling obligations) and long service awards.
The provisions amounted to R9.4 million (2018: R1.1 million) and R24.8 million (2018: R23.0 million) respectively. The balance of R4.6 million (2018: R7.7 million) consists of legal and other provisions.

	GROUP				
	Executive bonus R'000	Warranty claims R'000	Environ-mental R'000	Other R'000	Total R'000
2019					
Balance at the beginning of the year	**46 747**	**68 139**	**17 293**	**31 809**	**163 988**
- Additional provision	**28 326**	**43 032**		**38 952**	**110 310**
- Unused amounts reversed	**(266)**		**(16 629)**	**(234)**	**(17 129)**
Utilised during the year	**(44 955)**	**(50 259)**		**(29 854)**	**(125 068)**
Currency adjustments	**(699)**	**(1 829)**	**(664)**	**(1 825)**	**(5 017)**
Balance at the end of the year	**29 153**	**59 083**		**38 848**	**127 084**
2018					
Balance at the beginning of the year	42 433	67 470	15 556	63 059	188 518
- Additional provision	46 045	50 334		45 294	141 673
- Unused amounts reversed	(103)	(6 405)		(466)	(6 974)
Utilised during the year	(40 579)	(42 053)		(74 733)	(157 365)
Currency adjustments	(1 049)	(1 207)	1 737	(1 345)	(1 864)
Balance at the end of the year	46 747	68 139	17 293	31 809	163 988

Analysis of total provisions:	2019 R'000	2018 R'000
Non-current	**39 294**	57 785
Current	**87 790**	106 203
	127 084	163 988

		GROUP		COMPANY	
		2019 R'000	2018 R'000	2019 R'000	2018 R'000
18.	**NOTES TO CASH FLOW STATEMENTS**				
18.1	**RECONCILIATION OF PROFIT BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS**				
	Profit before taxation	871 369	899 329	77 920	34 378
	Adjustment for:				
	Depreciation and amortisation	295 462	244 500		
	Impairment charge	25 351	1 031	(77 305)	(36 485)
	(Profit)/loss on disposal of property, plant and equipment	(1 969)	613		
	Profit on insurance proceeds for property, plant and equipment		(29 582)		
	Other financial assets at fair value through profit or loss:				
	- Fair value losses/(gains)	24 204	(9 073)		
	Foreign exchange losses on operating activities	9 728	39 022		
	Share-based payment expenses	24 392	17 151		
	Net share-based payment effects			(6 295)	
	Post-employment benefit - charge	11 511	11 723		
	Post-employment benefits - contributions paid	(10 605)	(8 937)		
	Equity accounted earnings/income from investments	(105 665)	(76 507)		
	Transfer of aftermarket business	(8 313)			
	Interest income	(32 777)	(24 208)	(1)	(3)
	Interest expense	259 875	210 056		
	Decrease in provisions and derivatives	(31 794)	(56 956)		
	Operating cash generated/(utilised) before working capital changes	1 330 769	1 218 162	(5 681)	(2 110)
	Working capital changes (excluding the effect of exchange differences on consolidation):	(100 841)	(330 414)	193	(7)
	Changes in contract assets and liabilities	145 333	(65 363)		
	Increase in inventory	(30 291)	(474 890)		
	(Increase)/decrease in trade and other receivables	(216 969)	6 070		
	Decrease/(increase) in trade and other payables	1 086	203 769	193	(7)
	Cash generated from/(utilised in) operations	1 229 928	887 748	(5 488)	(2 117)
18.2	**TAXATION PAID**				
	Taxation paid is reconciled to the amount disclosed in the income statement as follows:				
	Amounts (payable)/receivable at the beginning of the year	(33 260)	3 725		
	Income statement charge (note 4)	(194 868)	(188 137)		(1)
	Currency adjustment	4 620	2 857		
	Amounts unpaid at the end of the year	3 040	33 260		
		(220 468)	(148 295)		(1)
18.3	**DIVIDENDS PAID**				
	To shareholders	(193 238)	(158 345)	(198 986)	(159 131)
	To non-controlling interests	(31 656)	(31 591)		
		(224 894)	(189 936)	(198 986)	(159 131)
18.4	**INTEREST PAID**				
	Interest expense (note 2)	(259 875)	(210 056)		
	Preference share interest accrual at the beginning of the year	(9 874)	(9 958)		
	Preference share interest accrual at the end of the year	9 856	9 874		
		(259 893)	(210 140)		

	GROUP			
	Redeemable preference shares R'000	Bank borrowings R'000	Instalment sale and lease liabilities R'000	Total R'000
18. NOTES TO CASH FLOW STATEMENTS (continued)				
18.5 RECONCILIATION OF MOVEMENTS IN BORROWINGS (REFER NOTE 14) TO CASH FLOWS ARISING FROM FINANCING ACTIVITIES				
2019				
Balance at the beginning of the year	**840 000**	**964 044**	**37 751**	**1 841 795**
Changes from financing cash flows:		**297 532**	**(47 457)**	**250 075**
Proceeds from RCF drawdowns		**41 000**		**41 000**
Mutlu borrowings repaid - TL		**(128 510)**		**(128 510)**
Mutlu and Rombat borrowings raised - TL and Euro		**385 042**		**385 042**
Lease repayments			**(47 457)**	**(47 457)**
New leases			**64 370**	**64 370**
Application of IFRS 16 at 1 January 2019			**84 529**	**84 529**
Foreign exchange rate adjustments		**(43 131)**	**(1 227)**	**(44 358)**
Balance at the end of the year	**840 000**	**1 218 445**	**137 966**	**2 196 411**
2018				
Balance at the beginning of the year	840 000	912 916	48 579	1 801 495
Changes from financing cash flows:		93 051	(13 062)	79 989
Preference shares redeemed/repaid				
Proceeds from RCF drawdowns		130 000		130 000
Mutlu borrowings repaid - USD and TL		(68 283)		(68 283)
Mutlu borrowings raised - TL		89 334		89 334
Lease repayments			(13 062)	(13 062)
New leases			2 233	2 233
Foreign exchange rate adjustments		(41 923)		(41 923)
Balance at the end of the year	840 000	964 044	37 750	1 841 794

19. FINANCIAL INSTRUMENTS

19.1 FINANCIAL INSTRUMENTS BY CATEGORY

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

Classification of financial assets included in balance sheet

	GROUP		
	Financial assets at amortised cost R'000	Mandatorily at fair value through profit or loss R'000	Total R'000
2019			
Derivative financial instruments		**552**	**552**
Trade and other receivables*	**1 544 910**		**1 544 910**
Cash and cash equivalents	**1 140 071**		**1 140 071**
Total	**2 684 981**	**552**	**2 685 533**
2018			
Derivative financial instruments		6 944	6 944
Trade and other receivables*	1 578 230		1 578 230
Cash and cash equivalents	671 952		671 952
Total	2 250 182	6 944	2 257 126

Classification of financial liabilities included in balance sheet

	GROUP		
	Mandatorily at fair value through profit or loss R'000	Other financial liabilities at amortised cost R'000	Total R'000
2019			
Borrowings		**2 196 411**	**2 196 411**
Derivative financial instruments	**15 900**		**15 900**
Bank overdraft		**261 466**	**261 466**
Trade and other payables**		**1 246 495**	**1 246 495**
Total	**15 900**	**3 704 372**	**3 720 272**
2018			
Borrowings		1 841 794	1 841 794
Derivative financial instruments	3 171		3 171
Bank overdraft		92 342	92 342
Trade and other payables**		1 288 659	1 288 659
Total	3 171	3 222 795	3 225 966

* Prepayments and VAT receivables are excluded from the trade and other receivables balance.

** Leave pay, advances received, deferred income and other non-financial liabilities are excluded from trade and other payables balance.

Notes to the financial statements (continued)

19. FINANCIAL INSTRUMENTS (continued)

19.1 FINANCIAL INSTRUMENTS BY CATEGORY (continued)

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

Assets and liabilities as per balance sheet

	COMPANY		
	Financial assets at amortised cost R'000	**Other financial liabilities at amortised cost R'000**	**Total R'000**
2019			
Short-term loans to subsidiaries*	**1 524 490**		**1 524 490**
Cash and cash equivalents	**471**		**471**
Short-term loans from subsidiaries		**(209 744)**	**(209 744)**
Trade and other payables		**(777)**	**(777)**
Total	**1 524 961**	**(210 521)**	**1 314 440**
2018			
Short-term loans to subsidiaries*	1 620 323		1 620 323
Cash and cash equivalents	324		324
Short-term loans from subsidiaries		(178 262)	(178 262)
Trade and other payables		(584)	(584)
Total	1 620 647	(178 846)	1 441 801

* Net investment loans are classified as short term loans to subsidiaries as a result of IFRS 9.

19.2 FINANCIAL RISK MANAGEMENT

The group's activities expose it to financial risks: market risk (including foreign currency exchange rate risk and variable interest rate risk), credit risk and liquidity risk. The group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the group's financial performance. The risk management committee provides principles for overall risk management, as well as guidance containing specific areas such as foreign exchange currency risk.

A. Market risk

i. Foreign currency exchange rate risk (also refer 19.5)

The group exports and imports goods and is therefore exposed to exchange risk arising from various foreign currency exchange exposures. These consist primarily of exposures with respect to the Euro, US Dollar and Japanese Yen.

Management has set up policies to require group companies to manage their foreign currency exchange rate risk against their functional currency. When the business wins long-term customer tenders or orders that are in a foreign currency the group minimises the potential volatility of the cash flows from these transactions by 'hedging' either economically or through forward exchange contracts ('FECs'). At period end the group is required to market to market these FECs even though it has no intention of closing them out in advance of their maturity dates. The marked to mark value represents foreign notional amounts translated at the market forward rate at reporting date. These valuation adjustments are realised through profit and loss. Hedge accounting is not applied unless specifically designated as a cash flow hedge. Hedge accounting is usually applied in the case of foreign business acquisitions such as the 2013 Mutlu business combination. The group's current foreign exchange currency risk management policy is to 'cover' at least 50% of net exposures (including orders or firm commitments, where possible).

The group makes use of professional foreign currency management specialists to assist in administrating its foreign exchange exposures/contracts.

The company does not have any foreign currency exchange rate risk.

19. FINANCIAL INSTRUMENTS (continued)

19.2 FINANCIAL RISK MANAGEMENT (continued)

A. Market risk (continued)

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

	At balance sheet date				Purchase orders not yet reflected as liabilities in the balance sheet			
	2019		2018		2019		2018	
	Foreign amount outflow/ (inflow) '000	Rand equivalent outflow/ (inflow) R'000	Foreign amount outflow/ (inflow) '000	Rand equivalent outflow/ (inflow) R'000	Foreign amount '000	Rand equivalent R'000	Foreign amount '000	Rand equivalent R'000
US Dollars	10 816	151 966	16 553	236 709	5 217	69 042	9 042	131 404
Euros	(3 522)	(55 529)	(5 372)	(88 821)	754	10 757	3 892	63 724
Japanese Yen			249 978	33 986	287 330	35 124	417 696	54 579
Great British Pound	(16)	(308)	226	4 085	149	3 022	47	957
Thai Baht			21 640	9 585			141 384	62 844
Singapore Dollars	635	243	1 011	220	1 050	207	1 487	306
Indian Rupee	3	31	9	93	3	27	249	2 630
Total		96 403		195 857		118 179		316 444

Foreign exchange sensitivity analysis	Profit higher/(lower) 2019 R'000	Profit higher/(lower) 2018 R'000
At 31 December 2019, if the Rand had weakened/strengthened by 10% in relation to the following currencies, with all other variables held constant, estimated post-taxation profit for the year would change for the following:		
- Mainly as a result of foreign exchange gains/(losses) on translating foreign denominated trade receivables, trade payables and the mark-to-market valuation of the group's forward exchange contracts:		
US Dollar	27 988	25 190
Euros	5 240	2 541
Japanese Yen	5 653	5 710
Great British Pound	77	304
Thai Baht	1 602	2 204

The following significant exchange rates against the Rand applied at year-end:

	Spot rate		Average rate	
	2019	2018	2019	2018
US Dollar	14.2	14.5	14.5	13.4
Euros	15.8	16.5	16.2	15.6
Japanese Yen (at inverted rate)	7.5	7.6	7.5	8.3
Turkish Lira - Mutlu - translation of results	2.4	2.7	2.5	2.8
Romanian Lei - Rombat - translation of results	3.3	3.5	3.4	3.4

19. FINANCIAL INSTRUMENTS (continued)

19.2 FINANCIAL RISK MANAGEMENT (continued)

A. Market risk (continued)

ii. Interest rate risk

The group's interest rate risk arises from 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 is exposed to variable interest rate risk as some of its borrowings are at floating interest rates. These include the group's local RCF facility, bank overdrafts and the group's local preference share funding (refer note 14). The loans in Mutlu and Rombat are at fixed interest rates.

Management evaluates the group's borrowings and exposures as it deems appropriate in order to optimise interest savings and reduce volatility in the debt related element of the group's cost of capital.

Interest rates on bank overdrafts are disclosed in note 13. Interest rates on other long and short-term borrowings are disclosed in note 14. Bank overdraft facilities are reviewed annually and the terms are normally market related. For borrowing exposures and related maturity dates refer note 14.

At 31 December 2019, if the average interest rates on borrowings had changed 1.0% point with all other variables held constant, post-taxation profit for the year would have changed by R8.9 million (2018: R8.8 million).

Changes in variable interest rates do not have a significant impact on the company as the company does not have any external borrowings or significant cash holdings.

Current advances to/from subsidiaries are interest free (refer note 9).

iii. Price risk

The company and group is not exposed to equity securities price risk as the group does not have investments in equities instruments.

B. Credit risk

Credit risk is the risk of financial loss to the group if a customer fails to pay their debt or a counterparty to a financial instrument fails to meet its contractual obligations i.e. recovering our cash from deposits held with banks. The group considers it has two types of credit risk; operational and financial.

Operational credit risk relates to non-performance by customers in respect of trade and other receivables. Financial credit risk relates to non-performance by banks and similar institutions in respect of cash and deposits, facilities and financial instrument contracts such as forward foreign exchange currency contracts.

Our credit risk arises principally from receivables due from customers.

Operational

The group supplies batteries and automotive parts predominantly to the automotive industry. Our debtor's book consist of OEM, aftermarket and export customers. As a supplier to automotive OEMs, the cash recovery ranges from 30, 45 and 60 days, however the group may have a concentration of amounts outstanding with a single or smaller grouping of customers at any one time. Group revenues consist of 34% (2018: 32.5%) from automotive component OEM customers. The credit profiles of such OEMs are available from credit rating agencies. The insolvency of, damage to relations or commercial terms with a major customer could impact future results. In the aftermarket customer base there are a greater proportion of amounts receivable from small and medium sized customers including the group's independent distributor networks in our energy storage business. This indirectly provides an advantage in concentration to OEMs.

Net trade receivables of R1 415 million (2018: R1 432 million) comprises of R1 192 million (2018: R1 128 million) from the energy storage business and R223 million (2018: R304 million) from the automotive component business. Note 12 includes further analysis of trade receivables, including, currency, type of customer/market and management ageing profiles.

Credit risk and customer relationships are managed in a number of ways within the group. The granting of credit is controlled by formal application processes and rigid account limits specific to each business unit. Credit evaluations are performed on the financial position of these debtors. This evaluation takes into account its financial position, past experience and other factors such as amounts overdue and credit limits. The group has extensive and regular dialogue with key customers and strong commercial and business relationships.

92% (2018: 91%) of the group's customers are long standing and have an established track record when transacting with the group. None of these customers' balances have been written off or are credit-impaired. An analysis of the group's credit quality can be found in the table below.

19. FINANCIAL INSTRUMENTS (continued)

19.2 FINANCIAL RISK MANAGEMENT (continued)

B. Credit risk (continued)

The group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. In monitoring customer credit risk, customers are grouped according to their credit characteristics, industry and markets, trading history and existence of previous financial difficulties.

Trade receivables are presented net of the provision for impairment. Movements in the allowance for impairment of trade receivables can also be found in note 12.

Expected credit loss's using the 'simplified approach' under IFRS 9

IFRS 9 introduced a theoretic impairment model for financial assets (such as trade receivables and loans receivable) and replaced the 'incurred loss' model in IAS 39 with a forward looking 'expected credit loss' (ECL) model. This model focuses on the risk that a debtor will default rather than whether a loss has or will be incurred (objective evidence of impairment). Credit losses are recognised earlier because every loan and receivable 'has some risk of defaulting in the future' and has an 'expected' credit loss associated with it, from the moment of its origination or acquisition. IFRS 9 assumes there is a potential risk of loss for each sales invoice issued.

The group has adopted the 'simplified approach' to determine loss allowances for qualifying trade receivables and contract assets, as a practical expedient that is allowed by IFRS 9. For these shorter term receivables, without significant financing elements, the loss allowance is based on a 'provision matrix' for calculating ECLs over the lifetime of the trade receivable. Essentially a 'provision matrix' is developed to quantify forecasted risk in debtor collections.

The matrix is a calculation of an impairment loss based on a default loss rate percentage applied over the life of a group of financial assets or receivables. We considered adjusting the historical loss rates for current conditions and forward looking estimates if reasonable and supportable information was available without undue cost or effort. We continue to closely monitor the economic environment in Turkey and our risk management processes are considered appropriate. Collateral has increased for aftermarket and export customers. The scalar economic factors we considered for the group included the state of the automotive industry and outlook as well as in-country GDP forecasts. (Also refer page 185 - "external information"). The impact of any future credit losses, based on forward looking information, is considered to be immaterial.

The definition of 'default' is consistent with that used for our internal credit risk management. We've used an 'over 6 months' ageing bucket as a default event for all debtors, although the probability of default for OEM customers is much lower in the '3 – 6 month' bracket compared to other debtors. Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there are no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the group, and a failure to make payments for a period of greater than 180 days past due. The group continues to engage in enforcement activity to attempt to recover amounts written off.

In developing our model for determining the loss allowance, we adopted the following approach:

- We utilised our existing disaggregated debtor's book, which is analysed by underlying markets and common credit characteristics – OEM, exports, aftermarket and non-auto
- OEMs have low default risk and very limited or no historical defaults/write-offs
- Exports and aftermarket may have a raised default risk due to the nature of customers (normally 'private' businesses) and have a different route to market when compared to OEMs
- We analysed the collection of invoices by time buckets separately for OEMs, aftermarket, exports and non-auto. We determined when the debtors paid and sorted them into 'buckets' based on the number of days from creation of invoice until collection of invoice
- The analysis of data (payment profiles) was performed over a period of one to two years. Our debtors profile has been relatively consistent over the past 5 years
- We then calculated the theoretic 'historical' credit loss or default exposure by using our default (or loss) 'trigger' divided by the amount unpaid (outstanding) at the end of each time bucket to arrive at the loss rate
- If and were practical to do so, we considered adjusting the rates by scalar factors to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and our view of economic conditions over the expected lives of the receivables
- We then applied the loss rates to the actual portfolio of debtors, at balance sheet date, to arrive at the IFRS 9 ECL impairment.

Notes to the financial statements (continued)

19. FINANCIAL INSTRUMENTS (continued)

19.2 FINANCIAL RISK MANAGEMENT (continued)

B. Credit risk (continued)

The loss rates effective at reporting date can be summarised as follows:

	GROUP					
	2019			2018		
Loss rates (%):	Age analysis			Age analysis		
Type of debtor	Up to 3 mths	3 - 6 mths	Over 6 mths	Up to 3 mths	3 - 6 mths	Over 6 mths
OEM	0.00%	0.30%	5.74%	0.02%	5.54%	
Export	0.21%	0.00%	79.88%	0.09%	2.44%	95.17%
Aftermarket	0.12%	0.17%	47.63%	0.06%	0.51%	83.42%
Non-Auto	0.64%	1.21%	19.62%	0.47%	1.23%	67.66%

From a group point of view our ECL matrix and provision can be summarised as follows:

	GROUP					
	2019			2018		
Ageing buckets - R'000	Amounts outstanding at year-end	Loss rate	Expected credit loss	Amounts outstanding at year-end	Loss rate %	Expected credit loss
OEM	360 223	0.03%	119	**437 118**	**0.03%**	**127**
Up to 3 months	357 147	0.00%	14	436 305	0.02%	82
3 to 6 months	1 317	0.30%	4	813	5.54%	45
Over 6 months	1 759	5.74%	101			
Export	262 720	9.47%	24 886	**340 470**	**8.50%**	**28 923**
Up to 3 months	230 724	0.21%	480	298 871	0.09%	261
3 to 6 months	1 444	0.00%		11 784	2.44%	287
Over 6 months	30 552	79.88%	24 406	29 815	95.17%	28 375
Aftermarket	739 755	1.85%	13 684	**612 000**	**2.91%**	**17 810**
Up to 3 months	692 073	0.12%	840	571 801	0.06%	350
3 to 6 months	20 793	0.17%	36	19 387	0.51%	98
Over 6 months	26 889	47.63%	12 808	20 812	83.42%	17 362
Non-Auto	93 120	2.17%	2 023	**91 358**	**2.70%**	**2 467**
Up to 3 months	75 561	0.64%	481	79 330	0.47%	370
3 to 6 months	10 336	1.21%	125	9 094	1.23%	112
Over 6 months	7 223	19.62%	1 417	2 934	67.66%	1 985
IFRS 9 lifetime ECL: Y/E	1 455 818	2.80%	40 712	**1 480 946**	**3.33%**	**49 327**

The following table provides information about the exposure to credit risk and ECLs for trade receivables from individual customers as at 31 December:

31 December 2019	Gross carrying amount R'000	Loss allowance R'000	Credit impaired
Current (not past due)	1 190 651	(362)	No
1 - 30 past due	125 288	(633)	No
31 - 60 days past due	26 777	(639)	No
61 - 90 days past due	12 790	(678)	No
More than 90 days past	100 312	(38 400)	Yes
Total debtors book	**1 455 818**	**(40 712)**	
31 December 2018			
Current (not past due)	1 175 020	(370)	No
1 - 30 past due	179 927	(583)	No
31 - 60 days past due	26 586	(108)	No
61 - 90 days past due	7 016	(1)	No
More than 90 days past	92 397	(48 265)	Yes
Total debtors book	**1 480 946**	**(49 327)**	

Approximately R35.9 million of trade receivables are over twelve months on hand and carried over from previous years. The majority refers to Rombat export debtors, most of which are provided for.

19. FINANCIAL INSTRUMENTS (continued)

19.2 FINANCIAL RISK MANAGEMENT (continued)

B. Credit risk (continued)

Contract assets are short term in nature and relates to OEM customers, being global automakers, of low default risk. No losses are expected. The main contributors to credit risk arises in the energy storage business, the majority of which arises in Rombat. These businesses are exposed to aftermarket and export customers and markets. Losses are minimised by collateral that the group has over certain receivables 45% (2018: 31%), arising mainly in Mutlu. In certain instances goods are not shipped if amounts are past due and cash advances are then requested. Expected credit losses on rebates, discount receivables and other receivables has been considered and is immaterial.

Financial

Cash and cash equivalents

Credit risk is mitigated by placing cash with different financial institutions to minimise risk. In South Africa, this is usually limited to the 'big 4' retail banks and highly reputable financial institutions. In Turkey and Romania, this is usually limited to reputable financial institutions of strong international investment ratings. The maximum exposure to a single bank for deposits in South Africa is R324.9 million (2018: R189.7 million), whilst foreign deposits (held by foreign subsidiaries) varies amongst counterparties.

The group considers that its cash and cash equivalents have an immaterial credit risk. Deposits are readily convertible to cash and access is not restricted. There have been no historical losses and none is expected in the future.

Derivatives

The derivatives (predominantly FECs) are entered into with various banks and financial counterparties of strong investment grades.

Guarantees

Certain group companies have provided cross guarantees for the RCF funding provided to the group. The company has provided no guarantees to third parties.

The credit quality of financial assets is based on historical counterparty default rates:

	GROUP	
Analysis of credit quality	**2019 R'000**	**2018 R'000**
Trade receivables		
Counterparties are:		
Group 1 - new customers (less than 6 months) with no defaults	112 448	126 533
Group 2 - existing customers (more than 6 months) with no defaults in the past	1 302 657	1 305 086
Group 3 - existing customers (more than 6 months) with some defaults	40 712	49 327
	1 455 817	1 480 946
The group has different categories of customers and a period of six months has been used as the criteria in distinguishing between new and existing customers.		
Credit limits were within terms and management does not expect any losses from non-performance by these counterparties. The maximum exposure to credit risk is estimated to be the carrying amounts of the financial assets and the risk exposure may be minimised by collection of collateral held by Mutlu (refer note 12).		
Cash and cash equivalents		
Bank balances were held as follows:		
South African banks	678 119	361 689
European banks	117 429	104 339
Turkish banks	344 523	205 924
	1 140 071	671 952
Derivative financial assets		
Forward exchange contracts were held as follows:		
South African banks - net ZAR forward cover value notional outflow	(348 974)	(348 325)

The group does not expect any financial counterparties to fail to meet their obligations. Additional information on credit ratings can be found publicly on S&P Global, Fitch and Moody's Investor services. Moody's credit rating for South Africa was Baa3 (01/11/2019) with a negative outlook and the rating for Turkey and Romania was B1 and Baa3 respectively.

Notes to the financial statements (continued)

19. FINANCIAL INSTRUMENTS (continued)

19.2 Financial risk management (continued)

	COMPANY	
Credit quality - company	**2019 R'000**	**2018 R'000**
Current advances to subsidiaries		
- with no defaults in the past and not credit impaired / low credit risk ('Inalex')	1 471 357	1 471 357
- with no defaults in the past but with raised default risk ('MMS')	53 194	148 966
Bank balances with South African banks - fully performing	471	324

As at 31 December the company has fully impaired its loan advanced to Smiths Plastics (Pty) Ltd for R167 451 000 (2018: R167 451 000) This subsidiary had suffered financial losses in the past. The loan is subordinated in favour of other creditors by the company. Further information on interests in subsidiaries can be found in note 9.

Credit risk for the stand-alone company arises in the loans advanced to subsidiaries and carried at amortised cost. These are subject to the expected credit loss model. The company applies the general approach for assessing impairments on loans advanced to subsidiaries because loans do not fall within the scope of the simplified approach.

Under this approach, the company determines whether or not there has been a significant increase in credit risk since origination of the loans and, hence, whether its needs to provide for 12-month ECL or lifetime ECLs. At initial recognition (note these loans were not credit impaired at that time) the company recognises a loss allowance based on the portion of the lifetime ECLs associated with the PD ('probability of default') in the 12 months after reporting date. If there is a significant increase in credit risk, the company should recognise a loss allowance based on lifetime ECLs.

The general model requires recognising impairment losses in line with the stage in which the financial asset currently is. ECLs are recognised in three stages:

1) For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that could result from default events that are possible within the next 12 months
2) When the credit risk of financial assets significantly increased and the resultant credit quality is not low risk, then credit losses are provided for over the remaining life of the exposure
3) When financial assets have already become credit impaired (or default events have occurred), a lifetime approach is adopted on the net amount less allowances. These are individually assessed.

In simple terms, under the general approach, if there is no significant increase in credit risk ('SICR'), the loss allowance is based on 12 months ECL, alternatively the loss allowance is based on lifetime ECL. ECLs are probability weighted averages of credit losses with the respective defaults occurring as the weights.

There are three elements to consider:

- 'PD' is the percentage likelihood of that the borrower will not be able to repay its debt within some period (probability of default)
- 'LGD' ('loss given default') is the percentage that could be lost in the event of a default by the borrower not paying its debt (principal and interest)
- 'EAD' ('exposure at default') is the outstanding balance of the loan - how much the company is owed at balance sheet date

There is a rebuttable presumption that if a loan is more than 30 days past due, there has been a significant increase in credit risk.

The company has considered qualitative factors when assessing whether or not there has been a SICR:

- Adverse forecasts for the subsidiaries' operating results
- Evidence of working capital deficiencies or liquidity problems in the subsidiaries, which could also be the result of financing or cash management decisions taken by the company (head office)
- Changes in credit spread in the automotive industry that may indicate an increase in credit risk or deterioration over time which may provide a general indicator of exposures to operating subsidiaries
- Changes in the enterprise values of the underlying operations and indicators of decline in values

A common feature of the group's loans to subsidiaries is that these have no fixed repayment terms, are interest free and therefore payable on demand ('quasi equity'). The company would allow subsidiaries a 'repayment over time' strategy to recover the loans due, as long as there is evidence that the subsidiary is able to raise the cash. If the loan is in stage 1 - a fully performing, healthy asset, then the loss allowance can be calculated at 12 month ECL.

Since the effective interest rate is 0%, and all strategies and qualitative factors indicate that the company would fully recover the outstanding balance of the loan, the impact of discounting has no effect. However, forward looking information still needs to be taken into account in estimating ECLs.

If there are indicators of a raised credit risk, or if this cannot be determined and if the subsidiary may not be able to repay the loan immediately, after considering all strategies to repay, the loan is considered to then be in stage 2. The loss allowance for the loan is then calculated on a lifetime ECL basis (probability weighted). In these cases, a 50% PD is applied since the subsidiary will either pay or not pay. The LGD applied is limited to the net deficit in the subsidiary (if applicable).

19. FINANCIAL INSTRUMENTS (continued)

19.2 FINANCIAL RISK MANAGEMENT (continued)

B. Credit risk (continued)

Credit risk – company (continued)

On balance, we have therefore adopted a 'repay over time' strategy for the expected recovery in determining ECLs. The loan could be repaid over time in a number of ways, including, but not limited to:

- adjustment in dividends declared upstream;
- refinancing or extensions of the preference shares issued;
- sale of certain operating subsidiaries or introduction of equity partners into some of our businesses; and
- sale of some of the group's free-hold properties.

Therefore, taking the above into account, any loss allowance is based on a portion of the lifetime ECLs associated with the PD ('probability of default) in the 12 months post 31 December. Under this scenario, the impairment loss should be limited to the effect of discounting the amount due on the loan at the effective interest rate (present value). Since the effective interest rate is 0%, and all strategies indicate that the company would fully recover the outstanding balance of the loan, discounting would have no impact on ECLs. However, as a consequence of our over time strategy, we have to consider forward looking information and scenarios. We considered the following:

External information:

- The Automotive industry default rates are low at 0.85% per the Moody's 'Annual default study: Corporate default and recovery rates' dated 15 February 2019.
- Default rates for rated speculative-grade corporate issuers is expected to rise moderately to 3.0% in 2019 from 2.3% in 2018.
- Faster GDP growth in the G-20 countries, a sustained recovery in commodity prices, generally healthy corporate earnings and relatively low refunding risk will support credit conditions and keep defaults low.

Internal information:

- There are no adverse indicators in the group's and Inalex's operating results.
- The group and Inalex has complied with lenders covenants (refer note 19).
- Inalex would be able to service its preference dividends and the redemption of the preference shares is due in 2021.
- The stability in the South African automotive outlook for the next three years project good production volumes at our main OEM customers, which should support results.
- The group will focus more on expanding our aftermarket lead acid battery export customer base, which should result in higher earnings and ultimately higher cashflows to Inalex.
- The South African government has supported the local automotive industry and has extended the APDP plan until 2035, creating certainty for the industry.
- The underlying impairment testing carried out (note 8) indicates that Mutlu Akü's recoverable amount exceeds carrying values, this is the most valuable asset held internationally by the group.

We applied a PD*LGD*EAD (probability weighted) methodology for calculating the expected credit loss under IFRS 9. A weighted average PD rate was computed based on a probability weighted outcomes approach. We considered the most likely scenario if the loan is not repaid.

19. FINANCIAL INSTRUMENTS (continued)

19.2 FINANCIAL RISK MANAGEMENT (continued)

B. Credit risk (continued)

Credit risk - company (continued)

The reconciliation for loss allowances (impairments) at 31 December are as follows:

	COMPANY	
	2019 Loans to subsidiaries at amortised cost R'000	2018 Loans to subsidiaries at amortised cost R'000
Opening loss allowance as at 1 January	(312 901)	(349 386)
Loss allowance measured at:		
Lifetime ECL - decrease/(increase) in credit risk since initial recognition	77 305	(20 793)
Release of provision - repayment of Lumotech loan		57 278
Loss allowance as at 31 December	(235 596)	(312 901)

C. Liquidity risk

The group is exposed to liquidity risk as part of its normal financing and operational cash cycles. Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities to ensure that sufficient liquidity is available to meet obligations as they fall due and to maintain sufficient flexibility in order to fund investment and acquisition objectives. The group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained.

The group undertook a refinancing of borrowings and facilities in the form of R1 400 million in preference share funding and a revolving credit facility (RCF) for R750 million during 2014. Metair redeemed R560 million in maturing preference shares during 2017. The repayment of the remaining preference shares will be funded using a combination of new preference share subscriptions, available cash or existing unutilised credit facilities and is repayable in 2021.

During 2018 financial year, the group secured an additional 5 year RCF, to the value of R525 million at a margin of 235 bps above 3 months JIBAR from our lenders. The additional facility requires no change to existing debt covenants or structures. The repayment of RCF 1 was extended to August 2020 and will be repaid by a combination of cash and/or re-financing.

The group utilises the credit facilities of various banking institutions and has been able to operate within these facilities. This trend is expected to continue into the foreseeable future to fund growth in the group. Details of borrowing including available facilities are disclosed in note 14. Projected operational cash flows are expected to provide adequate support in liquidity levels.

Analysis of financial liabilities - maturities (group)

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

	Balance sheet carrying value R'000	Contractual cash flows R'000	Less than 1 year R'000	Between 1 and 2 years R'000	Between 2 and 5 years R'000
As at 31 December 2019					
Borrowings (excluding lease liabilities)	**2 096 291**	**2 341 029**	**999 874**	**1 087 375**	**215 944**
Lease liabilities	**100 120**	**113 952**	**38 380**	**38 380**	**37 192**
Derivative financial liabilities	**15 900**	**15 900**	**15 900**		
Overdraft	**261 466**	**261 466**	**261 466**		
Trade and other payables	**1 246 495**	**1 246 495**	**1 246 495**		
As at 31 December 2018					
Borrowings	1 841 794	2 037 853	908 648	137 980	991 225
Derivative financial liabilities	3 171	3 171	3 171		
Overdraft	92 342	96 999	96 999		
Trade and other payables	1 288 659	1 288 659	1 288 659		

Analysis of financial liabilities - maturities (company)

Financial liabilities noted in 19.1 for R209,7 million (2018: R178.3 million) relate to current advances from a subsidiary Business Investments No1217 (Pty) Ltd (BVI). BVI holds treasury share investments in the company. The projected recovery of advances granted to other subsidiaries as well as dividends received are expected to provide adequate liquidity to repay this obligation if required. The contractual cash flows approximate the carrying values.

Analysis of derivative financial instruments

Details of the outstanding foreign exchange contracts which will be settled on a gross basis follows in note 19.5.

19 FINANCIAL INSTRUMENTS (continued)

19.3 CAPITAL RISK MANAGEMENT

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

In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt/reduce capital investments. Capital allocations is limited to the most meaningful projects with the highest probability of success to support the group's required return on invested capital and free cash flow generation.

During the year, the group completed its share buyback programme. (refer to note 26)

The group monitors capital structure on the basis of net debt/equity. This ratio is calculated as net debt divided by ordinary shareholders' equity. Net debt is calculated as total interest bearing borrowings (including bank overdrafts) less cash and cash equivalents. Metair's capital structure remains relatively conservative and in compliance with all of our lender's covenants. Over time our target remains c. 25% debt:equity and the actual ratio may fluctuate over the short-term, taking into account the group's strategy for our Energy Storage Vertical and redesign phases. Overall the debt levels are targeted not to exceed 2.5 x EBITDA.

The ratios at 31 December were as follows:

	GROUP	
	2019 R'000	2018 R'000
Total borrowings including bank overdraft (notes 13 and 14)	2 457 877	1 934 136
Less: Cash and cash equivalents (note 13)	(1 140 071)	(671 952)
Net debt	1 317 806	1 262 184
Ordinary shareholders' equity	4 188 055	4 166 372
Total capital employed	5 505 861	5 428 556
Net debt/equity ratio %	31.5	30.3
Net debt:EBITDA ('times')	0.9	0.9
Net debt/Capital ratio %	23.9	23.3

Our debt and capital structures remains stable.

Debt covenants

The borrowings provided by lenders to the group are subject to covenant measures. Covenant measures at reporting date and in the prior year have been met.

The three covenant measures (as calculated and defined per covenant requirements) are:

- Priority debt covenant not more than 1 times (achieved - 0.19 times)
- Interest cover ratio not less than 3.0 times (achieved 6.19 times)
- Net borrowings to 'adjusted EBITDA' ratio (as defined) shall not exceed 2.5 times (achieved 1.12 times)

The company is not subject to debt covenants.

19.4 FAIR VALUE ESTIMATION

The financial instruments that are measured subsequent to initial recognition at fair value are forward currency contracts. All of these financial instruments are classified as Level 2 fair value measurements, as defined by IFRS 13, being those derived from inputs other than quoted prices that are observable. Derivative financial instruments are discussed further below in note 19.5.

Financial instruments traded in active markets and based on market prices at reporting date as well as financial instruments in which inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) are classified as level 1 and level 3 respectively, as defined by IFRS 13. There are no such items applicable to the group at reporting date.

Bank overdrafts, other short-term bank borrowings, bank balances and cash and short-term bank deposits, trade receivables and payables approximate book value due to their short maturities.

For borrowings, the current contractual pricing of borrowings approximates the rates that would be available to the group. The fair value of the long term fixed rate borrowings in Mutlu amount to R185 million (TL79 million) (2018: R79 million (TL29 million).

Notes to the financial statements (continued)

19. FINANCIAL INSTRUMENTS (continued)

19.5 DERIVATIVE FINANCIAL INSTRUMENTS

The table below analyses financial instruments carried at fair value, by valuation method as defined in note 19.4

		GROUP			
		2019 R'000		2018 R'000	
At 31 December	**Level**	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Forward exchange contracts and similar instruments - Mandatorily at fair value through profit/(loss)	2	552	15 900	6 944	3 171

The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates (market observable/published rates) to terminate the contracts at the reporting date. The maximum exposure to credit risk at the balance sheet is the fair value of the derivative assets.

Derivatives are used as economic hedges and are classified as current assets or liabilities as the maturity of the hedged item is less than 12 months. Derivative instruments resulted in a loss of R24.2 million (2018: gain of R9.1 million) for the year.

Forward exchange contracts FECs)

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

	****Rand amount '000**	**Foreign notional amount '000**	**FEC rate - range**	**Derivative Asset/ Liability fair value Rand '000**	**Period to maturity**
Derivative financial assets					
Imports*					
US Dollar	2 847	200	14.23	2	30 April 2020
Euro	3 313	206	15.81 - 16.09	197	31 January 2020 - 30 April 2020
Japanese Yen	5 280	40 000	7.62	33	30 April 2020
	11 440			232	
Exports*					
Euro	3 631	230	16.38 - 16.49	260	15 January 2020 - 10 February 2020
Great British Pound	600	32	19.11	21	15 June 2020
Australian Dollar	897	91	10.26	39	13 January 2020
	5 128			320	
Total derivative financial assets				**552**	
Derivative financial liabilities					
Imports*					
US Dollar	190 698	13 409	14.13 - 15.40	(9 983)	13 January 2020 - 30 October 2020
Euro	53 692	3 392	16.05 - 16.80	(2 115)	15 January 2020 - 31 March 2020
Japanese Yen	72 165	550 677	7.32 - 7.72	(3 213)	24 January 2020 - 30 October 2020
Thai Baht	26 107	55 000	2.02 - 2.10	(589)	24 January 2020 - 31 March 2020
Total derivative financial liabilities				**(15 900)**	

* Includes forward exchange contracts that represent imports and exports being managed on a net basis.

** Forward cover value in ZAR terms, representing the foreign notional amount translated at the contracted rates.

		GROUP		COMPANY	
		2019 R'000	2018 R'000	2019 R'000	2018 R'000
20.	**CONTINGENT LIABILITIES**				
	Letters of support in respect of overdrafts of associates				
	Valeo	3 675	3 675	3 675	3 675

The group has contingent liabilities in respect of performance guarantees, letters of credit, customs and excise and other related matters such as claims and disputes arising out of the ordinary cause of business of which the likelihood of loss is remote. Performance and related guarantees amounted to R187 million (2018: R122 million) at 31 December 2019.

Refer to note 23 for details on subordination agreements with subsidiaries. Certain group subsidiaries provided guarantees for funding provided to the group.

		GROUP		COMPANY	
		2019 R'000	2018 R'000	2019 R'000	2018 R'000
21.	**COMMITMENTS**				
	Capital commitments	396 185	480 920		
	Contracted:				
	- Plant, machinery and equipment	51 236	53 458		
	Authorised by the directors, but not yet contracted:				
	- Plant, machinery and equipment	344 949	427 462		

The above commitments will be financed mainly from internal resources as well as from facilities available. The maturity profile for leases (after applying IFRS 16) can be found in notes 14 and 19.2 C.

Notes to the financial statements (continued)

22. POST-EMPLOYMENT BENEFITS

The group provides post-employment benefits for its employees.
Amounts included in the financial statements comprise of:

	GROUP 2019 R'000	GROUP 2018 R'000
Balance sheet obligation for:		
Post-employment medical aid benefits (note 22.1)	35 206	32 207
Other post-employment benefits (note 22.2)	50 111	44 736
Liability in the balance sheet	85 317	76 943
Income statement charge:		
Post-employment medical aid benefits (note 22.1)	2 718	3 617
Other post-employment benefits (note 22.2)	8 793	8 106
	11 511	11 723
Remeasurements included in other comprehensive income for:		
Post-employment medical aid benefits (note 22.1) - loss/(gain)	1 179	(1 913)
Other post-employment benefits (note 22.2) - loss	13 079	5 348
Long service award - loss	515	1 970
	14 773	5 405

22.1 POST-EMPLOYMENT MEDICAL AID BENEFITS

Certain of the companies in the group operated post-employment medical benefit schemes until 31 December 1996. Employees who joined the group after 1 January 1997 will not receive any co-payment subsidy from the group upon reaching retirement.

The scheme is unfunded. The present value of the obligation is based on the 'projected unit credit basis' using certain assumptions.

The amounts recognised in the income statement are as follows:

	GROUP 2019 R'000	GROUP 2018 R'000
Current service costs	555	592
Interest costs	2 163	3 025
	2 718	3 617
Movement in the liability recognised in the balance sheet		
At the beginning of the year	32 207	32 108
Total expense per income statement	2 718	3 617
Contributions paid	(898)	(1 605)
Actuarial loss/(gain) recognised in other comprehensive income	1 179	(1 913)
At the end of the year	35 206	32 207
The amounts recognised in equity are as follows:		
Recognised actuarial loss/(gain)	1 179	(1 913)

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

	Increase R'000	Decrease R'000
Effect on the aggregate of the current service cost and interest cost	**(2 941)**	**3 752**
Revised defined benefit obligation - net	**32 289**	**38 888**

Assumptions	2019	2018
The principal actuarial assumptions used were:		
- Discount rate for obligation	10.0%	10.0%
- Healthcare cost inflation	5.6%	7.0%
- Continuation of membership on retirement	100%	100%
- CPI inflation	5.0%	6.0%
- Post-retirement mortality	PA (90)-1	PA (90)-1
- Pre-retirement mortality	SA 85-90	SA 85-90

Assumptions regarding future mortality are set based on actuarial advice in accordance with published statistics and experience.

22. POST-EMPLOYMENT BENEFITS (continued)

22.2 OTHER POST-EMPLOYMENT BENEFITS

In accordance with Turkish social legislation, Mutlu is required to make lump sum payments to current employees whose employment is terminated due to retirement or for reasons other than resignation or misconduct.

Such payments are calculated on the basis of 30 day pay limited to a salary cap of TL6 380 (2018: TL5 434) per year for each year of employment at the rate of pay applicable at the date of retirement/termination.

In the financial statements, the group reflects a liability calculated using the projected unit credit method and based upon factors derived using their experience of personnel terminating their services and being eligible to receive retirement pay and discounted by using the current market yield at the balance sheet date on government bonds (or rates approved by the Turkish capital markets board). Severance payment liability is not subject to any legal funding.

The scheme is unfunded.

	GROUP	
	2019 R'000	**2018 R'000**
Current service costs	3 636	3 511
Interest costs	5 157	4 595
	8 793	8 106
Movement in the liability recognised in the balance sheet		
At the beginning of the year	44 736	46 616
Total expense per income statement	8 793	8 106
Contributions paid	(9 707)	(7 332)
Actuarial loss recognised in other comprehensive income	13 079	5 348
Currency adjustment	(6 790)	(8 002)
At the end of the year	50 111	44 736
The amounts recognised in equity are as follows:		
Recognised actuarial loss	13 079	5 348
The principal actuarial assumptions used at balance sheet date are as follows (based on Turkish statistics):	**2019**	**2018**
Annual discount rate	11.4%	13.5%
Salary inflation rate	6.5%	7.0%
Average monthly earnings (Turkish Lira)	6 190	4 365
Mortality table	CS080 F/M	CS080 F/M

The principal assumption is that the maximum liability for each year of service will increase in line with inflation.

22.3 PENSION SCHEMES

The group operates defined contribution pension schemes and contributions are charged against the income statement. The group contributed R86.4 million (2018: R78.7 million) to the defined contribution schemes.

		GROUP		COMPANY	
		2019 R'000	2018 R'000	2019 R'000	2018 R'000
23.	**SUBORDINATION AGREEMENTS**				
	The company has subordinated a portion of loans receivable from the following subsidiaries in favour of, and for the benefit of, the other creditors of the subsidiaries to the extent that the aforementioned subsidiaries liabilities exceed total assets.				
	Total loan amount receivable (Gross):				
	Smiths Plastics (Pty) Ltd (Smiths Plastics)			167 451	167 451
	Metair Management Services (Pty) Ltd (MMS)			106 328	279 466
				273 779	446 917

The company has also subordinated its claims against subsidiaries in respect of the revolving credit facility and preference share funding in favour of the lenders.

24. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In preparing these consolidated financial statements, management has made judgements and estimates that affect the application of the group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively. The judgements, estimates and assumptions that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

A. Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements includes the following:

Revenue recognition

- Timing of revenue recognition – Whether revenue from the supply of automotive components is recognised over time or at a point in time;
- Whether tooling supply arrangements result in separate performance obligations and should therefore be included within revenue, on a principal, rather than agent, basis.

Refer to notes 1.2 and accounting policies on revenue for further details.

Consolidation – Whether the group has 'de facto' control over Hesto

Metair owns 74.9% of Hesto, but accounts for Hesto as an associate (equity accounting). The shareholder's agreement stipulates that unanimous consent is required for all decisions relating to the relevant activities of Hesto (de facto majority vote). The other shareholder also has a currently exercisable and substantive option (call option) that results in Metair accounting for the investment as an associate.

The call option held would benefit the other shareholder through additional voting rights acquired from its exercise. The other shareholder currently holds 25.1% shareholding in Hesto and the option will allow an increase to either 50.1% or 100% shareholding. The unanimous consent required for decision-making is a clear indication that Metair does not control Hesto. Although unanimous consent usually indicates joint control, the impact of the call option results in the relationship being one of an associate. Metair therefore applies equity accounting to Hesto.

Refer to note 10 for the application of the disclosure requirements of IFRS 12, in respect of summarised information on associates.

IFRS 16 – Incremental borrowing rates

The determination of incremental borrowing rates, asset out in the accounting policy note on leases, required significant management judgement.

B. Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties at 31 December 2019 that have a risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year is included in the following notes:

Asset useful lives and residual values (refer note 7)

Property, plant and equipment are depreciated over its useful life taking into account residual values where appropriate. The actual useful lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In reassessing asset useful lives, factors such as technological innovation, product lifecycles/project life and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

24. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

Goodwill impairment testing (refer note 8)
The group tests annually whether goodwill (including indefinite life intangibles) has suffered any impairment, in accordance with the accounting policy. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates. Key estimates include growth and discount rates (WACC) applied. Future cash flows (earnings) expected to be generated by Mutlu and Rombat (CGUs) are projected, taking into account factors such as market conditions and earnings growth. Sensitivity analyses are also performed.

IFRS 2 - Equity-settled schemes (refer note 26.1)
IFRS 2 charges, determined by reference to the fair value of options granted, are calculated in terms of the group's accounting policy and based on option pricing models for the share option scheme in operation. The charge is based on assumptions applied at grant date to the valuation models. These include, among others the risk-free interest rate, Metair share price volatility and dividend yields.

Fair value determination at grant date includes market performance conditions (such as share price), excludes the impact of any service and non-market performance vesting conditions (such as employment period conditions and profitability) and includes the impact of any non-vesting conditions.

At the end of each reporting period, the group revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions and service conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

Measurement of ECL (expected credit loss) allowance for trade receivables, contract assets and intercompany loans
(refer notes 12 and 19.2 B. Credit risk)
IFRS 9 allows a 'simplified approach' (one of the three approaches) to determine loss allowances and adopts a 'life-time' ECL for trade receivables (without significant financing components). Essentially IFRS 9 tells us how to create bad debt provisions for trade receivables using a 'provision matrix'.

Basically the calculation of an impairment loss is based on a default rate percentage applied over the life of a group of financial assets or receivables, from the moment of its origination or acquisition. The definition of 'default' should also be consistent with that used for internal credit risk management.

In using the simplified approach, certain assumptions in determining the weighted-average loss rate was applied. The group also 'disaggregated' its debtor's book into common credit characteristics as well as payment and risk profiles. Some of the assumptions applied included defining a default base, analysing historical credit losses and the practicalities of applying forward looking estimates.

The company applied the general approach to estimate expected credit losses for intercompany loans.

Revenue measurement in battery aftermarket arrangements – estimate of variable consideration (refer note 1.2)
An entity shall include in revenue some or all of an amount of variable consideration, estimated only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur, when the uncertainty associated with the variable consideration is subsequently resolved.

In one of the group's businesses, a supply arrangement exists whereby some independent aftermarket franchises are requested to supply batteries to other customers. A credit-note (refund) is issued to the specific distributor or franchise for their stock that is utilised from their inventory holding.

Since the group has an option to redirect the batteries, initially sold to the distributor, a variable consideration constraint exists. Therefore, the amount of revenue recognised is adjusted for the expected credit notes to be issued, usually indicated by historical trends and sales forecasts.

Insurance proceeds relating to the subsidiary fires (refer note 3)
The basic assumptions applied by management in determining the amount to be claimed from insurance in respect of each aspect of the claim are as follows:

Inventory
Claims were based on adjusted value of stock destroyed in the fire taking into account salvageable materials and overheads.

Building
Claims were based on an elemental estimated cost as determined by two quantity surveyors to restore the building.

Business interruption
Claims were based on reduction of battery sales taking into account a gross profit margin adjusted for actual rather than standard cost. Cost incurred on replacing lost production has been included in this estimate.

25. RELATED PARTIES

The group and company entered into transactions with related parties. Transactions that are eliminated intra-group for consolidation purposes are not included.

Information on emoluments paid to executive and non-executive directors have been presented in note 3. Employees fulfilling the role of key management are all appointed to the board of directors.

Information on investments in subsidiaries and associates is presented in notes 9 and 10. Information on loans granted to subsidiaries has been presented in note 9. Dividends from subsidiaries has been presented in note 3. Directors' shareholding and share incentives granted have been presented in note 26.

Information on the Metair Investments Limited 2009 Share Plan can be found in note 26. The share-based payment expense for key management amounted to R9.5 million (2018: R6.8 million).

Information on the Metair group Pension Scheme can be found in note 22.3.

Information on shareholding of the company can be found on pages 110 to 113.

	GROUP	
	2019 R'000	**2018 R'000**
The group entered into the following transactions with its associates:		
Hesto		
Purchases from group companies	**149 675**	132 555
Sales to group companies	**15 454**	18 518
Management fees paid to group companies	**6 285**	6 353
Management fees received from group companies	**378**	335
Outstanding balance to group companies	**5 774**	7 684
Outstanding balance from group companies	**47**	895
Valeo		
Purchases from group companies	**60 047**	58 737
Management fees paid to group companies	**301**	282
Outstanding balance to group companies	**1 593**	1 754

The company has provided limited letters of support to certain subsidiaries within the group (refer note 23).

		GROUP		COMPANY	
		2019 R'000	2018 R'000	2019 R'000	2018 R'000
26.	**STATED CAPITAL AND TREASURY SHARES**				
	Authorised number of shares				
	400 000 000 ordinary shares at no par value	400 000 000	400 000 000	400 000 000	400 000 000
	Issued number of shares				
	Ordinary shares at beginning and end of the year	198 985 886	198 985 886	198 985 886	198 985 886
		198 985 886	198 985 886	198 985 886	198 985 886
	Issued				
	198 985 886 ordinary shares of no par value	1 497 931	1 497 931	1 497 931	1 497 931
		1 497 931	1 497 931	1 497 931	1 497 931
	Treasury shares				
	Balance at the beginning of the year	(112 510)	(10 152)		
	Shares acquired by Business Venture Investments No 1217 (Pty) Ltd	(44 984)	(104 873)		
	Shares disposed by Business Venture Investments No 1217 (Pty) Ltd (vesting utilisation)	15 318	2 515		
	Balance at the end of the year	(142 176)	(112 510)		
	Number of treasury shares are held as follows				
	Business Venture Investments No 1217 (Pty) Ltd	7 374 023	6 702 399		

Treasury shares are ordinary shares held, by Business Venture Investments no 1217 (Pty) Ltd, for the purpose of the Metair Investments Ltd 2009 share plan and share buyback programme. During the prior year an additional 1 923 027 (2018: 5 969 577) ordinary shares were acquired for a total of R45 million (2018: R105 million) at an average price of R23.39 per share (2018: R17.49 per share) as part of the group's share buyback programme.

26.1 THE METAIR INVESTMENTS LTD 2009 SHARE PLAN (EQUITY-SETTLED SHARE-BASED PAYMENT SCHEME)

The Metair Investments Ltd 2009 Share Plan is an equity-settled share-based payment scheme.

The Metair Investments Ltd 2009 Share Plan was approved by shareholders on 4 December 2009. Under the plan executives, senior managers and/or key employees of the group will annually be offered a combination of share appreciation rights, performance shares or bonus shares.

Annual allocations of share appreciation rights, awards of performance shares and grants of bonus shares are governed by Metair's remuneration policies.

If an employee ceases to be employed by the group by reason of no fault termination prior to the vesting and/or exercise of the share appreciation rights, performance shares or bonus shares, the share appreciation rights, performance shares or bonus shares available to vest and/or be exercised shall be deemed to have vested and been exercised and shall be settled to the employee in terms of the share plan with effect from the date of termination of employment.

All shares vested are exercised.

a) Share appreciation rights

Annual allocations of share appreciation rights will be made to executives and selected managers. They will be available to be settled, subject to any performance criteria that may have been stipulated at allocation in equal thirds on the third, fourth and fifth anniversaries but need not be exercised until the sixth anniversary, at which time they will be automatically settled.

On settlement, the value accruing to participants will be the appreciation of Metair's share price. The appreciation may be calculated as the full appreciation in the share price, or that appreciation over and above a prescribed hurdle rate which may have been stipulated at allocation.

26. STATED CAPITAL AND TREASURY SHARES (continued)

26.1 THE METAIR INVESTMENTS LTD 2009 SHARE PLAN (EQUITY-SETTLED SHARE-BASED PAYMENT SCHEME) (continued)

a) Share appreciation rights (continued)

Movements in the number of rights granted are as follows:

	2019		2018	
	Number of grants	Weighted average strike grant price R	Number of grants	Weighted average strike grant price R
Balance at the beginning of the year	5 116 997	25.65	4 338 085	27.93
Granted	885 222	24.02	1 270 834	17.70
Lapsed	(1 197 826)	(32.85)	(262 117)	(20.44)
Vested with appreciation	(38 433)	(20.02)		
Vested with no appreciation	(203 436)	(20.02)	(229 805)	(30.79)
Balance at the end of the year	4 562 524	23.74	5 116 997	25.65
IFRS 2 share-based payment charge		R4 074 783		R5 406 796

Rights outstanding at the end of the year vest in the following years (performance period), subject to the fulfilment of performance conditions.

	2019 Number of rights	2018 Number of grants
Year ending 31 December:		
2019		2 170 478
2020	1 706 928	751 400
2021	923 034	1 025 114
2022	966 389	746 393
2023	671 100	423 612
2024	295 073	
	4 562 524	5 116 997

b) Performance shares

Annual conditional awards of performance shares will be made to participants with a zero strike price. Performance shares will vest on the third anniversary of their award to the extent that the specified performance criteria over the intervening period has been met.

The board dictates the performance criteria for each award. The performance conditions applied to the performance shares awarded from 2016 is as follows:

- Metair executives performance criteria will be group's return on invested capital ('ROIC') (50%) and total shareholder return ('TSR') (50%) being targeted. TSR will be measured against a benchmark of selected mid-tier industrial and trading companies. Metair's weighted average ROIC over the three year period will be referenced to weighted averaged cost of capital ('WACC').
- Subsidiary executives performance criteria will be group's ROIC (50%) and the subsidiaries own segmental ROIC (50%) being targeted.

26. STATED CAPITAL AND TREASURY SHARES (continued)

26.1 THE METAIR INVESTMENTS LTD 2009 SHARE PLAN (EQUITY-SETTLED SHARE-BASED PAYMENT SCHEME) (continued)

b) Performance shares (continued)

Movements in the number of shares awarded are as follows:

	2019 Number shares	2018 Number shares
Balance at the beginning of the year	1 412 297	1 226 056
Granted	654 844	582 904
Lapsed	(219 827)	(396 663)
Vested	(412 970)	
Balance at the end of the year	1 434 344	1 412 297
Share awards outstanding at the end of the year vest in the following years, subject to the fulfilment of performance conditions.		
Year ending 31 December:		
2019		461 307
2020	393 598	430 807
2021	457 724	520 183
2022	583 022	
	1 434 344	1 412 297
IFRS 2 share-based payment charge*	R16 159 649	R8 537 520

* The calculation of the IFRS 2 charge for the year was adjusted for the number of options that are expected to vest at reporting date, based on the non-market vesting conditions.

c) Bonus shares

Special allocations of bonus shares awarded vest after three years conditional on continued employment. For a period of two years from the vesting date and provided continued employment of Metair, the shares may not be disposed, transferred or encumbered. Bonus shares are granted with a zero strike price.

Movements in the number of bonus shares awarded are as follows:

	2019 Number shares	2018 Number shares
Balance at the beginning of the year	1 050 000	1 350 000
Granted		
Lapsed	(800 000)	(50 000)
Vested		(250 000)
Balance at the end of the year	250 000	1 050 000
IFRS 2 share-based payment charge	R4 157 167	R3 206 767
Share awards outstanding at the end of the year vest in the following years, subject to the fulfilment of performance conditions.		
Year ending 31 December:		
2019		800 000
2020	250 000	250 000
	250 000	1 050 000

26. STATED CAPITAL AND TREASURY SHARES (continued)

26.1 THE METAIR INVESTMENTS LTD 2009 SHARE PLAN (EQUITY-SETTLED SHARE-BASED PAYMENT SCHEME) (continued)

d) Valuation of share incentive grants

The fair value of the share appreciation rights was determined using a modified binomial tree model. The performance and bonus shares granted in terms of the share plan are the economic equivalent of awarding a Metair share (without dividend rights for the period from grant date to vesting date) at zero strike. Therefore the value of each performance share and bonus share is equal to the share price on the grant date less the present value of future dividends expected over the vesting period.

The table below sets out the assumptions used to value the grants:

	Share appreciation rights	Performance shares
2019		
Spot price	**R23.65**	**R23.01**
Strike price (grant price)	**R24.02**	**Nil**
Volatility*	**33.95%**	**36.78%/N/A**
Dividend yield	**3.9%**	**4.3%**
Valuation (IFRS 2)	**R6 527 420**	**R23 894 951**
Fair value per share at grant date	**R7.37**	**R45.01/R20.22**
2018		
Spot price	R18.99	R23.00
Strike price (grant price)	R17.70	Nil
Volatility*	33.13%	35.23%/N/A
Dividend yield	4.4%	3.54%
Valuation (IFRS 2)	R7 889 393	R11 705 397
Fair value per share at grant date	R6.21	R41.25/R20.67

The total IFRS 2 employee share-based payment expense for the year was R24.4 million (2018: R17.2 million), including allocation to non-controlling interests. The cost of share-based expenses for the company is capitalised to the investment in subsidiaries. Metair's share price at 31 December 2019 was R23.10 (2018: R19.50).

* The volatility input to the pricing model is a measure of the expected price fluctuations of the Metair share price over the life of the option structure. Volatility is measured as the annualised standard deviation of the daily price changes in underlying shares.

26. STATED CAPITAL AND TREASURY SHARES (continued)

26.1 THE METAIR INVESTMENTS LIMITED 2009 SHARE PLAN (EQUITY-SETTLED SHARE-BASED PAYMENT SCHEME) (continued)

e) Share awards, options and other grants allocated to and exercised by Metair Investments Limited executive directors

	Share appreciation rights	Performance shares	Bonus shares	Total
Yearly award (number of shares):				
2019				
CT Loock	**121 858**	**62 615**		**184 473**
S Douwenga	**57 296**	**29 247**		**86 543**
2018				
CT Loock	152 663	55 805		208 468
S Douwenga	75 110	27 275		102 385
Lapsed (number of shares):				
2019				
CT Loock*	**(833 742)**	**(4 039)**		**(837 781)**
S Douwenga*		**(1 964)**		**(1 964)**
2018				
CT Loock*	(44 277)	(27 849)		(72 126)
S Douwenga*		(10 135)		(10 135)
Exercise (number of shares):				
2019				
CT Loock	**(6 299)**	**(53 654)**	**(800 000)**	**(859 953)**
S Douwenga		**(26 097)**		**(26 097)**
2018				
CT Loock				
S Douwenga			(250 000)	(250 000)
Cumulative (number of shares):				
2019				
CT Loock	**649 659**	**166 186**		**815 845**
S Douwenga	**580 682**	**79 868**	**250 000**	**910 550**
2018				
CT Loock	1 367 842	161 264	800 000	2 329 106
S Douwenga	523 386	78 682	250 000	852 068

* Included in performance shares lapsed is 6 003 (2018: 37 984) shares not vested by the remuneration committee in terms of the under fulfilment of certain performance conditions.

26.2 INTEREST OF DIRECTORS

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

	2019 Beneficial Direct Number	2019 %	2018 Beneficial Direct Number	2018 %
Executive directors				
CT Loock	**906 459**	**0.46**	231 006	0.11
S Douwenga	**143 048**	**0.07**	130 000	0.07
Independent non-executive directors				
L Soanes *			120 000	0.06
Total	**1 049 507**	**0.53**	481 006	0.24

* Retired in December 2018.

There is no indirect beneficial or non-beneficial interest by members of board of directors.

Notes to the financial statements (continued)

		GROUP 2019 R'000	GROUP 2018 R'000	COMPANY 2019 R'000	COMPANY 2018 R'000
27.	**RESERVES**				
	Other reserves comprises the following:				
27.1	**SHARE-BASED PAYMENT RESERVE**				
	Balance at the beginning of the year	125 656	115 797	66 598	53 257
	Value of service provided	24 392	17 151	24 392	17 151
	Deferred taxation	(1 001)	(7 292)		
	Utilisation of treasury shares to settle obligation*	(15 318)	(2 515)	(22 719)	(3 810)
	Estimated taxation effect of utilisation of treasury shares	(3 360)	(526)		
	Transfer of net vesting impact to retained earnings	18 678	3 041		
	Balance at the end of the year	149 047	125 656	68 271	66 598
	* The market value of shares utilised to settle the obligation amounted to R28.7 million (2018: R3.8 million).				
27.2	**FOREIGN CURRENCY TRANSLATION RESERVE**				
	Balance at beginning of the year	(1 418 319)	(1 104 558)		
	Net exchange loss arising from translation of foreign operations	(372 908)	(313 761)		
	Balance at end of the year	(1 791 227)	(1 418 319)		
27.3	**EQUITY ACCOUNTED RESERVES**				
	Balance at the beginning of the year	395 614	322 388		
	Adjustments for impact of IFRS 15 and IFRS 9		3 269		
	Transfers from retained earnings	74 497	69 957		
	Balance at the end of the year	470 111	395 614		
	Transfer from retained earnings consists of:				
	- Share of results of associates	105 665	76 507		
	- Dividends received	(31 168)	(6 550)		
		74 497	69 957		
27.4	**CHANGE IN OWNERSHIP RESERVE - NON-CONTROLLING INTERESTS (NCI)**				
	The reserve relates to the premiums paid on purchases of and profit/loss on disposals to NCI without a change in degree of control. The reserve arose as a result of transactions with Mutlu NCI in previous years.				
	Balance at the end of the year	(21 197)	(21 197)		
	Total other reserves	(1 193 266)	(918 246)	68 271	66 598
27.5	**RETAINED EARNINGS**				
	Balance at the beginning of the year	3 699 197	3 275 935	440 357	689 768
	Adjustments for opening impact of IFRS 15 and IFRS 9		(8 222)		(124 657)
	Net profit for the year	624 186	667 377	77 920	34 377
	Other comprehensive loss	(11 406)	(4 550)		
	Dividends paid	(193 238)	(158 345)	(198 986)	(159 131)
	Transfers to equity accounted reserves	(74 497)	(69 957)		
	Transfer of net vesting impact to retained earnings	(18 678)	(3 041)	(6 295)	
	Balance at the end of the year	4 025 564	3 699 197	312 996	440 357
27.6	**NON-CONTROLLING INTERESTS**				
	Balance at the beginning of the year	121 349	119 393		
	Adjustments for IFRS 15 and IFRS 9		990		
	Net profit for the year - attributable to non-controlling interests	33 607	31 903		
	Other comprehensive (loss)/income - attributable to non-controlling interests	(567)	654		
	Dividend	(31 656)	(31 591)		
	Balance at the end of the year	122 733	121 349		

28. CHANGES IN ACCOUNTING POLICIES

Except for the changes below, the group has consistently applied the accounting policies to all periods presented in these consolidated financial statements.

28.1 IFRS 16 – LEASES

The group applied IFRS 16 from 1 January 2019. As a result, the group has changed its accounting policy for lease contracts. IFRS 16 was applied using the modified retrospective approach and there was no impact on retained earnings at 1 January 2019 as the right of use assets were measured at an amount equal to the remaining lease liabilities.

As a lessee, the group previously classified leases as operating or finance leases based on its assessment of whether the leases transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the group. Under IFRS 16, the group recognises right-of-use assets and lease liabilities for most leases, including operating leases. In other words, majority of leases are 'on-balance sheet'.

The group has applied recognition exemptions available for short term leases of administrative and IT equipment as well as leases meeting the threshold for 'low value' items. For all other leases, which were classified as operating under IAS 17, the group recognised right of use assets and lease liabilities.

On transition to IFRS 16, the group also applied the practical expedient to grandfather the assessment of which transactions are leases. It applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease. Therefore the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 January 2019.

A. Leases classified as operating leases under IAS 17

At 1 January 2019 transition lease liabilities were measured at the present value of the remaining lease payments, discounted at the group's incremental borrowing rate at 1 January 2019. Right of use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The following practical expedients were used when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- applied the exemption not to recognise right-of-use assets and liabilities with less than 12 months of lease term remaining
- excluded initial direct costs from measuring the right-of-use asset at the date of initial application
- use of hindsight, such as in determining the lease term if the contract contains options to extend or terminate the lease.

B. Leases previously classified as finance leases

For leases that were previously classified as finance leases under IAS 17, the carrying amount for the right of use asset and the lease liability at 1 January 2019 are determined at the carrying amount of the lease asset and lease liability under IAS 17 immediately before that date.

C. Impact on financial statements

On transition to IFRS 16, the group recognised right of use assets for R89.1 million and additional lease liabilities for R84.5 million. Right of use assets are included within property, plant and equipment and lease liabilities are included within non-current and current borrowings. Right of use assets are depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Depreciation for the current year increased by R32 million because of IFRS 16. When measuring the lease liabilities at present value, a weighted average incremental borrowing rate of 9.0%-10.5% was applied in 2019 (1 January 2019: 9.7%) for South Africa and 1.4% for Romania (European based). The new rules did not have a material impact on operating profit, however interest expense increased by R4.7 million, mainly as a result of ATE's property lease and FNB's forklift rentals. R13.3 million was directly expensed in the current year in terms of the recognition exemptions.

A reconciliation of the operating lease commitments capitalised at 1 January 2019 is as follows:

R'000	1 January 2019
Operating lease commitments at 31 December 2018 as disclosed in note 21 to the financial statements:	91 236
Discounted using incremental borrowing rate	64 913
Recognition exemption for:	
- low value assets	(3 107)
- short term leases	(7 357)
Discounted using the incremental borrowing rate at 1 January 2019	54 449
Alfred Teves Brake Systems (Pty) Ltd property lease at 1 January 2019	30 080
Existing finance lease liabilities recognised at 31 December 2018	4 595
Total right of use assets (lease liabilities) recognised at 1 January 2019	**89 124**

Notes to the financial statements (continued)

28.2 IFRS 15 AND IFRS 9 (EFFECTIVE 2018)

The group applied IFRS 15 and IFRS 9 from 1 January 2018.

A detailed explanation of the changes and impact of adopting these new standards can be found in note 28 of the prior year financial statements.

The effect of initially applying these standards, at 1 January 2018, is attributed to the following:

- Earlier recognition of revenue from 'made to order' automotive parts supplied to OEM customers ('over time'),
- Variable consideration adjustment for certain aftermarket distributor sales
- An OEM customer renewal option that's provides a material right (life-time price reductions),
- An increase in impairment losses on trade receivables under IFRS 9, due to the earlier recognition using an 'expected credit loss' approach

The following table summarises the impact, net of tax, of transition to IFRS 15 and IFRS 9 on retained earnings and NCI at 1 January 2018:

Retained earnings		Impact of adopting IFRS 15 and IFRS 9 at 1 January 2018 (loss)/gain R'000	
		IFRS 9	IFRS 15
Made-to-order Auto parts recognised over time			7 042
Made-to-order Auto parts recognised over time - equity earnings share			3 269
Variable consideration constraints			(2 644)
Customer material rights			(3 948)
Non-controlling interests			1 043
Additional impairment recognised on trade receivables at 31 December 2017		(8 725)	
Net Impact, post tax, at 1 January 2018	**(3 963)**	(8 725)	4 762

Accounting policies

PRINCIPAL ACCOUNTING POLICIES

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

BASIS OF PREPARATION

The consolidated financial statements are stated in South African Rand and are prepared in accordance with International Financial Reporting Standards (IFRS) and its interpretations adopted by the International Accounting Standards Board (IASB) in issue and effective for the group at 31 December 2019 and the SAICA Financial Reporting Guides, as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and the Companies Act of South Africa, 2008.

The consolidated financial statements have been prepared on the historical cost basis, except as disclosed in the accounting policies below. Derivative financial instruments are carried at fair value.

The consolidated financial statements are prepared on the going concern basis.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 24.

NEW STANDARDS AND INTERPRETATIONS

Accounting policy developments include new standards issued, amendments to standards, and interpretations issued on current standards as issued by the IASB.

(a) Standards, amendments and interpretations effective for the first time

Standards and amendments adopted by the group:

This is the first set of the group's financial statements in which IFRS 16 – Leases has been applied. Details of the changes and the impact thereof can be found in Note 28 – changes in significant accounting policies.

Standards and amendments in effect but did not have any impact on amounts recognised in prior periods and are not expected to significantly affect current or future periods:

- IFRIC 23 Uncertainty over Tax Treatments
- Prepayment Features with Negative Compensation (Amendments to IFRS 9)
- Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)
- Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)
- Annual Improvements to IFRS Standards 2015–2017 Cycle – various standards
- Amendments to IFRS 3 and IFRS 11 dealing with changes in group composition
- Amendment to IAS 12 Income taxes, clarifying current and deferred tax on dividends
- Amendment to IAS 23 Borrowing costs clarifying general borrowings

(b) Standards, amendments and interpretations to existing standards that are effective from 1 January 2020 or later and have not been early adopted by the group

As at 31 May 2019, a number of new standards and amendments to standards and interpretations have been issued and earlier adoption is permitted. However, the group has not adopted these in preparing these financial statements.

At present, these amended standards and interpretations are not expected to have a material impact on the group in the current or future reporting periods and on foreseeable future transactions:

- Amendments to IAS 1 and IAS 8, definition of material information
- Amendment in IFRS 3 Business combinations and new definition of 'business'
- IFRS 17 Insurance contracts (effective 1 January 2021)
- Sale or contribution of assets between an investor and its associate or joint venture – Amendments to IFRS 10 and IAS 28 (deferred but available to adopt)
- Revised Conceptual Framework for financial reporting

(c) Standards, amendments and interpretations not yet effective but have been early adopted by the group.

There have been no standards, amendments and interpretations early adopted by the group.

BASIS OF CONSOLIDATION

(a) Subsidiaries

The consolidated 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.

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are no longer consolidated from the date that control is lost.

The acquisition method of accounting is used to account for business combinations of subsidiaries by the group.
The consideration transferred for the acquisition of a subsidiary is measured at the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity instruments issued at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest (NCI). Acquisition-related costs are expensed in the period in which the costs are incurred, or services received.
If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

The excess of the consideration transferred, the amount of any NCI in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, NCI recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

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

The company accounts for subsidiary undertakings at cost less impairment. Advances to subsidiaries by the company, which do not have fixed terms of repayment, are classified as loans to subsidiary companies – current at amortised cost. Accounting policies on intercompany loans, including impairment assessments, is fully discussed in notes 9 and 19.2.

For the company, the equity-settled share-based payment cost is capitalised to the investment in subsidiaries.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability is subsequently re-measured to fair value with changes in fair value recognised in profit or loss.

Changes in ownership interests in subsidiaries without change of control

Transactions with NCI that do not result in loss of control are accounted for as equity transactions - that is, as transactions with the owners in their capacity as owners. The difference between the fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to NCIs are also recorded in equity.

Disposals of subsidiaries

When the group ceases to have control, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(b) Non-controlling interest (NCI)

NCI is valued at the NCI's portion of the acquirer's identifiable assets, liabilities and contingent liabilities at the acquisition date plus the NCI's portion of post-acquisition reserves, excluding the NCI's portion of share-based payment reserve.

NCI is included in equity on the balance sheet and is also reconciled in the statement of changes in equity.

(c) 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 other comprehensive income is recognised in the statement of other comprehensive income with a corresponding adjustment to the carrying amount of the investment. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit/(loss) of an associate' in the income statement.

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

If an associated company applies accounting policies that are recognised as being materially different to those adopted by the group, appropriate adjustments are made to the consolidated financial statements, prior to equity accounting.
The group's share of associated earnings less dividends received is transferred to other reserves within the statement of changes in equity. For the purposes of the cash flow statement dividends received from associates are classified as operating cash flows as these enter into the determination of net profit or loss.

FOREIGN CURRENCY TRANSLATION

(a) Functional and presentation currency

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

(b) Transactions and balances

Transactions denominated in foreign currency are translated into the functional currency at the rate of exchange ruling at the transaction date and if remeasured on date of remeasurement. Foreign exchange gains or losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currency, are recognised within other operating expenses in the income statement, except when deferred in other comprehensive income as a qualifying cash flow hedge. Monetary items denominated in foreign currency are translated at the rate of exchange ruling at the reporting date.

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
(ii) Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
(iii) All resulting exchange differences are recognised in other comprehensive income. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets or liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

INTANGIBLES

(a) Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred in an acquisition over the group's share in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquired and the amount of the non-controlling interest in the acquiree. Goodwill on acquisitions of subsidiaries is included in intangible assets.

Goodwill on acquisitions of associates is included in investments in associates and is tested for impairment as part of the overall balance.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed and is recognised in profit or loss.

The carrying value of goodwill is compared to the recoverable amount which is the higher of value-in-use and the fair value less cost to sell. Goodwill is allocated to 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. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level. Gains or losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(b) Trademarks and licences

Separately acquired trademarks and licences are shown at historical cost. Trademarks and licences acquired in a business combination are recognised at fair value at the acquisition date. Trademarks and licences have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of trademarks and licences over their estimated useful lives of 15 years. The amortisation methods and estimated remaining useful lives are reviewed at least annually.

(c) Customer relationships

Customer relationships acquired in a business combination are recognised at fair value at the acquisition date. These intangibles have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is charged to the income statement on a straight-line basis over their estimated useful lives of 5 to 15 years. The amortisation methods and estimated remaining useful lives are reviewed at least annually.

(d) Brands

Brands acquired in a business combination are recognised at fair value at the acquisition date. Brands are classified into two categories: brands with a finite useful life and are carried at cost less accumulated amortisation (definite lives) and brands which have been assessed by management as an indefinite useful life intangible asset and not subject to amortisation.

The Mutlu brand has been assessed as an indefinite useful life intangible asset and is based on an analysis of relevant underlying factors confirming that there is no foreseeable limit to the period over which the asset is expected to generate net cash flows for the group. This assumption is further justified by the strong presence the brand has in Turkey and the rest of its international market place and management's intention to keep the Mutlu brand indefinitely.

Amortisation is charged to the income statement on a straight-line basis over the useful life of the asset of 25 years. The amortisation methods and estimated remaining useful lives are reviewed at least annually. The indefinite life intangible assets are tested for impairment annually. The assessment that the estimated useful lives of these assets are indefinite is reviewed at least annually.

Subsequent expenditure on acquired intangible assets is capitalised only when the cost meets the definition and recognition criteria of IAS 38 and the costs can be reliably measured.

(e) Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives.

Costs associated with maintaining computer software programs are recognised as an expense as incurred.

Costs that are directly associated with the production of identifiable and unique software products controlled by the group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include the costs of software development employees and an appropriate portion of relevant overheads.

Computer software development costs recognised as assets are amortised over their estimated useful lives (3 - 5 years).

(f) Research and development

Research expenditure relating to gaining new technical knowledge and understanding is charged to the income statement when incurred. Development expenditure relating to the production of new or substantially improved products or processes is capitalised if the costs can be measured reliably, the products or processes are technically and commercially feasible, future economic benefits are probable, and the group intends to and has sufficient resources to complete development and to use or sell the asset. All remaining development expenditure is charged to the income statement. Cost includes expenditure on materials, direct labour and an allocated proportion of project overheads.

Amortisation of development costs recognised as assets are written off to the income statement over 3 - 5 years.

PROPERTY, PLANT AND EQUIPMENT

(a) Owned assets

Land and buildings comprise mainly factories and offices. All property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred. Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to reduce their cost to their residual values over their estimated useful lives as follows:

Buildings	50 years
Plant, machinery and equipment	3 - 20 years
Vehicles and furniture and fittings	3 - 5 years

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Residual values and useful lives of all assets are reviewed, and adjusted if appropriate, on an annual basis.

Accounting policies (continued)

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. Expenditure incurred on the construction of property, plant and equipment is capitalised within property, plant and equipment and depreciated once brought into use.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains or losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within other operating income and expenses in the income statement.

(b) Spare parts and tooling

Spare parts are classified as plant and equipment rather than inventory when they meet the definition of property, plant and equipment. Tooling used in the production of a specific project is subjected to an economic analysis of contractual relations with the automaker/customer in order to determine which party has control over the tool. Tooling is capitalised as part of plant and equipment only when it meets the definition of an asset.

LEASES

Policy applicable before 1 January 2019

Until the 2018 financial year, leases of property, plant and equipment were classified as either finance or operating leases.

Assets leased in terms of finance lease agreements are capitalised. These are leases where a significant portion of the risk and rewards are taken up by the group. At commencement of the lease term, the lessee recognises finance lease assets and liabilities in the balance sheet at an amount equal to the fair value of the leased asset or if lower, the present value of the minimum lease payments. These assets are depreciated on the straight-line basis to their estimated residual value at rates considered appropriate to reduce book values over the shorter of the duration of the lease agreements or useful life of the assets. Finance costs are charged to the income statement 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 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.

Policy applicable from 1 January 2019

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of fixed monthly lease payments (including in-substance fixed payments), less any lease incentives receivable. The groups leasing arrangements are predominantly vanilla in nature.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by group entities, which does not have recent third-party financing, and
- makes adjustments specific to the lease, e.g. term, country, currency and security

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Payments associated with short-term leases and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

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 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 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. The cost of inventories is based on the first-in, first-out principle. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour, other direct costs and appropriate share of production overheads based on normal operating capacity.

Borrowing costs are excluded as manufactured inventories and 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 expenses.

CURRENT AND DEFERRED TAX

(a) Income tax expense

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity respectively. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the countries where the company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities. The charge for current tax is predominantly based on results for the year as adjusted for income that is exempt and expenses that are not deductible using tax rates that are applicable to the taxable income and includes any adjustments to tax payable in respect of prior years.

(b) Deferred tax assets and liabilities

Deferred income tax is recognised, using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit nor loss. Deferred income tax is determined using tax rates (and laws) that have been substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future.

The provision of deferred tax assets and liabilities reflects the tax consequences that would follow from the expected recovery or settlement of the carrying amount of its assets and liabilities. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

PROVISIONS

Provisions are recognised when the group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. The group recognises the estimated liability on all products still under warranty at the reporting date. This provision is calculated based on service histories. The group also estimates and recognises a liability for lead scrap collections on certain products sold regarding recycling obligations. The provision is calculated based on return rates.

TRADE PAYABLES

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

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

REVENUE AND OTHER INCOME

Revenue from contracts with customers

General

The group recognises revenue when (or as) a group entity satisfies a performance obligation by transferring a promised good or service to a customer. Goods and services are transferred when (or as) the customer obtains control of those asset. Control of an asset refers to the ability to direct the use of, and obtain substantially all of the remaining benefits from, the asset. Control includes the ability to prevent other entities from directing the use of, and obtaining the benefits from, an asset.

Generally, revenue from a contract with customers are recognised once all of the following criteria are met:

- Collection of consideration is probable
- Contract has commercial substance
- Rights and payment terms are identified
- Approved and parties committed to obligations

Revenue is measured at the transaction price derived from contracts with customers and is net of volume rebates, discounts and other similar items such as life-time price reductions ('LTRs), incentives and sales taxes ('VAT'). Intercompany sales have been eliminated for purposes of group consolidation.

The significant specific accounting policies for the group's main types of revenue streams are summarised as follows:

Sale of automotive parts and components including tooling obligations to customers

The automotive components business vertical produces original equipment (OE) components used in the assembly of new vehicles by OEMs (original equipment manufacturers) in South Africa as well as spare parts and accessories (OES). The group also produces generic and aftermarket products. Products include lights (headlamps and tail-lamps), wire harnesses, suspension springs, radiators, air conditioners and brakes.

The majority of automotive component revenue streams arise from contracts with OEMs and normally spans over the vehicle model life which can range from between 5 to 7 years of production, including facelifts.

For the purposes of the segment report, OE revenue is derived from the manufacture of components used in the assembly of new vehicles. Aftermarket revenue includes the manufacture and distribution of parts used to service vehicles already produced by OEMs, known as OES, as well as other generic parts.

Revenue on components and parts sold are recognised on the following basis:

- OEM contractual customers – Over time, i.e. before the parts have been delivered to the customers premises; and
- At the point in time for all other customers i.e. usually when the parts have been delivered and accepted by customers at their premises.

The group meets the requirements for applying the 'series' guidance for components and spare parts sold to OEMs over-time and therefore, in respect of each non-cancellable customer purchase order (or rolling forecasts received from the customers), the entire quantity of parts required by the customer is accounted for as a single performance obligation for which revenue is allocated and recognised, as the parts are manufactured. Manufacturing and delivery are based on customer specific production releases.

For all other generic and aftermarket parts, customers obtain control the parts when the goods are delivered to and have been accepted at their premises. Invoices are generated at that point in time. Delivery occurs when the parts have been shipped to the specific location, the risk of obsolescence and loss have been transferred to the customers and the customers have accepted the goods in accordance with their corresponding purchase orders.

Measurement

Revenue for fully completed parts are recognised predominantly on the 'right to invoice' method. Subject to OEM annual pricing reviews, the selling or piece price per component manufactured is usually fixed and agreed by both parties. For semi-completed components and customer specific raw materials committed, revenue is recognised on an input method, being the measure of progress of manufacturing costs increment to date plus an appropriate margin. This depicts a fair representation of efforts fulfilled, in terms of the overall performance obligations to OEMs. Aftermarket pricing is based on approved price lists.

Revenue adjustments and variations

The transaction price is based on the amount of consideration a group entity expects to be entitled to for each component manufactured and suppled. These include fixed and variable (subject to constraints) elements. Variable consideration encompasses any amount that is variable under a contract including, for example, discounts, rebates, OEM price adjustments and customer's rights to return products.

During the ordinary course of business, OEM customer pricing is normally adjusted to take into account inflationary cost increases in materials (such as steel and copper), economic cost increases for labour and production overheads and foreign exchange rate fluctuations on imported materials. These adjustments are common in our industry and are negotiated and adjusted for in annual pricing reviews or 'APRs'. Pricing changes could also occur as a result of engineering changes due to model facelifts.

Revenue therefore includes some or all of an amount of variable consideration, estimated only to the extent that it is highly probably that a significant reversal in the cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is resolved. If applicable, revenue is adjusted, on a cumulative catch up basis, for pricing changes on components already supplied (retrospective) to OEMs. Adjustments are based on the most likely amount to be received (or paid), subject to the extent that it does not result in a significant reversal of revenue accumulated.
Contract modifications are applied prospectively (i.e. to future parts supplied) and will only impact future purchase orders and performance obligations.

In certain instances, OEMs request lifetime price reductions ('LTRs') that is volume linked. When a group entity agrees to grant a customer an option to acquire additional goods or services at a reduced price, that option is a separate performance obligation under the contract if it provides a material right that the customer would otherwise not receive without entering into the contract. Revenue is adjusted based on the anticipated sales over the LTR period and where products sold are substantially the same and the customer is able to buy future units at a reduced price, a relatively consistent price is applied to all parts during the LTR period. The LTR gives the customer the right to acquire additional parts at a lower price in future and in these specific cases, a portion of revenue is deferred to later in the contract.

Customer tooling obligations

During new vehicle model launches or major facelifts, the group's automotive business units may engage in sourcing, procuring and/or assembly of customer tooling required for the specific parts to be manufactured for the OEM customers. Customer specific tooling orders are normally outsourced to third-party specialised toolmakers and the costs are recovered with usually no mark up (we have limited pricing influence).

Tooling supply arrangements creates separate enforceable rights and performance obligations and revenue is therefore recognised separately. The group is the primary party responsible for the delivery of the tool and the group controls the tool before the obligation is satisfied. The group therefore accounts for these arrangements as principal and revenue is recognised on a gross basis. Revenue for the tool is recognised progressively ('over time'). Costs incurred to fulfil the contract to date are effectively recognised immediately, since the revenue booked represents recovery of costs incurred, at zero profit margin.

On balance sheet, a contract asset is recognised for the revenue booked. Cash advancements or progress payments received from customers are initially classified as contract liabilities and subsequently set-off against the contract asset, on a contract by contract basis. The net contract asset is then transferred to trade receivables upon invoicing to the customer.

Revenue from OEM customer specific tooling, that we are engaged to supply for use in the production of customer specific parts, is recognised over time, as the services are provided. The stage of completion to determine the amount of revenue to recognise is based on the cost to cost method. The related costs are recognised in profit or loss when they are incurred. Advances received are included in contract liabilities. Tooling arrangements can differ on a case by case basis.

Energy Storage – sale of automotive and industrial batteries

The energy storage business manufactures automotive batteries for supply to the aftermarket (replacements) through our unique aftermarket distribution channels and independent franchised retail networks ('distributors') as well as to OEMs for new vehicles manufactured. Batteries are also exported to destinations across 'EMEA' from our operations in South Africa, Turkey and Romania.

Revenue is recognised when control of the batteries has transferred, being at the point in time when the batteries have been delivered. None of the requirements to recognise revenue over time is met.

Delivery occurs when the batteries have been shipped to the specific location, the risk of obsolescence and loss have been transferred to the customers and the customers have accepted the goods in accordance with their corresponding purchase orders.

When a product is subject to delivery to the customer's site, legal title passes when the product is physically handed over. When a product is shipped to the customer 'free-on-board' (FOB) shipping point (i.e. exports), legal title passes and the risks and rewards are generally considered to have transferred to the customer when the product is handed over to the carrier.

Arrangements that involve shipment of goods to a customer might include promises related to the shipping service that give rise to a performance obligation. Shipping and handling services may be considered a separate performance obligation if control of the goods transfers to the customer before shipment, but a group entity may promise to ship the goods (or arrange for the goods to be shipped). In contrast, if control of a good does not transfer to the customer before shipment, shipping is not a promised service to the customer. This is because shipping is a fulfilment activity as the costs are incurred as part of transferring the goods to the customer.

The amount of revenue booked is based on the transaction price, which is the full amount of consideration a group entity expects to be entitled to for supplying each battery. OEM pricing is normally also adjusted during the year for movements in forex rates regarding imported subcomponents and the London Metal Exchange index changes ('LME' changes) for lead. These adjustments result in variable consideration. To the extent that forex rates and lead commodity (LME) price changes relates only to batteries that are to be delivered in the future, there is no variable consideration, as there is no variability in the selling price between when control of the battery transfers to an OEM customer and when the selling price is settled.

If the price negotiations will impact the transaction price of the parts already supplied, then revenue is adjusted for the revised price as a cumulative catch-up adjustment.

Revenue from aftermarket sales is recognised based on the price quoted to the customer, governed by internal pricing lists, net of any discounts and rebates. Volume discounts, rebates and similar customer incentives are accrued for during the year, based on the most likely amount to be paid and is readily determinable at balance sheet. These amounts are accrued for within trade and other payables (see note 16).

In one group entity, a supply arrangement exists whereby refunds are issued to certain distributors who may be requested to deliver stock, initially sold to them, to other customers of the group entity. The distributor also receives a handling (logistics) fee for this service. The handling fee is expensed as it is a distinct service provided to the group entity. The distributor arrangement effectively permits the customer to return an item for a credit as stock is re-directed to other customers of the entity. Sales made to distributors, who have a right of return arrangement, are deferred for the amount of revenue the group is ultimately entitled to. Therefore, for goods that will be re-distributed to other customers under this arrangement, revenue is not recognised as it is highly probably that a significant reversal will occur.

A liability is created for the amount of revenue the group entity expects to refund (i.e., products expected to be returned). An asset with a corresponding decrease to cost of sales is created for the right to recover products, when the refund liability is settled, at the cost of the initial inventory less any costs to recover the products.

Contract assets and trade receivables

A trade receivable is recognised when the goods are delivered, as this is the point in time that the consideration is unconditional because only the passage of time is required before payment is due. If the group has recognised revenue but not issued an invoice, then the entitlement to consideration is recognised as a contract asset. The contract asset is transferred to receivables when the entitlement to payment becomes unconditional, usually upon collection or delivery of the goods and in the case of tooling, as agreed with the customer.

Warranties

The group's obligation to provide for warranties is recognised as a provision (see note 17). The customer does not have the option to purchase the warranty separately. Refunds are provided for faulty products under the group's standard warranty obligations which are in line with industry practices. The estimated costs are recorded as a liability when the group transfers the product to the customer.

Returned goods are exchanged for new goods and no cash refunds are offered.

Financing components

The group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the group does not adjust any of the transaction prices for the time value of money. No element of financing is deemed present, sales are consistent with market practice.

Dividends

Dividend income is recognised when the right to receive payment is established.

Interest

Interest income is recognised using the effective interest method. In calculating interest income, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired).

Sundry and incidental income

The group generates incidental income in the form of sale of scrap such as off-cuts, rental income arising from short-term external rental of portions of owned warehouses, external management fees and other sundry items. These items are accounted for as other operating income and are not regarded as core revenue streams.

GOVERNMENT GRANTS AND SIMILAR INCENTIVES

The group qualifies for certain incentives and allowances mainly linked to investment stimulation and production output such as the Automotive Incentive Scheme (AIS), the Enterprise Investment Programme (EIP), the Productive Asset Allowance (PAA), the Automotive Production and Development Programme (APDP) and similar other foreign state incentives.

Government grants that compensate the group for the cost of an asset are recognised in the balance sheet initially as deferred income when there is reasonable assurance that they will be received and that the group will comply with the conditions attached to the grants. The grants are amortised to the income statement as other operating income on a systematic basis over the useful life of the asset, or vehicle model life if shorter.

Grants are classified as non-current to the extent that they are long-term in nature.

Government grants that compensate the group for expenses incurred are recognised in the income statement as other operating income when there is reasonable assurance that they will be received and that the group will comply with the conditions attached to the grants. These are recognised over the period necessary to match them with the costs that they are intended to compensate. Grants are recognised at their fair value when there is a reasonable assurance that the grant will be received and the group will comply with all attached conditions.

Accounting policies (continued)

EARNINGS PER SHARE

Basic earnings per share is expressed in cents and is based on the net profit attributable to ordinary shareholders divided by the weighted average number of shares in issue during the year, excluding ordinary shares purchased by the company (treasury shares).

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares (incentive shares).

Headline earnings is earnings as determined by IAS 33, adjusted for 'separately identifiable re-measurements' (as defined in SAICA Circular 1/2019), net of related tax (both current and deferred) and related non-controlling interest.

FINANCIAL INSTRUMENTS

(a) Recognition and initial measurement

Financial instruments, consisting of financial assets and financial liabilities, carried at the reporting date by the group include bank and cash, trade receivables, trade payables, borrowings, bank overdrafts and derivative instruments such as forward foreign exchange contracts. Trade receivables and trade payables exclude prepayments and certain statutory and employee-related payables for the purposes of financial instruments. Contract assets are also excluded as it does not represent an unconditional right to payment until goods are physically delivered.

Trade receivables are initially recognised when they are originated, in conjunction with IFRS 15. All other financial assets and liabilities are recognised on the balance sheet when the group and company become a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

(b) Classification and subsequent measurement

Financial Assets

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The consolidated group does not hold debt or equity investments.

Financial assets are classified as current assets if they are expected to be realised within 12 months of the reporting date.

Assessing the SPPI criterion

In order for a financial asset to qualify for amortised cost or FVOCI it needs to give rise to cash flows that are 'solely payments of principal and interest' on the principal amount outstanding. This assessment is colloquially referred to as the SPPI test. It is performed at an instrument level.

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

The trade receivables of the group only involve a single cash flow - the payment of the amount resulting from a transaction in the scope of IFRS 15, which is deemed to be the principal, as stated above. Therefore, the cash flows resulting from the receivables meet the SPPI test of payments of principal and interest despite the interest component being zero in most cases.

Bank and cash are short term in nature and interest income is earned on amounts deposited with the bank. The group recognises these balances at its contractual par amount. The bank balances involve one single cash flow which is the repayment of the principal plus interest accrued at the effective rate. Therefore, the cash flows resulting from these deposits meet the SPPI test of payments of principal and interest.

The contractual cash flows for trade receivables and bank and cash consists solely of principal and interest.

IFRS 9 'Business model' assessment

In addition to the results from the SPPI test, the classification is dependent on the business model under which the group holds the financial assets. An entity's business model for managing financial assets refers to how an entity manages its financial assets in order to generate cash flows. That is, the entity's business model determines whether cash flows will result from either collecting contractual cash flows, selling the financial assets or both.

A business model is typically observable through particular activities undertaken by an entity to achieve its objective, such as how its performance is evaluated, how its managers are remunerated and how its risks are managed, plus the frequency and magnitude of sales. For the purposes of the business model assessment, the group assessed financial assets at a higher level of aggregation. The group has more than one business model for managing its financial instruments and therefore the assessment need not be determined at the reporting entity level.

Amortised cost business model

The group operates an amortised cost business model for financial assets other than derivatives. Trade and other receivables as well as bank and cash are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Our business model is to hold these assets in order to collect contractual cash flows, provided they pass the SPPI test mentioned above. The group manufactures and supplies automotive parts and batteries for the automotive industry. Receivables, arising from the revenue generated, are collected from customers and are based on the agreed contractual terms. This forms an integral component of working capital and credit risk management as well as cash generation for the group. In re-affirming our assessment, we considered:

- the time value of money
- credit risk
- terms that limit the group's claim to cash flows
- liquidity risk
- administration costs and
- profit margins applied

The group's policy for trade receivables as well as bank and cash are to therefore hold to collect the contractual cash flows. Therefore, these are classified and measured at amortised cost.

Amortised cost financial assets are subsequently measured using the effective interest method and are subject to the impairment requirements in IFRS 9. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Gains and losses are recognised in profit or loss when the instrument is derecognised or impaired.

Other business models

All financial assets not classified as measured at amortised cost or FVOCI are measured at FVTPL. IFRS 9 requires financial assets to be measured at FVTPL if they are not held within either a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

The group makes use of derivative financial instruments such as forward foreign exchange contracts to manage foreign exchange risk. Derivatives fail the SPPI test. They include considerable leverage which is a non-SPPI feature. Therefore, derivative financial instruments are classified and measured at FVTPL. Refer to section C below for further polices on derivatives and hedging.

On initial recognition, the group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. This was not applicable for the year.

Financial liabilities

Financial liabilities are recognised on the transaction date when the group becomes a party to the contract and thus has a contractual obligation and are derecognised when these contractual obligations are discharged, cancelled or expired.

The group classifies its financial liabilities as either at fair value through profit or loss (predominantly derivatives instruments such as FECs) and amortised cost.

Financial liabilities are stated initially on the transaction date at fair value including transaction costs. Subsequently, they are stated at amortised cost using the effective interest method, other than those designated at fair value through profit or loss. Interest expenses and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

Fair value estimation

The fair value of forward exchange contracts is determined using forward exchange market rates at the reporting date. The nominal value less estimated credit adjustments of trade receivables are assumed to approximate their fair values.

Impairment of financial assets

The group recognises loss allowances for expected credit losses ('ECLs') on financial assets at amortised cost. Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. See accounting policy on trade receivables for further information. Loss allowances for advances to subsidiaries are calculated using a probability weighted basis for lifetime ECLs.

(c) Derivative financial instruments and hedging activities

All derivative financial instruments are initially recognised at fair value and are subsequently stated at fair value at the reporting date. Attributable transaction costs are recognised in the income statement when incurred. Resulting gains or losses on derivative instruments, excluding designated and effective hedging instruments, are recognised in the income statement within other operating income. The group does not hold or issue derivative financial instruments for dealing purposes.

The group is exposed to market risks from changes in interest rates, foreign exchange rates and commodity prices. The group uses derivative instruments to hedge its exposure to these risks.

The group predominantly uses forward foreign exchange contracts (FECs) to limit risk in changes in foreign exchange rates. To the extent that a derivative instrument has a maturity period of longer than one year, the fair value of these instruments will be reflected as a non-current asset or liability.

The method of recognising the resulting gain or loss is dependent on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The group designates certain derivatives as either:

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

Hedge accounting is optional, and the group does not apply hedge accounting unless in situations in acquisition of significant foreign operations. Hedge accounting is therefore not discussed further.

When derivative instruments, including forward exchange contracts, are entered into as fair value hedges, no hedge accounting is applied (held for trading). All gains and losses on fair value hedges are recognised in the income statement.
The fair values of derivative instruments used for hedging purposes are disclosed in note 19.5.

TRADE RECEIVABLES

Trade receivables are recognised at the transaction price as measured and defined in IFRS 15, Revenue from contracts with customers and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

The group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which requires lifetime credit losses to be recognised from initial recognition of all receivables and contract assets. Refer to note 19.2 B – credit risk management for further details on impairment policies.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents are carried in the balance sheet at carrying value, measured at amortised cost.

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

Accounting policies (continued)

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

BORROWINGS

Borrowings are recognised initially at fair value, net of transaction costs incurred. In subsequent periods, borrowings are stated at amortised cost using the effective interest method; any difference between proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowing. Borrowing costs are expensed unless capitalised as part of the cost of a qualifying asset, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

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

Preference shares, which are mandatorily redeemable on a specific date, or at the option of the shareholders, or if dividend payments are not discretionary are classified as liabilities. The dividends on these preference shares are recognised in the income statement as interest expense.

EMPLOYEE BENEFITS

Remuneration of employees is charged to the income statement. Short-term employee benefits are those that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the services have been rendered. Short-term employee benefit obligations are measured on an undiscounted basis and are charged to the income statement as the related service is provided.

Long-term employee benefits are those benefits that are expected to be wholly settled more than 12 months after the end of the annual reporting period in which the services have been rendered and are discounted to their present value. An accrual is recognised for accumulated leave, incentive bonuses and other employee benefits when the group has a present legal or constructive obligation as a result of past service provided by the employee, and a reliable estimate of the amount can be made.

Retirement benefits

The group operates a number of defined contribution plans, the assets of which are generally held in separate trustee-administered funds. The plans are generally funded by payments from employees and by the relevant group companies taking account of the recommendations of independent qualified actuaries.

The group also has an obligation in respect of its operations in Turkey which requires mandatory lump sum payments similar to that of a defined benefit pension plan. Defined benefit plans require a liability to be recognised in the balance sheet at the present value of the expected obligation at reporting date. There are no plan assets.

(a) Defined contribution pension plans

For defined contribution pension plans, the group pays contributions to privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit 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.

(b) Defined benefit (post-employment) medical aid benefits

Some group companies provided post-employment health care benefits to their retirees until 31 December 1996. Employees who joined the group after 1 January 1997 do not receive this benefit. The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and electing to participate in the scheme. Valuations of these obligations are carried out by independent qualified actuaries.

The liability recognised in the balance sheet is the present value of the defined benefit obligation at the reporting date. The plans are unfunded.

The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related liability. The discount rate used is interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related obligation. In South Africa there is no deep and liquid market in such bonds and therefore the market rates on government bonds are used. For Turkey, the rates approved by Capital Markets Board are used.

Actuarial gains or losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income in the statement of comprehensive income as re-measurements, in the period in which they arise. Past-service costs are recognised immediately in the income statement.

(c) Other post-employment benefits

In accordance with the existing Turkish social legislation, the group is required to make lump sum payments to current employees (employed in Mutlu) whose employment is terminated due to retirement or for reasons other than resignation or misconduct.

The expected costs of these benefits are accrued on a systematic basis over the expected remaining period of employment, using the accounting methodology described in respect of defined benefit plans above. Valuations of these are carried out by independent qualified actuaries. The obligation is discounted by using the market rate on government bonds or rates approved by the Capital Markets Board of Turkey.

(d) Long service

The group pays its employees a long service benefit after a specified period of continuous service. The benefit is paid in the month the employee reaches the milestone. The method of accounting and frequency of valuation are similar to those under the defined schemes. The actuarial valuation to determine the liability is performed annually.

(e) Bonus plans

The group recognises a liability and an expense for bonuses and similar items based on a formula that takes into consideration, among others, the profit attributable after certain adjustments. The group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(f) Share-based payment transactions

The group operates an equity-settled share-based payment compensation plan. The fair value of share options, share appreciation rights, bonus shares and performance shares granted to group directors and senior executives are recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and expensed over the period during which the employee becomes unconditionally entitled to the equity instruments. The fair value of the instruments granted is measured using generally accepted valuation techniques, taking into account the terms and conditions upon which the instruments are granted excluding the impact of non-market vesting conditions.

Fair value is measured using the Black Scholes, Binomial tree and Monte-Carlo option pricing models where applicable. The expected life used in the models has been adjusted, based on management's best estimate, for the effects of behavioural considerations such as volatility, dividend yield and the vesting period. The fair value takes into account the terms and conditions on which these incentives are granted and the extent to which the employees have rendered service to the reporting date.

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

The grant by the company of options over its equity instruments to the employees of subsidiary undertakings in the group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value of equity instruments granted, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity accounts. The group's net vesting impact on the vesting of share-based payment obligations are transferred to retained earnings within the statement of changes in equity.

INVESTMENT TAX CREDITS (ITC)

The group uses the 'flow-through' method under which the tax benefit from an ITC is recorded immediately as a reduction in current income tax expense (income tax credit) in the period that the credit is generated. The amount recognised is the actual tax reduction, indicated by the tax authorities, which is deducted from corporate tax calculated at reporting date.

If there are significant ongoing performance obligations or a less than probable likelihood of not committing to a project objective or outlay, the 'deferral' method, under which the tax benefit from an ITC is deferred and amortised within income tax provision over the lesser of the project or asset useful life, is applied.

STATED CAPITAL

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

Dividends received on treasury shares are eliminated on consolidation.

TOOLING DEBTORS AND CREDITORS

The group also facilitates tooling arrangements in terms of which it sources and overseas the manufacture of certain moulds on behalf of its customers.

Deposits received from customers for tooling arrangements are recorded as contract liabilities under IFRS 15 (previously tooling creditors). Prepayments paid to suppliers for tooling arrangements are recorded as tooling debtors or prepayments.

DIVIDENDS PAYABLE

Dividend distribution to the company's shareholders is recognised as a liability in the financial statements in the period in which the dividends are approved by the company in a general meeting or by the board.

DIVIDENDS WITHHOLDING TAX

Dividends withholding tax is a tax on shareholders receiving dividends and is applicable to all dividends declared on or after 1 April 2012. The group withholds dividends tax on behalf of its shareholders at a rate of 20% on dividends declared. Amounts withheld are not recognised as part of the group's tax charge but rather as part of the dividend paid recognised directly in equity. Where withholding tax is withheld on dividends received, the dividend is recognised at the gross amount with the related withholdings tax recognised as part of tax expense unless it is otherwise reimbursable in which case it is recognised as an asset.

SEGMENT REPORTING

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses, whose results are reviewed by the executive decision-makers to allocate resources and to assess its performance.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-makers. The chief operating decision-makers, who are responsible for allocating resources and assessing performance of the operating segments, have been identified as the executive directors that makes strategic decisions. The operating activities of the group (predominantly automotive) are structured according to the markets served – energy storage and automotive components. Reportable segments derive their sales from the manufacture of predominantly batteries and automotive parts.

COMPARATIVE FIGURES

Certain additional disclosure has been provided in respect of the current year. To the extent practicable, comparative information has also been provided.

Accounting policies (continued)

	Type	Issued share capital 2019 R'000	2018 R'000	Direct/ (indirect) interest 2019 %	2018 %	Direct/ (indirect) cost of shares less impairment 2019 R'000	2018 R'000
SUBSIDIARIES							
Automotive components							
Smiths Manufacturing (Pty) Ltd	ordinary			(75.0)	(75.0)	(4 500)	(4 500)
Lumotech (Pty) Ltd	ordinary	1 200	1 200	(100.0)	(100.0)	(20 000)	(20 000)
Alfred Teves Brake Systems (Pty) Ltd	ordinary	15	15	(100.0)	(100.0)	(15)	(15)
Automould (Pty) Ltd	ordinary			(100.0)	(100.0)	(28 194)	(28 194)
Unitrade 745 (Pty) Ltd	ordinary			(100.0)	(100.0)		
Smiths Electric Motors (Pty) Ltd	ordinary			(75.0)	(75.0)		
Auto Plastics (Pty) Ltd	ordinary	2	2	(100.0)	(100.0)	(25 477)	(25 477)
Energy storage							
Metindustrial (Pty) Ltd	ordinary	500	500	(100.0)	(100.0)		
Rombat SA**	ordinary	76 010	76 010	(99.4)	(99.4)	(437 393)	(437 393)
Mutlu Akü ve Malzemeleri Sanayii Anonim Şirketi***	ordinary			(100.0)	(100.0)		
Dynamic Batteries~	ordinary	2	2	(100.0)	(100.0)	(31 000)	(31 000)
First National Battery Retail (Pty) Ltd	ordinary			(100.0)	(100.0)		
Tlangi Investments (Pty) Ltd	ordinary			(100.0)	(100.0)		
Intermediate holding and management services							
Inalex (Pty) Ltd	ordinary	493 695	493 695	100.0	100.0	493 695	493 695
Nikisize (Pty) Ltd	ordinary	52 695	52 695	(100.0)	(100.0)	(52 695)	(52 695)
Metair Management Services (Pty) Ltd	ordinary			(100.0)	(100.0)		
Business Venture Investments No 1217 (Pty) Ltd	ordinary			(100.0)	(100.0)		
Metair International Cooperatief U.A.*	ordinary	3 371 154	3 473 549	(100.0)	(100.0)	(3 473 548)	(3 473 548)
Metair Energy Solutions B.V*	ordinary			(100.0)	(100.0)	(138 764)	(138 764)
Metair Akü Holding Anonim Şirketi***	ordinary	2 596 698	2 749 500	(100.0)	(100.0)	(2 987 107)	(2 987 107)
Properties							
SMSA Property (Pty) Ltd	ordinary	3 000	3 000	(75.0)	(75.0)		
Honeypenny (Pty) Ltd	ordinary			(100.0)	(100.0)	(6 850)	(6 850)
Climate Control Properties (Pty) Ltd	ordinary	2	2	(100.0)	(100.0)	(2)	(2)
Direct interest						493 695	493 695
Indirect interest						(7 205 545)	(7 205 545)

Investments in subsidiaries and associates

As at 31 December 2019

	Type	Issued share capital 2019 R'000	Issued share capital 2018 R'000	Direct/(indirect) interest 2019 %	Direct/(indirect) interest 2018 %	Direct/(indirect) cost of shares less impairment 2019 R'000	Direct/(indirect) cost of shares less impairment 2018 R'000
ASSOCIATES							
Hesto Harnesses (Pty) Ltd	ordinary	1	1	(74.9)	(74.9)	(1)	(1)
Associated Battery Manufacturers (East Africa) Ltd`	ordinary	953	953	(25.0)	(25.0)	(121 986)	(121 986)
Akkumulatorenfabrik MOLL GmbH + Co.KG``	fixed capital			(25.1)	(25.1)	(103 321)	(117 806)
MOLL Gründstcks- und Vermogensverwaltungs GmbH + Co. KG``	fixed capital			(25.1)	(25.1)	(26 496)	(26 496)
Tenneco Automotive Holdings SA (Pty) Ltd	ordinary	1 233	1 233	25.1	25.1		
Valeo Systems South Africa (Pty) Ltd	ordinary	1	1	49.0	49.0	2 793	2 793
Prime Motors Industry Srl```	ordinary			(35.0)	(35.0)	(16 061)	(16 061)
Vizirama 112 (Pty) Ltd	ordinary			33.0	33.0		
Eye2square Innovations (Pty) Ltd	ordinary			(25.0)	(25.0)		
Denso Sales South Africa (Pty) Ltd	ordinary			(49.0)			
Direct interest						2 793	2 793
Indirect interest						(267 865)	(282 350)

All subsidiaries and associates are incorporated in South Africa except for:

* Metair International Cooperatief U.A. and Metair Energy Solutions B.V - Netherlands

** Rombat SA - Romania

*** Mutlu group is incorporated in Turkey and consists of the following:

- Metair Akü Holding Anonim Şirketi
- Mutlu Holding Anonim Şirketi
- Mutlu Akü ve Malzemeleri Sanayii Anonim Şirketi (Mutlu Akü)
- Mutlu Plastik ve Ambalaji Sanayi Anonim Şirketi (Plastik)
- Metropol Motorlu Tasitlar Kiralama Anonim Şirketi (Metropol)

~ Dynamic Batteries - United Kingdom

` Associated Battery Manufacturers (East Africa) Limited - Kenya

`` MOLL group are registered partnerships in Germany and consists of the following entities:

- Akkumulatorenfabrik MOLL GmbH & Co. KG
- MOLL Grundstücks- und Vermogensverwaltungs GmbH & Co. KG
- MOLL Beteiligungsgesellschaft GmbH
- MOLL Grundbesitz GmbH

``` Prime Motors Industry Srl - Romania
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Investments in subsidiaries and associates (continued)

Amounts owing by/(to) subsidiaries before impairment:	2019 R'000	2018 R'000
Metair Management Services (Pty) Ltd	**106 328**	279 466
Inalex (Pty) Ltd	**1 486 307**	1 486 307
Smiths Plastics (Pty) Ltd	**167 451**	167 451
Business Venture Investments 1217 (Pty) Ltd	**(209 744)**	(178 262)
	1 550 342	1 754 962

Shareholder information

METAIR INVESTMENTS LIMITED
(Incorporated in the Republic of South Africa)
(Registration Number 1948/031013/06)
JSE share code: MTA
ISIN: ZAE000090692
('Metair' or the 'company')

Notice to shareholders

Notice is hereby given that the annual general meeting of the shareholders of Metair will be held at the JSE Limited, One Exchange Square, Gwen Lane, Sandown, Johannesburg, on Tuesday, 5 May 2020, at 14h00 ('annual general meeting') for the following purposes:

Ordinary business

1. Presentation of annual financial statements

To present the audited annual financial statements, which include the directors' report and the audit and risk committee ('committee') report, for the year ended 31 December 2019, as approved by the board of directors ('directors') of the company ('board') in terms of section 30(3) of the Companies Act, No. 71 of 2008 (as amended) ('Companies Act'), incorporating the auditor's report.

2. Social and ethics committee report

To receive a report by the social and ethics committee on the matters within its mandate.

To consider, and, if deemed fit pass, with or without modification, the ordinary resolutions set out below:

3. Re-election of directors

3.1 Ordinary resolution number 1

Resolved that Mr SG Pretorius, who retires in terms of the provisions of the company's memorandum of incorporation ('MOI'), but, being eligible and offering himself for re-election (refer to page 16 of the integrated annual report for a brief curriculum vitae of Mr Pretorius), be and is hereby re-elected as a director of the company.

It is recorded that Mr Pretorius will retire as a director of the company at the following annual general meeting in 2021.

3.2 Ordinary resolution number 2

Resolved that Ms NL Mkhondo, who retires in terms of the provisions of the MOI, but, being eligible and offering herself for re-election (refer to page 19 of the integrated annual report for a brief curriculum vitae of Ms Mkhondo), be and is hereby re-elected as a director of the company.

3.3 Ordinary resolution number 3

Resolved that Mr MH Muell, who retires in terms of the provisions of the MOI, but, being eligible and offering himself for re-election (refer to page 19 of the integrated annual report for a brief curriculum vitae of Mr Muell), be and is hereby re-elected as a director of the company.

4. Re-appointment of independent auditors

4.1 Ordinary resolution number 4

Resolved that PricewaterhouseCoopers Inc., with the designated audit partner being Mr N Ndiweni, be and is hereby re-appointed as the independent auditors of the company for the ensuing year as recommended by the committee.

5. Re-election of committee members

5.1 Ordinary resolution number 5

Resolved that the members of the committee as set out below, be and are hereby re-elected in accordance with the provisions of section 94 of the Companies Act for the period commencing on the date of their re-election and enduring until the next annual general meeting of the company.

Resolved that the nominees to the committee, as proposed by the board, be and are hereby elected and re-elected:
(i) Mr CMD Flemming, as chairman of the committee;
(ii) Ms HG Motau, as a member of the committee; and
(iii) Mr B Mawasha, as a member of the committee,
each of whom are independent non-executive directors of the company.

Refer to pages 17 and 18 of the integrated annual report for brief curricula vitae of the nominees.

6. Non-binding advisory resolutions - remuneration policy and remuneration implementation report

6.1 Ordinary resolution number 6

a. Resolved as a non-binding advisory resolution that the company's remuneration policy, as set out in the remuneration report contained in the integrated annual report (refer to page 96 of the integrated annual report), be and is hereby endorsed.
b. Resolved as a non-binding advisory resolution that the company's remuneration implementation report, as set out in the remuneration report contained in the integrated annual report (refer to page 101 of the integrated annual report), be and is hereby endorsed.

The reason for the above resolutions being proposed through non-binding advisory votes is because they are recommended practices in terms of the King IV Report on Governance for South Africa, 2016 ('King IV') and a requirement of the Listings Requirements of the JSE Limited ('JSE') ('JSE Listings Requirements'), which is in line with sound corporate governance.

The non-binding resolutions are of an advisory nature only and failure to pass these resolutions will therefore not have any legal or other consequences relating to existing arrangements. However, the board will take the outcome of the votes into consideration when considering future implementation of the company's remuneration policy and remuneration report.

Shareholders are reminded that in terms of King IV and the JSE Listings Requirements, should 25% or more of the voting rights exercised be against one or both of these non-binding resolutions, the company undertakes to engage with such shareholders as to the reasons therefore, and undertakes to make recommendations based on the feedback received.

Shareholder information (continued)

Special business

To consider, and, if deemed fit, to pass, with or without modification, the special resolutions set out below:

Special resolution number 1

Resolved as a special resolution in terms of section 66(9) of the Companies Act, that the remuneration of the non-executive directors of the company with effect from 1 January 2020 to 31 December 2020 (refer to page 109 of the integrated annual report) be and is hereby approved.

The reason for and effect of special resolution number 1 is to approve, to the extent required, the remuneration for non-executive directors of the company for the period commencing 1 January 2020 and ending 31 December 2020.

Special resolution number 2

Resolved as a special resolution in accordance with section 45 of the Companies Act, that the board be and is hereby authorised, by way of a general authority to, at any time and from time to time during the period of two years commencing on the date of passing of this special resolution to provide, any direct or indirect financial assistance to related and inter-related companies which Metair, directly or indirectly, holds a controlling equity interest (50% plus one share), (but subject to the provisions of the MOI and section 45(1) of the Companies Act) in such amount and in any form including, but not limited to, by way of loan (on an interest-free or a market-related interest basis), guarantee, the provision of security or otherwise) to any of its present or future subsidiaries and/or any juristic person that the company directly or indirectly controls from time to time (collectively hereinafter referred to as the 'Metair Group') and being on such terms and conditions as the board in its discretion deems fit, for any purpose whether in the normal course of business of the Metair Group or of a transactional nature, subject thereto that the board will, before making such financial assistance available, satisfy itself that:

(i) immediately after providing the financial assistance, the company will satisfy the solvency and liquidity test as prescribed in section 4 of the Companies Act; and
(ii) the terms under which the financial assistance is proposed to be given are fair and reasonable to the company.

The effect of the special resolution and the reason therefore is that such special resolution is required in terms of section 45 of the Companies Act to grant the directors of the company the authority to allow the company to provide financial assistance by way of loan, guarantee, the provision of security or otherwise, to any company which is related or inter-related to the company or any other juristic person that the company directly or indirectly controls.

This special resolution does not authorise Metair to provide financial assistance to a director or prescribed officer of the company.

In accordance with section 45(5) of the Companies Act, the board hereby gives notice to its shareholders of the fact that no financial assistance has been provided to subsidiaries during the 2019 financial year.

Special resolution number 3

Resolved as a special resolution in accordance with section 44 of the Companies Act, that the board be and is hereby authorised, by way of a general authority to, at any time and from time to time during the period of two years commencing on the date of passing of this special resolution to provide, any direct or indirect financial assistance to any related or inter-related companies in which Metair, directly or indirectly, holds a controlling equity interest (50% plus one share) for the purpose of or in connection with the subscription of any option, or any securities, issued or to be issued by Metair or any related or inter-related companies in which Metair, directly or indirectly, holds a controlling equity interest (50% plus one share) or for the purchase of any securities in Metair or any related or inter-related companies in which Metair, directly or indirectly, holds a controlling equity interest (50% plus one share), (but subject to the provisions of the MOI and section 44 of the Companies Act) in such amount and in any form (including, but not limited to, by way of loan (on an interest-free or a market-related interest basis), guarantee, the provision of security or otherwise) whether in the normal course of business or of a transactional nature, subject thereto that the board will, before making such financial assistance available, satisfy itself that:

(i) immediately after providing the financial assistance, Metair will satisfy the solvency and liquidity test as prescribed in section 4 of the Companies Act; and
(ii) the terms under which the financial assistance is proposed to be given are fair and reasonable to Metair.

The effect of the special resolution and the reason therefore is that such special resolution is required in terms of section 44 of the Companies Act to grant the directors of the company the authority to allow Metair to provide financial assistance by way of loan, guarantee, the provision of security or otherwise, to any related or inter-related company in which Metair, directly or indirectly, holds a controlling interest for the purpose of or in connection with the subscription of any option, or any securities, issued or to be issued by Metair or any related or inter-related company which Metair, directly or indirectly, holds a controlling interest, or for the purchase of any securities in Metair or any related or inter-related company in which Metair, directly or indirectly, holds a controlling interest.

Furthermore, this special resolution specifically makes provision for Metair to provide financial assistance in respect of the issuance of preference shares by members of the Metair group, as part of the group's tax efficient funding strategy.

The special resolution does not authorise Metair to provide financial assistance to a director or prescribed officer of Metair.

Special resolution number 4

Resolved as a special resolution in terms of the Companies Act and the JSE Listings Requirements, that the authorisation granted to the company in terms of Article 13 of its MOI to acquire the company's own securities by way of a general approval, upon such terms and conditions and in such amounts as the directors of the company may from time to time decide, subject only to the provisions of the Companies Act and the JSE Listings Requirements, be and is hereby approved, subject to the following terms and conditions:

(i) any repurchase of securities must be affected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the company and any counterparty;
(ii) this general authority shall be valid until the company's next annual general meeting, provided that it shall not extend beyond 15 months from the date of passing of this special resolution;
(iii) repurchases may not be made at a price greater than 10%

above the weighted average of the market value of the company's securities for the five business days immediately preceding the date on which the repurchase will be effected;

(iv) at any point in time, the company may only appoint one agent to effect repurchases on the company's behalf;

(v) an announcement shall be published as soon as the company has cumulatively repurchased 3% of the initial number (being the number of that class of shares in issue at the time that the general authority was granted) of the relevant class of securities and for each 3% in aggregate of the initial number of that class acquired thereafter, containing the details as required by paragraph 11.27 of the JSE Listings Requirements;

(vi) repurchases shall not, in the aggregate, in any one financial year exceed 5% of the company's issued share capital of that class;

(vii) acquisitions by the subsidiaries of the company may not result in a subsidiary, together with all other subsidiaries of the company holding more than 10% of the relevant class of the issued share capital of the company from time to time;

(viii) repurchases may not be made by the company and/or its subsidiaries during a prohibited period as defined by the JSE Listings Requirements unless a repurchase programme is in place where the dates and quantities of securities to be traded during the relevant period are fixed and full details of the programme have been disclosed to the JSE prior to the prohibited period;
With regard to the above, the company must instruct an independent third party, which makes its investment decisions in relation to the company's securities independently of, and uninfluenced by, the company, prior to the commencement of the prohibited period to execute the repurchase programme submitted to the JSE;

(ix) the intention of the board is that the repurchase of the company's securities will be effected within the parameters laid down by this resolution as well as by the Companies Act, the JSE Listings Requirements and the board, as and when the directors of the company deem such repurchases to be appropriate, having regard for prevailing market and business conditions; and

(x) the directors of the company will ensure that the requisite prior resolution of the board has been taken authorising such repurchases, confirming that the company and its subsidiaries engaged in such repurchases have passed the solvency and liquidity test envisaged in section 4 of the Companies Act and confirming that, since such tests were performed, there have been no material changes to the financial position of the Metair Group.

The directors of the company shall not make any repurchases under this general authority unless they are of the opinion that, after considering the effect of the maximum number of shares to be repurchased and for a period of 12 months after the date of the notice of the annual general meeting:

a. the company and the Metair Group will be able, in the ordinary course of business, to pay their debts;
b. the assets of the company and the Metair Group will be in excess of the liabilities of the company and the Metair Group, the assets and liabilities being recognised and measured in accordance with the accounting policies used in the latest audited annual financial statements;
c. the share capital and reserves of the company and the Metair Group are adequate for the ordinary business purposes of the company and the Metair Group; and
d. the working capital of the company and the Metair Group will be adequate for ordinary business purposes.

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

Additional disclosure

In terms of the JSE Listings Requirements, the following disclosures are required with reference to the general authority to repurchase its own securities by the company and/or its subsidiaries set out in special resolution number 4, some of which are set out in the integrated annual report of which this notice forms part.

Major shareholders of the company – refer to page 110 of the integrated annual report.

Share capital of the company – refer to page 194 of the integrated annual report.

Directors' responsibility statement

The directors of the company, whose names are given on page 16-19 of the integrated annual report, collectively and individually, accept full responsibility for the accuracy of the information pertaining to the above special resolution number 4 and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that the aforementioned special resolution contains all the information required by law and the JSE Listings Requirements.

Material change

Other than the facts and developments reported on in the integrated annual report, there have been no material changes in the financial or trading position of the Metair Group since the date of signature of the integrated annual report and the posting date hereof.

Percentage of voting rights required for resolutions

Special resolutions

The percentage of voting rights that will be required for the adoption of each special resolution is at least 75% of the voting rights exercised on the resolution by shareholders present or represented by proxy at the annual general meeting in order to be adopted.

Ordinary resolutions

The percentage of voting rights that will be required for the adoption of each ordinary resolution is 50% plus one of the voting rights exercised on the resolution by shareholders present or represented by proxy at the annual general meeting in order to be adopted.

Notice record date, voting record date and forms of proxy

This notice of the company's annual general meeting has been sent

Shareholder information (continued)

to its shareholders who were recorded as such in the company's securities register on Friday, 13 March 2020, being the notice record date used to determine which shareholders are entitled to receive notice of the annual general meeting.

The record date on which shareholders of the company must be registered as such in the company's securities register in order to attend and vote at the annual general meeting is Friday, 17 April 2020, being the voting record date used to determine which shareholders are entitled to attend and vote at the annual general meeting. The last day to trade in order to be entitled to vote at the annual general meeting will therefore be Tuesday, 14 April 2020.

In terms of section 63(1) of the Companies Act, any person attending or participating in the annual general meeting must present reasonably satisfactory identification and the person presiding at the meeting must be reasonably satisfied that the right of any person to participate in and vote (whether as shareholder or as proxy for a shareholder) has been reasonably verified.

Duly completed proxy forms must be received by the company at its registered office or by The Meeting Specialist (Pty) Ltd (JSE Building, One Exchange Square, Gwen Lane, Sandown, 2196 or at PO Box 62043, Marshalltown, 2107 or via email at proxy@tmsmeetings.co.za) by no later than Thursday, 30 April 2020 at 14h00. Any forms of proxy not lodged at this time must be handed to the chairman of the annual general meeting immediately prior to the annual general meeting.

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

Electronic participation

Shareholders or their proxies may participate in (but not vote at) the annual general meeting by way of telephone conference call. If they wish to do so they:

- must contact the company secretary (by email at the address sanet@metair.co.za) by no later than Thursday, 30 April 2020 in order to obtain a pin number and dial-in details for that conference call;
- will be required to provide reasonably satisfactory identification; and
- will be billed separately by their own telephone service providers for their telephone call to participate in the meeting.

Shareholders and their proxies will not be able to vote telephonically at the annual general meeting and will still need to appoint a proxy or representative to vote on their behalf at the meeting.

By order of the board

SM Vermaak
Company secretary

Johannesburg
17 March 2020

Registered office

Metair Investments Limited
Wesco House
10 Anerley Road
Parktown
Johannesburg

Shareholders' diary

Financial year-end	December
Annual general meeting	May

Reports and profit statements

Interim report	August
Annual report and financial statements	March

Ordinary dividends

Declared	March
Payment	April

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

Form of proxy

METAIR INVESTMENTS LIMITED

(Incorporated in the Republic of South Africa)
(Registration number 1948/031013/06)
JSE share code: MTA
ISIN: ZAE000090692
('Metair' or 'company')

Important note concerning this form of proxy

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

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

A shareholder may be entitled to attend and vote at the meeting or may appoint one or more proxies of his/her own choice to attend, speak, and, on a poll, vote in his/her stead at the annual general meeting of the company to be held at 14h00 on Tuesday, 5 May 2020 at the JSE Limited, 1 Exchange Square, Gwen Lane, Sandown, 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**
Presentation of financial statements	NON-VOTING AGENDA ITEM		
Social and ethics committee report	NON-VOTING AGENDA ITEM		
1. Re-election of Mr SG Pretorius as a director	☐	☐	☐
2. Re-election of Ms NL Mkhondo as a director	☐	☐	☐
3. Re-election of Mr MH Muell as a director	☐	☐	☐
4. Re-appointment of auditors	☐	☐	☐
5. Re-election of audit and risk committee members			
i) Re-election of Mr CMD Flemming as chairman of the audit and risk committee			
ii) Re-election of Ms HG Motau as member of the audit and risk committee	☐	☐	☐
iii) Re-election of Mr B Mawasha as member of the audit and risk committee	☐	☐	☐
6. a. Endorsement of the company's remuneration policy	☐	☐	☐
b. Endorsement of the company's implementation report	☐	☐	☐
Special business:			
Special resolution number 1: Approval of non-executive directors' remuneration	☐	☐	☐
Special resolution number 2: Provision of financial assistance in terms of Section 45 of the Companies Act	☐	☐	☐
Special resolution number 3: Provision of financial assistance in terms of Section 44 of the Companies Act	☐	☐	☐
Special resolution number 4: General authority to repurchase the company's securities	☐	☐	☐

Signed at ______________________ on ______________________ 2020.

Signature: ____

Assisted by me (where applicable) ____

This form of proxy should be lodged with or posted to the registered office of the company (Wesco House, 10 Anerley Road, Parktown, Johannesburg) or lodged with, posted or emailed to The Meeting Specialist (Pty) Ltd (JSE Building, One Exchange Square, Gwen Lane, Sandown, 2196 or at PO Box 62043, Marshalltown, 2107 or via email at proxy@tmsmeetings.co.za) by no later than Thursday, 30 April 2020 at 14h00, or handed to the chairperson of the annual general meeting before the appointed proxy exercises any of the relevant shareholder rights at the annual general meeting.

Please read the notes on the reverse side hereof.

Notes to the form of proxy

An entitled shareholder may insert the name of a proxy or the names of two alternative proxies of the entitled shareholder's choice in the space(s) provided, with or without deleting 'the chairman of the general meeting' but any such deletion must be initialled by the entitled shareholder. The person whose name stands first on the form of proxy and who is present at the general meeting will be entitled to act as proxy to the exclusion of those whose names follow.

Please insert an 'x' in the relevant spaces according to how you wish your votes to be cast. However, if you wish to cast your votes in respect of a lesser number of shares than you own in the company, insert the number of ordinary shares held in respect of which you desire to vote. Failure to comply with the above will be deemed to authorise the proxy to vote or to abstain from voting at the annual general meeting as he/she deems fit in respect of all the entitled shareholder's votes exercisable thereat. An entitled shareholder or his/her proxy is not obliged to use all the votes exercisable by the entitled shareholder or by his/her proxy, but the total of the votes cast and in respect whereof abstention is recorded may not exceed the total of the votes exercisable by the entitled shareholder or by his/her proxy.

The completion and lodging of this form of proxy will not preclude the relevant entitled shareholder from attending the annual general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof.

Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy unless previously recorded by the company's Transfer Secretaries or waived by the chairman of the annual general meeting.

Any alteration or correction made to this form of proxy must be initialled by the signatory(ies).

A minor must be assisted by his/her parent or guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by the Transfer Secretaries of the company.

The 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 entitled shareholder concerned wishes to vote.

Summary of rights contained in Section 58 of the Companies Act, No 71 of 2008, as amended ('Companies Act')

In terms of section 58 of the Companies Act:

- a shareholder of a company may, at any time and in accordance with the provisions of section 58 of the Companies Act, appoint any individual (including an individual who is not a shareholder) as a proxy to participate in, and speak and vote at, a shareholders' meeting on behalf of such shareholder;
- irrespective of the form of instrument used to appoint a proxy, the appointment of a proxy is suspended at any time and to the extent that the relevant shareholder chooses to act directly and in person in the exercise of any of such shareholder's rights as a shareholder;
- any appointment by a shareholder of a proxy is revocable, unless the form of instrument used to appoint such proxy states otherwise; if an appointment of a proxy is revocable, a shareholder may revoke the proxy appointment by:
  i) cancelling it in writing, or making a later inconsistent appointment of a proxy, and
  ii) delivering a copy of the revocation instrument to the proxy and to the relevant company;
- a proxy appointed by a shareholder is entitled to exercise, or abstain from exercising, any voting right of such shareholder without direction, except to the extent that the relevant company's memorandum of incorporation, or the instrument appointing the proxy, provides otherwise;
- if the instrument appointing a proxy has been delivered by a shareholder to a company, then, for so long as that appointment remains in effect, any notice that is required in terms of the Companies Act or such company's memorandum of incorporation to be delivered to a shareholder must be delivered by such company to:
  – the relevant shareholder; or
  – the proxy or proxies, if the relevant shareholder has:
  i) directed such company to do so, in writing, and
  ii) paid any reasonable fee charged by such company for doing so;
- if a company issues an invitation to its shareholders to appoint 1 (one) or more persons named by the company as a proxy, or supplies a form of proxy instrument:
  – the invitation must be sent to every shareholder entitled to notice of the meeting at which the proxy is intended to be exercised;
  – the invitation or form of proxy instrument supplied by the company must:
    ° bear a reasonably prominent summary of the rights established in section 58 of the Companies Act;
    ° contain adequate blank space, immediately preceding the name(s) of any person(s) named in it, to enable a shareholder to write the name and, if desired, an alternative name of a proxy chosen by the shareholder; and
    ° provide adequate space for the shareholder to indicate whether the appointed proxy is to vote in favour of or against any resolution(s) to be put at the meeting, or is to abstain from voting;
  – the company must not require that the proxy appointment be made irrevocable; and
  – the proxy appointment remains valid only until the end of the meeting at which it was intended to be used.

Corporate information and administration

Metair Investments Limited JSE Share Code: MTA ISIN: ZAE000090692 Registration Number: 1948/031013/06 LEI No: 378900C0933C7C909172	**Sponsor** One Capital **Auditors** PriceWaterhouseCoopers inc

Business address and registered office Wesco House 10 Anerley Road Parktown Johannesburg 2193 South Africa	**Share transfer secretaries** Computershare Investor Services Proprietary Limited Rosebank Towers 15 Biermann Avenue Rosebank Johannesburg 2196 South Africa
Postal address PO Box 2077 Saxonwold 2132 South Africa	**Postal address** Private Bag X9000 Saxonwold 2132 South Africa Telephone: +27 11 370 5000 Telefax: +27 11 688 5200 Website: www.computershare.com

Group company secretary Sanet Vermaak Email: Sanet@metair.co.za Telephone: +27 11 646 3011	Further information on this report and its contents can be obtained from the company secretary
Website www.metair.co.za	

www.metair.co.za