METAIR
INVESTMENTS LIMITED
automotive | industrial | retail

75 years strong

INTEGRATED ANNUAL REPORT **2022**

CONTENTS

Financial capital | Manufactured capital | Human capital | Intellectual capital | Social and relationship capital | Natural capital

THE FOLLOWING ICONS WILL HELP YOU NAVIGATE THIS REPORT

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STRATEGIC FOCUS AREAS: Operational · Financial · ESG

COVER IMAGE AND THEME

As Metair approaches its 75th year in 2023, we look back and celebrate three quarters of a century of manufacturing excellence. During this time, the company has faced and overcome numerous challenges, working closely with its customers to establish itself as the gold standard in South Africa's automotive components manufacturing industry.

Metair has evolved continuously to ensure that we continue to meet the developing needs of our key stakeholders and support the development of the South African automotive industry. That these changes and refinements in strategic focus were successfully implemented and executed is a tribute to the company's leadership and the unwavering commitment of our employees.

In 2022, the company faced some of its most significant challenges, including floods, strikes and hyperinflation, all while gearing up to support a major customer's new model launch and assessing opportunities to unlock value for shareholders

The cover of this integrated annual report superimposes this year's noteworthy milestone over some of the group's products, embodying the theme of celebration and optimism as we look ahead.

METAIR'S 75-YEAR HISTORY

Metair was founded by Dr Albert Wessels in 1948. The company's proud and distinguished history was driven by the founder's ambition to increase the percentage of locally manufactured components in South Africa. Metair became a supplier of automotive components to a single OEM in South Africa in 1964.

Today the group manages an international portfolio of 15 companies based in Türkiye, South Africa, Romania, Kenya and the United Kingdom (UK). Metair's two business verticals – Automotive Components and Energy Storage – manufacture, distribute and retail energy storage products and automotive components which serve the global automotive industry.

1961	Dr Wessels starts producing automotive components
1983	Alan Plummer appointed as managing director
1984	Acquired Supreme Spring
1985	Acquired Smiths Manufacturing
1988	Acquired First National Battery
1989	Acquired Hesto Harnesses
1989	Acquired initial stake in Lumotech (formerly Hella)
1993	Elizabeth Bradley appointed as chair
1993	Acquired Unitrade
1999	Acquired Tenneco (formerly Armstrong)
2000	Acquired stake in Valeo
2004	Automould (formerly Smiths Plastics/Injex) became an autonomous company
2006	Theo Loock appointed CEO and Alan Plummer appointed chairman
2007	Mpumeleng Pooe appointed as chairman
2008	Acquired ATE
2012	Acquired Rombat
2013	Acquired Mutlu Akü
2014	Brand Pretorius appointed as chairman
2015	Acquired Dynamic
2016	Acquired 25% stake in ABM
2017	Moll acquired
2018	Acquired 35% stake in Prime Batteries
2021	Mr Haffejee appointed CEO and Michael Flemming appointed chairman
2021	Headquarters relocated from Wesco House to Oxford and Glenhove Building
2023	Thandeka Mgoduso appointed chairperson Mr Douwenga appointed as interim CEO and Mr Jogia appointed as interim CFO

INTRODUCTION

VISION

To be the leading energy storage and automotive components solutions partner to mobility and other key industries.

WINNING ASPIRATIONS

To win in our chosen markets, Metair will generate sustainable value for all stakeholders by actively managing, de-risking and controlling a portfolio of complementary businesses in the automotive component original equipment manufacturing (OEM), export and aftermarket sectors. Metair aims to deliver superior returns and value by making products that are specifically differentiated and provide a competitive advantage in our markets. In addition, Metair will deliver superior quality, technologically relevant and cost-effective products through excellence in manufacturing, marketing and logistics with a combination of technical partnerships, own-developed intellectual property and traded products.

AUTOMOTIVE COMPONENTS VERTICAL

9 companies
in South Africa

Manufactures products including brake pads, shock absorbers, lights, radiators, air-conditioners, suspension parts, wiring harnesses and plastic assemblies.

Please refer to the section on page 42 for more information on the automotive components vertical.

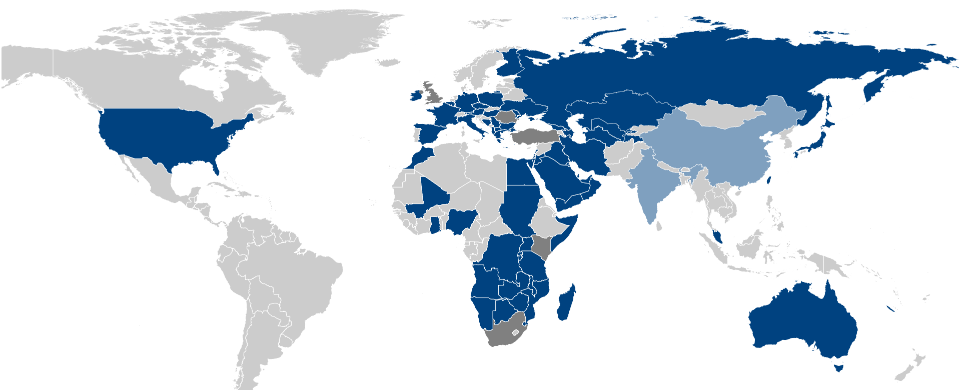
ENERGY STORAGE VERTICAL

6 companies
in Türkiye, South Africa, Romania, Kenya and the UK

Manufactures and trades energy storage products and solutions. These are primarily lead-acid and an increasing number of lithium-ion batteries.

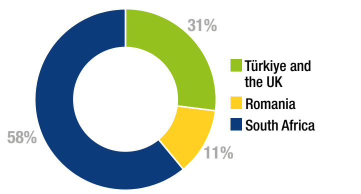
Please refer to the section on page 46 for more information on the energy storage vertical.

GEOGRAPHIC PRESENCE

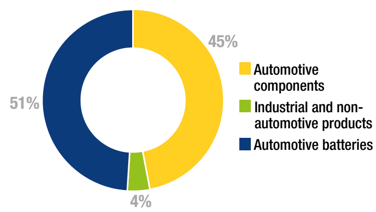


Countries of operation · Countries supplied

GROUP REVENUE BY GEOGRAPHIC MARKET*



GROUP REVENUE BY PRODUCT*



** Revenue includes Hesto (see note on page 126) and is normalised for hyperinflation in Türkiye (see note on page 183).*

OUR CORE VALUES

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

COMPLEMENTARY VALUES

Safety First	Customer-Centric	Collaborate for success	Innovate for the Future	Quality & Excellence

CUSTODIANSHIP

The concept of custodianship defines our approach to corporate social responsibility and ESG. It challenges every person working at Metair to be the best caretaker we can be in our roles. This broadens our focus to build a sustainable legacy while recognising the wider responsibilities we have to our stakeholders.

OUR PRIORITY SUSTAINABLE DEVELOPMENT GOALS

SALIENT FEATURES

REVENUE
increased 10% to
R14 bn

EBITDA
decreased 58% to
R586 mn

HEPS
decreased 105% to
-17 cents
per share (2021: 354)

LTIFR
Improved to
0.20
(2021: 0.29)

WATER CONSUMPTION
per person per hour worked decreased
15%

REMUNERATION
R2.3 bn
as salaries, wages and other benefits (2021: R2.1 bn)

RECYCLING
± 68 000
tonnes of lead recycled

TRANSFORMATION
Consolidated group B-BBEE
Level 1
and all South African subsidiaries at Level 4 or better

SKILLS
R31.4 mn
invested in training initiatives to further develop our human capital

CARBON FOOTPRINT
Group Scope 1 and 2 carbon emissions per person per hour worked decreased to
8.2 kg CO_2e

This graphic summarises our primary stakeholders and their main interests. Refer to the section on page 20 for more information of our broader stakeholder groups and our approach to stakeholder engagement.

Shareholders and funders
- Return on invested capital
- Sustainable business
- Transparent communication
- Ethical business practices and commitment to custodianship

Customers
- Close working relationships
- Manufacturing excellence
- Ability to deliver flawless model launches and facelifts
- Ongoing product innovation
- Cost competitiveness
- Ethical business practices and commitment to custodianship
- Level 1 B-BBEE

Employees
- Emphasis on employee safety and health
- Fair treatment and remuneration
- Strong corporate culture
- Substantial investment in skills development
- Commitment to transformation
- Ethical business practices and commitment to custodianship

Business partners
- Close working relationships
- Track record of successful international partnerships
- Commitment to delivering flawless model launches and facelifts
- Ethical business practices and commitment to custodianship

Society
- Ethical business practices and commitment to custodianship
- Active industry participant
- Contribution to the fiscus through taxes and royalties
- Ongoing investment in socio-economic development in our host communities
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- Contribution to the fiscus through taxes and royalties
- Ongoing investment in socio-economic development in our host communities

ABOUT THIS REPORT

The integrated annual report (report) covers the company's activities for the period 1 January to 31 December 2022 and has been prepared primarily to meet the information needs of our current and prospective shareholders and providers of finance. It aims to provide insight into the matters that most materially impact Metair's ability to create value over the long-term and includes additional information of interest to all stakeholders.

The report explains Metair's strategy, business model, operating context, material risks and opportunities, stakeholder groups and their interests, sustainability performance, governance, operational performance, outlook and prospects.

Metair's most material matters were identified and prioritised from a combination of the risk assessment process, stakeholder inputs, board and committee deliberations, discussions with management and a review of regulations, guidelines, media, peer reports and our latest market intelligence. These material matters are discussed on pages 24 to 29 and more detail is available throughout the report. The strategic overview is available on page 14.

REPORTING GUIDELINES AND REGULATORY REQUIREMENTS

The report was drafted taking into account the requirements and recommendations of the relevant codes, frameworks and regulations including:

- The IFRS Foundation's Integrated Reporting <IR> Framework
- The King IV™[1] Report
- International Financial Reporting Standards (IFRS)
- The JSE Listings Requirements
- The Companies Act
- The JSE Sustainability Disclosure Guidance

The sustainability information included in the report is informed by the GRI Standards (Standards), although Metair does not report in accordance with the Standards.

Additional reporting of Metair's environmental disclosures to the CDP and climate change disclosures in line with the Task Force on Climate-related Financial Disclosures (TCFD) is available on our website at www.metair.co.za.

REPORT BOUNDARY

The 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) or Prime Batteries. This exclusion does not have a material effect on the group's reported non-financial performance due to the relatively small size of these operations.

Hesto is reported in the annual financial statements as a managed associate. As Metair is responsible for the day-to-day management of Hesto, it is included in the non-financial reporting in the report. Transformation information provided on pages 60 and 61 applies to the South African subsidiaries and their material holdings, but excludes the non-South African operations at year end (Rombat, Mutlu Akü, Dynamic, ABM and Prime Batteries).

No significant changes to Metair's business structure occurred during the year, however the impact of hyperinflation during the year resulted in the application of IAS 29 on Mutlu's results. No material restatements of information provided in previous reports have been made.

ASSURANCE

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

- The consolidated and separate annual financial statements for the year ended 31 December 2022 were audited by Ernst and Young Inc. (EY).
  Their report appears on page 115.
- Sustainability information was externally assured by Integrated Reporting & Assurance Services (IRAS).
  Refer to their report on page 101.
- External verification of Broad-Based Black Economic Empowerment (B-BBEE) performance at a consolidated group level as well as at subsidiary level for the South African operations was performed 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.

The forecast financial information contained in this integrated annual report has not been reviewed or reported on by the company's external auditor and is the responsibility of the directors of the company.

1. Copyright and trade marks are owned by the Institute of Directors in Southern Africa NPC and all of its rights are reserved.

APPROVAL OF THE INTEGRATED REPORT

The Metair 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.

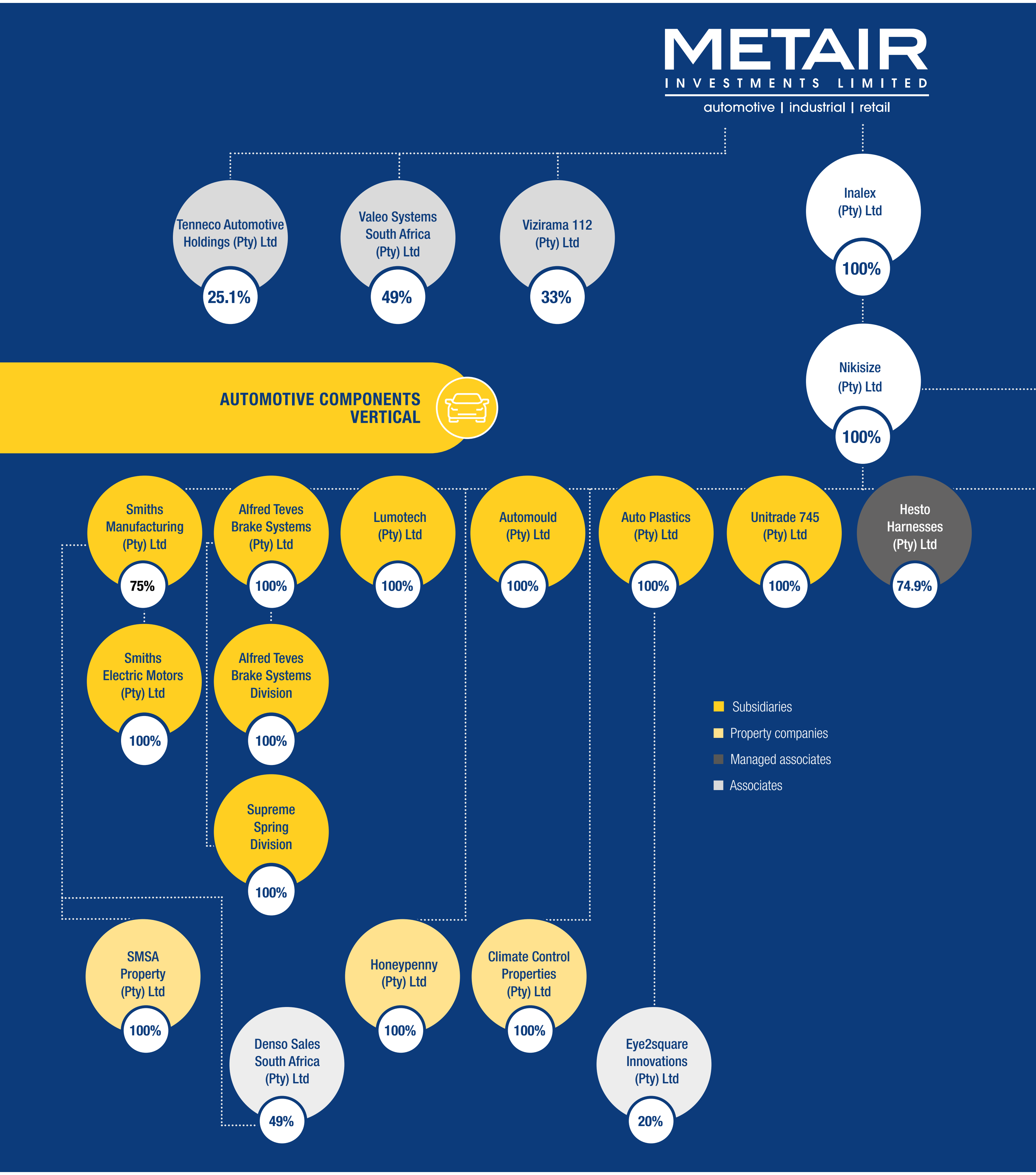
Throughout this report, 'short-term' means a one-year period, 'medium-term' indicates two to five years and 'long-term' refers to 5+ years.

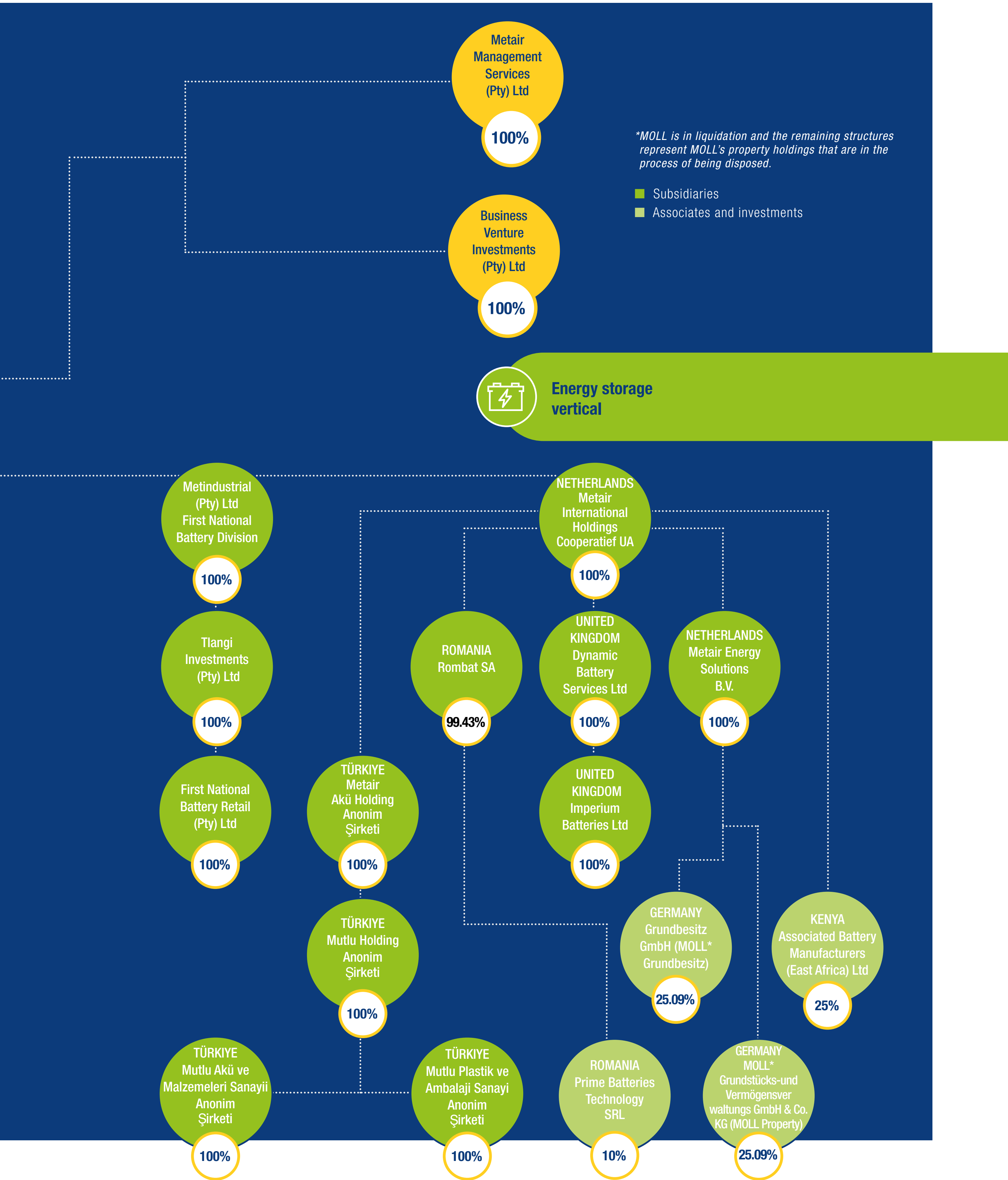
For further information regarding this report, please contact the company secretary, Sanet Vermaak:
Telephone: +27 10 786 0800 Email: sanet@metair.co.za

T Mgoduso
Chairperson

R Haffejee
Chief executive officer

GROUP STRUCTURE




Metair Management Services (Pty) Ltd
100%
Business Venture Investments (Pty) Ltd
100%
*MOLL is in liquidation and the remaining structures represent MOLL's property holdings that are in the process of being disposed.
Subsidiaries
Associates and investments
Energy storage vertical
Metindustrial (Pty) Ltd First National Battery Division
100%
Tlangi Investments (Pty) Ltd
100%
First National Battery Retail (Pty) Ltd
100%
NETHERLANDS Metair International Holdings Cooperatief UA
100%
ROMANIA Rombat SA
99.43%
UNITED KINGDOM Dynamic Battery Services Ltd
100%
NETHERLANDS Metair Energy Solutions B.V.
100%
TÜRKIYE Metair Akü Holding Anonim Şirketi
100%
UNITED KINGDOM Imperium Batteries Ltd
100%
TÜRKIYE Mutlu Holding Anonim Şirketi
100%
GERMANY Grundbesitz GmbH (MOLL* Grundbesitz)
25.09%
KENYA Associated Battery Manufacturers (East Africa) Ltd
25%
TÜRKIYE Mutlu Akü ve Malzemeleri Sanayii Anonim Şirketi
100%
TÜRKIYE Mutlu Plastik ve Ambalaji Sanayi Anonim Şirketi
100%
ROMANIA Prime Batteries Technology SRL
10%
GERMANY MOLL* Grundstücks-und Vermögensver waltungs GmbH & Co. KG (MOLL Property)
25.09%

GOVERNANCE AND LEADERSHIP

The Metair board (board) is the custodian of good corporate governance in the group and is supported by five board subcommittees.

The board aims to remain relevant in the fast and dynamic environment in which the group operates. The directors bring an appropriate balance of knowledge, skills, experience, diversity and independence to discharge the board's governance role and responsibilities objectively and effectively. The full governance section is available on page 63. As at 29 March 2023 the board comprised the following directors:

TN Mgoduso (66)

CHAIRPERSON AND INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointed to the Board: 2016

Qualification: MA (Clinical Psychology)

Other directorships: Zimplats, Jojose Investments

B Mawasha (44)

LEAD INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointed to the Board: 2018

Qualification: BSc (Eng) Electrical, GCC, PMD, ADP

Other directorships: Impala Platinum Holdings, Exarro Resources

MH Muell (62)

INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointed to the Board: 2019

Qualification: Diplom-Betriebswirt (BA)

Other directorships: Mutlu Akü, Stracienta Africa (Pty) Limited, Scientrix Holdings Limited

A Sithebe (40)

INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointed to the Board: 2021

Qualification: BCom Accounting, BCom Accounting Honours, CA(SA), MBA

Other directorships: Metindustrial (Pty) Limited, Dischem Pharmacies Limited, Altron Limited

N Mkhondo (39)

INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointed to the Board: 2019

Qualification: BAcc, CA(SA), MBA

Other directorships: PPC Limited, Novus Holdings, Mkhongara (Pty) Limited, Value Capital Partners

B Mathews (54)

INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointed to the Board: 2021

Qualification: BCom Accounting, BCom Accounting Honours, CA(SA), HDip Tax

Other directorships: KAL Limited, CA & S Group Limited

BOARD ATTENDANCE

Board: **93%**

Audit and risk committee: **100%**

Remuneration committee: **100%**

Investment committee: **100%**

Social and ethics committee: **100%**

Nominations committee: **100%**

TOP 5 RISKS

1. Customer production stability
2. Strategy review
3. Human capital burnout
4. Impact of Ukraine/Russia war
5. Supply chain disruptions

PH Giliam (67)
INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointed to the Board: 2021

Qualification: B Eng (Hons)

Other directorships: Hesto Harnesses (Pty) Limited and Supreme Spring (Pty) Limited

S Sithole (50)
ALTERNATE DIRECTOR TO N MKHONDO

Appointed to the Board: 2019

Qualification: BAcc (Hons), CA(SA), CA(Z) Programme for Leadership Development (Harvard Business School), Diploma in Banking (UJ)

Other directorships: Smiths Manufacturing (Pty) Limited, Value Capital Partners, Adcorp Holdings, Sun International Holdings, Altron Limited

R Haffejee (52)
CHIEF EXECUTIVE OFFICER

Appointed to the Board: 2021

Qualification: BSc, PGD, MBA

S Douwenga (43)
CHIEF FINANCIAL OFFICER
in respect of FY2022 (interim chief executive officer with effect from 22 March 2023)

Appointed to the Board: 2014

Qualification: B Comm (Hons) CA(SA)

A Jogia (45)
INTERIM CHIEF FINANCIAL OFFICER

Appointed to the Board: 2023

Qualification: BCom Dip Acc, CA(SA)

SM Vermaak (57)
COMPANY SECRETARY

Qualification: B Comm (Fin M) AIRMSA

Detailed CVs of the Board are available at www.metair.co.za

KEY INDICATORS

- AC Audit and risk committee
- REMCOM Remuneration committee
- IC Investment committee
- SAEC Social and ethics committee
- NOMCO Nominations committee
- 5 Years of service
- Committee Chairperson
- Executive director
- Non-executive director

RACE AND GENDER

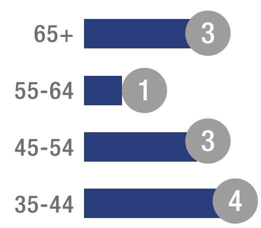
3 WHITE | 8 ACI

4 FEMALE | 7 MALE

BOARD TENURE

5 LESS THAN 3 YRS | 4 3 TO 5 YRS | 2 5 TO 9 YRS

AGE GROUP



INDEPENDENCE

3 EXECUTIVES | 8 INDEPENDENT NON-EXECUTIVES

OUTGOING CHAIRMAN'S STATEMENT

Michael Flemming
Chairman

"As ESG considerations become more important to consumers, demonstrating our commitment to responsible business can become a competitive advantage in the global automotive supply chain and when accessing funding."

Metair navigated an unprecedented number of unusual events in 2022. While we implemented our largest expansion project to date and the executive team evaluated opportunities to realise value from the Energy Storage Vertical, global economies slowed, inflation rose and the subsidiaries had to deal with the fallout from the Durban floods, strikes, rising energy prices, loadshedding, hyperinflation as well as ongoing supply chain and logistics disruptions.

The group's focus remained squarely on execution, managing what we could control and doing what was necessary despite the many distractions. We interrogated input costs and efficiencies, operationalising best practices across the group with an unwavering emphasis on quality standards.

RESPECTABLE FINANCIAL RESULTS UNDERPINNED BY AN EXCEPTIONAL OPERATING PERFORMANCE

The group delivered a reasonable financial performance, with group revenue increasing by 10% to R13.91 billion (2021: R12.62 billion). The Automotive Components Vertical contribution increased by R345 million (including Hesto) and the Energy Storage Vertical increased R1 billion. Group operating profit (EBIT) decreased 61% to R453 million (2021: R1.16 billion) at an operating margin of 3.3% (2021: 9.2%).

However, these results do not fully reflect the objectively exceptional operational performance of the subsidiaries given the unique factors that arose during the year. The subsidiaries remained stable and strong, and are focused on further improving performance and building scale to take advantage of the opportunities presenting themselves.

STRATEGY UPDATE

The board and management continued to work on the strategic review to unlock value in the Energy Storage Vertical throughout the year. Although negotiations proceeded to an advanced stage, deteriorating global and local macroeconomic conditions created an unfavourable context in which to realise optimal value for shareholders and the transaction was ultimately halted.

ENSURING SUSTAINABILITY BY EMPHASISING ESG

The consequences of governance failures and unethical behaviour are increasingly clear in South Africa. Metair recognises the essential role of governance in value creation and sustainability, and we are committed to exemplary standards of governance and appropriate compliance.

The Metair board is active and engaged, interacting regularly with management to support delivery and ensure ongoing oversight. In addition to regular board and subcommittee meetings, non-executive directors participate in management forums such as strategy days, budget reviews and the annual MD conference. They also sit on subsidiary boards to ensure a granular understanding of operations.

The non-executive directors bring a diverse portfolio of skills, experience and perspectives that add greatly to effective oversight and leadership. The audit and risk committee is strong and technically proficient, providing a high level of assurance that is reinforced by the external providers of internal and external audit services.

During the year, Mr S Sithole resigned from the board due to the extent of his other commitments and he now serves as an alternate director to Ms N Mkhondo. The resultant vacancies in the nominations and remuneration committees were allocated to other non-executive directors on the board.

GROUP
B-BBEE Level 1

CORPORATE SOCIAL INVESTMENT
R18.6 million

In February 2023, I took the decision to step down from the board. Working with Thandeka Mgoduso over the last four years, both on the board and in her role of lead independent director, has given me a high regard for her personal integrity, knowledge and leadership. I leave knowing that Metair is in good hands under her guidance.

Our CEO, Riaz Haffejee, resigned from the company in March 2023 to pursue other opportunities more in line with his personal career goals. He will be available to the company to the end of May to ensure a smooth transition and handover. Sjoerd Douwenga, the company's CFO, will serve as interim CEO during the process to appoint a permanent CEO.

STAKEHOLDER ENGAGEMENT

The board is kept appraised of all material engagements at each board meeting. The directors engage directly with certain stakeholder groups at various times, including at the annual general meeting. The directors were also present at the annual Metair exhibition, where we interacted with customers and suppliers. This year, the exhibition coincided with the official opening of Hesto's 35 000 m^2 state-of-the-art new manufacturing facility in KwaDukuza, which was attended by His Excellency, President Cyril Ramaphosa.

ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

The board appreciates the critical importance of responsible environmental and social practices to the wellbeing of society, the sustainability of the company and its ability to create value. As ESG considerations become more important to consumers, demonstrating our commitment to responsible business can become a competitive advantage in the global automotive supply chain and when accessing funding.

Climate change and the other social and environmental challenges the world faces have built up over many decades and will not be solved overnight. Metair continues to deepen its understanding of its current and future impacts, how to mitigate these and their implications for the company's sustainability, strategy and ability to create long-term value.

In the South African context, we are committed to driving transformation in the company, with a specific focus on improving representation of historically disadvantaged persons in management. The subsidiaries support black male and black female entrepreneurs through preferential procurement programmes that help them to grow their businesses, creating jobs and promoting transformation in the automotive supply chain. Metair's CSI initiatives fund projects making a meaningful difference in the lives of the children and other residents of the communities around our operations. Metair maintained its level 1 B-BBEE rating in 2022 (2021: Level 1)

CONSOLIDATION AND STRATEGIC IMPLEMENTATION IN THE YEAR AHEAD

We anticipate that global inflation and interest rates will continue to rise, which could have an impact on demand in advanced economies. Our focus remains on creating a business that consistently adds value for shareholders and is resilient to future challenges. 2023 is a year of consolidation with an emphasis on improving profitability and realising efficiencies as we bed down the significant projects implemented in 2022. This will position the company for significant growth as volumes ramp up into 2024.

ACKNOWLEDGEMENTS

On behalf of the board I would like to express our immense gratitude to the management teams at the subsidiaries for their excellent performance despite the tremendous strain of managing the many challenges outside their control during the year. This is equally true of all employees in the group and we thank them for their tenacity and commitment.

We thank the executive team who have navigated the company through extremely tough and complex times, showing their nimbleness and willingness to address every challenge. Riaz's leadership was instrumental in guiding Metair through the unprecedented challenges of the last few years, which included the impact of COVID-19, floods and riots during a period of significant capital investment. The board thanks him for his significant contribution to the company and wishes him well in his future endeavours. On a personal note, I would like to thank my fellow directors for their support during my time as chairman and for the enormous amount of energy they continue to commit to oversight and governance at Metair.

In closing, we thank our customers and other stakeholders for their ongoing support.

CMD Flemming
Chairman

CEO'S REPORT

Riaz Haffejee
CEO

"As Metair enters its 75th year of operation, we are proud to celebrate its significant role in the development of the South African automotive industry and position as the gold standard of manufacturing excellence in the sector."

As Metair enters its 75th year of operation, we are proud to celebrate its significant role in the development of the South African automotive industry and position as the gold standard of manufacturing excellence in the sector. Metair has grown and changed enormously over the years, demonstrating its resilience and agility to successfully adapt to changing industry demands and emerging socio-economic challenges. The group's highly skilled workforce now manufactures a wide range of products (see pages 42 to 49) leveraging substantial intellectual property and operational excellence. In my engagements with various stakeholders in my second year as CEO, it has become clear to me that these assets are not nearly as widely appreciated as they should be.

RESILIENCE IN THE FACE OF ONGOING CHALLENGES

From an operational perspective 2022 was a particularly difficult year, even in the context of the last three years. Raw material shortages, including sporadic semiconductor availability, and supply chain disruptions continued to affect production both directly at our operations and at our OEM customers. Shipping costs spiked and, while these have now moderated somewhat, remain above pre-COVID levels.

In South Africa, volumes were affected by a slower than expected startup from a major customer in the first half, a prolonged stoppage at another as a result of flooding in KwaZulu Natal and the impact of poor port and rail infrastructure performance. The automotive industry has learned to operate relatively well at lower levels of loadshedding, but at level six upstream heavy electricity users struggle to produce.

The war in Ukraine negatively affected consumer demand in Europe and contributed to unprecedented energy and labour cost increases across both Türkiye and Romania.

Our management teams demonstrated amazing resilience in ensuring that the operations not only successfully navigated these challenges but also delivered a number of noteworthy achievements. These included completing and commissioning Hesto's expanded new facility, successfully supporting a major customer model launch and Mutlu Akü hitting record annual production of five million batteries.

AUTOMOTIVE COMPONENTS VERTICAL

South African OEM customer production of cars and light commercial vehicles recovered well in the second half of the year, increasing 7% on 2021. Local sales of these vehicles rose 0.2% and exports increased 20% year on year. Production of the group's major new model investment, the next-generation Ford Ranger, commenced in November. Metair subsidiaries entered production and ramp-up phases, reaching peak production levels early in 2023.

Turnover at Metair's Automotive Components Vertical increased by 5% to R7.06 billion (including Hesto), benefitting from the increased industry volumes as well as participation in the new model launches and facelifts across subsidiaries. EBIT contribution decreased by 83% to R45 million, with margins declining to 0.6%.

ENERGY STORAGE VERTICAL

The Energy Storage Vertical showed its resilience in tough operating conditions. Rising costs were generally recovered from customers, but with a slight time lag that led to a short-term contraction in margins.

Mutlu Akü implemented plans to manage hyperinflation operationally with hard currency export sales providing a natural hedge that helped to limit the impact of foreign exchange volatility and inflationary pressures. Despite a ten-day strike in June, Mutlu Akü raised production, grew both sales volumes and prices. Local currency EBIT decreased by

HEPs
decreased 105% to
-17cents
per share

LTIFR
improved to
0.20

R31.4 million
invested in training initiatives to further develop our human capital

103% but increased by 44% on a pre-hyperinflationary basis. This translates into ZAR operating loss of R21 million (R530 million) on a pre-hyperinflationary basis (2021: R643 million).

Volumes from Rombat were around 13% lower mainly due to dampened consumer confidence. Sales volumes for First National Battery in South Africa were flat on 2021 and we continue to implement initiatives to improve competitiveness and grow market share.

Local and international demand for lead acid batteries remains strong across all sales channels, but especially in Türkiye. Total automotive battery sales volumes marginally decreased by 1% to 8.8 million units (2021: 8.8 million units), supported by strong aftermarket demand and improved export volumes.

Total revenue increased by 14% to R8.69 billion (2021: R7.6 billion). Operating margins decreased from 11.7% to 2.3% due to hyperinflation accounting and increasing energy costs, and EBIT decreased to R195 million (R746 million operating profit on a pre-hyperinflation basis) (2021: R887 million).

First National Battery completed its shift to traded product in the industrial segment. Across the group, sales of industrial batteries grew 13% and the operating loss decreased to R36 million (2021: R46 million loss).

GROUP PERFORMANCE

The 2022 results reflect the serious challenges throughout the year mentioned above. These factors resulted in increased net working capital costs, higher net debt and increased interest charges, leading to significant short term impacts.

ESG PERFORMANCE

We are committed to improving our ESG performance as an essential element of manufacturing excellence. We are deepening our understanding of the relevant metrics required to ensure resilience and sustainability. A company sustainability model and workplan was developed to guide the priorities supporting ESG initiatives aligned with the future strategy. In this regard, I am especially proud of the improvement in the group safety performance, with the lost-time injury frequency rate falling to 0.20, our best performance achieved to date.

Another highlight is the Metair/NAACAM bursary scheme launched during the year to support the future technical skills pool to support projected industry growth. With funding from MERSETA, the initiative supports bursaries and graduate programmes for 220 candidates to further their qualifications and gain valuable work experience at our South African subsidiaries (see page 62). The rollout of solar installations will continue into 2023.

OUTLOOK AND PROSPECTS

The outlook for production volumes in South Africa is exciting, with our OEM customers increasing capacity that will reset country vehicle production at a new benchmark of roughly between 650 000 and 700 000 units, 30% to 40% higher than the current levels of around 500 000.

Management interventions to curb the impact of short-term operational pressures are in place and ongoing investments are expected to deliver returns in line with Metair's targets over the life of the contracts. We expect new model and facelift launches to drive meaningful growth over the medium to long term, most notably the ongoing contract into Ford's investment into the South African automotive industry. The Energy Storage Vertical continues to develop new battery technology and is likely to sustain its record production to meet demand in local and export markets.

However, achieving these projections assumes that the issues plaguing the industry in 2022 start to ease and that new challenges are limited. We are also mindful that political uncertainty is rising, with elections due in Türkiye in June 2023 and in South Africa in 2024.

ACKNOWLEDGEMENTS

Metair is deeply saddened by the tragic earthquake in Türkiye on 6 February 2023. Our thoughts and prayers go out to all those affected. I am incredibly proud of the head office team for maintaining a steady beat despite the very challenging circumstances we faced during the year.

I am extremely grateful to the MDs of our subsidiaries who continued to drive performance and to the leadership teams, who were exceptional in navigating the tough operating conditions. Their efforts, together with the dedication of our employees, ensured that Metair continued to demonstrate our steadfast commitment to excellence. I thank all of Metair's partners, customers and other stakeholders for their support in 2022.

Finally, I would like to thank the board and the current and outgoing chairs for their contribution and support in my time at Metair. It has been an honour to serve the company as CEO.

R Haffejee
CEO

STRATEGIC OVERVIEW

The board sets and steers the strategic direction of the group, establishes the risk appetite and governs risk to support performance against strategic objectives. Executive management then develops and refines Metair's strategy in collaboration and consensus with the board. The board ultimately reviews and approves the final 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, with ongoing oversight from the board.

Within this framework Metair is pursuing a number of key objectives, including the successful execution and delivery of significant projects, portfolio optimisation through expansion, de-risking or rationalisation, unlocking and growing shareholder value as well as driving the sustainability/ESG agenda.

STRATEGIC FOCUS AREAS

Metair's strategic focus areas are defined as follows:

OPERATIONAL EXCELLENCE

Improving our fundamentals of quality, cost and delivery will enable us to offer manufacturing excellence by ensuring that we remain efficient, competitive and responsive to customer requirements.

DELIVER ON OUR STEP CHANGE PROJECTS

Metair is committed to delivering and executing on all existing projects and new projects. We continue to invest in the required skills and resources to ensure successful management of these projects to support flawless launches.

We work closely with customers to align with their requirements for increased flexibility and agility, and overcome operational and supply chain challenges.

DEEPEN STRATEGIC PARTNERSHIPS EXCELLENCE

Establish and nurture partnerships with leading companies in applicable technologies ranging from wiring harnesses, heat exchangers, lighting solutions, plastic parts, ride control and renewable energy products in our chosen markets.

DEEPEN CUSTOMER CENTRICITY

Technical cooperation with OEMs enhances our manufacturing expertise and the long OE product lifecycles create relatively predictable production volumes and revenue outlooks.

INNOVATION AND DIGITAL

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. There is an opportunity to accelerate the growth of our energy solutions in the global market.

FINANCIAL STEWARDSHIP AND COST OPTIMISATION

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

GROUP SYNERGIES AND COLLABORATION

We constantly work to find opportunities in supply chain activities to consolidate freight, freight forwarders and freight spending across the South African subsidiaries. A supply chain working group was established to respond to the supply chain challenges and assess how to achieve a group wide consolidation of shipping companies.

SAFETY AND SUSTAINABILITY

The principle of custodianship defines Metair's approach to business and sustainability, and forms the basis for the group's social and ethics framework. We believe that responsible ESG practices will increasingly become a competitive advantage creating future growth opportunities. Good relationships with our employees and protecting their health and safety help to retain skills and build a culture of care and excellence.

PEOPLE AND PURPOSE

Improved employee engagement across the group and leveraging our combined manufacturing excellence across all of our subsidiaries could provide us with greater depth in human resource development and cross functionality to prepare competent technical leaders for the future.

ENERGY 2.0

A multi phased process of reducing reliance on coal generated energy while increasing our exposure to green energy generation will ensure that our businesses become more predictable in production planning, efficient, sustainable and prepared for green production initiatives of the future, while improving access to green financing.

Where to play

ENERGY STORAGE VERTICAL

The energy storage vertical supplies automotive batteries to OEMs in South Africa, Türkiye, Romania, North Africa and Europe. Our businesses also serve the aftermarket demand for batteries through retail outlets and wholesalers in these countries as well as the UK, Africa, Western and Eastern Europe and the Middle East.

We aim to provide premium multiple technology energy solutions on demand, maintain our position as a market leader in current segments and improve our market share in chosen segments.

AUTOMOTIVE COMPONENTS VERTICAL

The automotive components vertical supplies a broad range of automotive components to all seven OEMs in South Africa. Local motor vehicle production is supported by increasing exports, favourable policy, global trade dynamics and OEM manufacturing decisions.

We aim to maintain our position as a leading supplier to all key OEM manufacturers and other automotive suppliers operating in Africa, offering high value and high technology automotive parts. Our aspiration is to drive technology development requirements in our market and expand our product offering in supportive electronic space where possible aim to grow in the aftermarket segment.

How to win

Energy storage vertical

- Further explore export opportunities especially in North America.
- Stronger integration to create economies of scale and unlock synergies.
- Drive lean, green and agile manufacturing as well as advanced ESG strategies.
- Secure access to technology and resources to scale new products and segments.

Automotive components vertical

- Enhance quality, price and delivery performance.
- Strengthen stakeholder engagement and enhance transformation credentials.
- Pursue stronger collaboration to unlock synergies.
- Strengthen relationships with OEMs, licensing sources and joint venture partners.
- Advance ESG strategy to address local and export market requirements.
- Drive lean, green and agile manufacturing.

STRATEGIC OVERVIEW (continued)

2022 Focus areas

		Target	Feedback	Achieved
1	Reach a conclusion on the opportunities to unlock value.	H2	We continued to actively work towards the value unlock opportunities in both verticals. A value unlock process within energy storage did not translate into an executable transaction, largely due to the geopolitical climate in Eastern Europe.	Not achieved
2	Complete the strategy proposal and consideration.	Q3	Ongoing.	Delayed/Ongoing
3	Develop a sustainability workplan for Metair in the context of climate change and green manufacturing by the end of the year.	Q4	Achieved (see page 50).	Achieved
4	Establish the baseline and gap analysis for development of the future HR framework and people strategy in Metair.	Q4	A people practices health check was done. The collaborative framework is in the process of being finalised for implementation in 2023.	Delayed/Ongoing
5	Lithium-ion commissioning at Mutlu Akü.	Q3	In process, but delayed due to required regulatory approvals.	Delayed/Ongoing
6	Successful OEM project launches.	Q4	Achieved (see page 24).	Achieved
7	Develop a solar power plan for South Africa and implement in 2022.	Q4	The plan has been developed, but implementation was delayed and will commence in 2023.	Delayed/Ongoing
8	Implement supply chain management changes for freight forwarding and shipping contracts across South African companies.	Q4	A supply chain committee was established as a permanent body to coordinate supply chain management. A consolidated freight forwarding contractor for the South African subsidiaries was appointed in December 2022.	Achieved
9	Ensure all costs and borrowing facilities for all projects are in line with the plan and successfully concluded.	Q4	Project costs went up but this was due to increased revenue growth. Costs were well managed during the floods.	Achieved
10	Review and update the IT strategy including cyber security.	Q3	The IT strategy review and gap analysis was completed, with changes implemented to bridge gaps.	Achieved
11	Business Intelligence implementation by the end of H1.	H1	In progress.	Delayed/Ongoing
12	Ensure appropriate subsidiary reporting and cash management in the context of new projects.	Q4	Opportunities were identified to achieve cash savings and a timeline implemented to monitor potential savings.	Achieved

● Achieved ● Delayed/Ongoing ● Not achieved

2023 Priorities

		Focus areas
1	Implement and effectively execute agreed projects/priorities.	Operational, Financial, ESG
2	Maintain strong cash conversion rate across operations.	Financial
3	Enhance operational efficiency across the group.	Operational, Financial, ESG
4	Develop and finalise the plan for the next phase of renewable energy implementation.	ESG
5	Business intelligence reporting – ensure insightful reporting and extract actionable insights from data to improve the group's performance, growth and cash management/usage.	Operational, Financial, ESG
6	Achieve positive movement on the difference between intrinsic/fair value per share and market value per share.	Financial
7	Understand the likely impact of new disruptive technologies on the group's business model and plan and respond accordingly.	Operational, ESG

Strategic focus areas

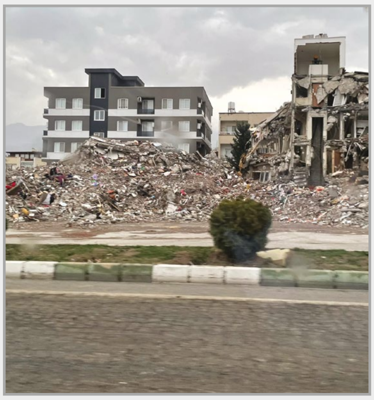
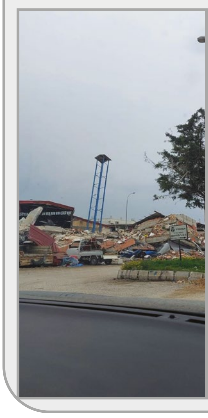
Operational Financial ESG

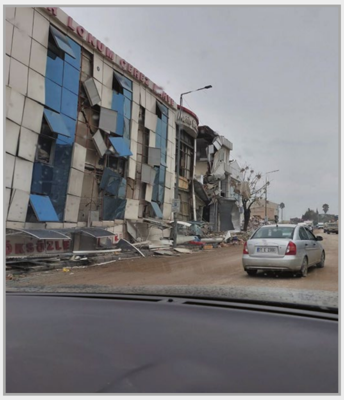
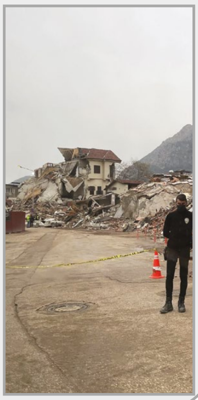
CSI CASE STUDY

TÜRKIYE EARTHQUAKE RELIEF

Türkiye was impacted by a tragic earthquake on 6 February 2023. Metair's heartfelt condolences are extended to the entire nation and all families who lost their loved ones. None of the Mutlu Akü facilities were directly affected and there were no injuries to our staff, however, some of our dealers have been impacted and we have been actively involved in relief efforts across 10 cities in the Hatay and Antep Yardim Tiri region. Mutlu Akü has contributed to medical packs, blankets, water supply and donated generators.



HOW METAIR CREATES VALUE

Metair manages and controls businesses in the mobility and energy sectors to deliver quality and cost-competitive products. Our strategy aims to create and preserve value, accepting the necessary trade-offs between risks and opportunities, stakeholder interests and the six capitals. Sustainability is an increasingly important part of what we do as we move to embrace green manufacturing, the circular economy and broad social benefit, in line with our commitment to custodianship.

STAKEHOLDERS

CAPITAL INPUTS

FINANCIAL CAPITAL

Shareholders, investors and funders

Funding from shareholders and lenders, and money generated from our activities retained in the business, is invested to support our operations and grow the business.

- R195 million capex
- R2.3 billion in remuneration paid to employees
- R585 million in debt

MANUFACTURED CAPITAL

Suppliers

The property, plant and equipment we own, including the facilities at which we manufacture our products, physical and IT infrastructure, and machinery and tooling at our 16 operations in five countries.

- R3.8 billion in property, plant and equipment

HUMAN CAPITAL

Employees, trade unions

We depend on the skills, experience, productivity, wellness and motivation of our 16 750 employees and contractors. Our leadership skills and culture of manufacturing excellence and custodianship.

- 26 236 683 (2021: 20 744 873) hours worked
- R31.4 million invested in employee training spend

INTELLECTUAL CAPITAL

Technology partners, leadership and employees

Metair's manufacturing operations depend on various software and licensing rights and agreements. Our brands and the skills and experience of the technical experts in the group and the IP developed in our research and development divisions and technology incubators.

- R27.9 million invested in research and development in 2022

SOCIAL AND RELATIONSHIPS CAPITAL

All stakeholders

Our business is based on trust and mutually beneficial relationships with our stakeholders. We demonstrate our commitment to custodianship and ethical business practices in our engagements with stakeholders. Our strong relationships with our technology partners are key assets required to support our customers.

NATURAL CAPITAL

All stakeholders

The land on which our facilities stand, the air around us and key inputs such as water, raw materials and energy. Lead, which we use to make batteries, can have a significant environmental and social impact if not managed responsibly.

- 222 336 MWh (2021: 228 458) in energy consumption

MANUFACTURING INPUTS

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

VALUE-ADDING BUSINESS ACTIVITIES

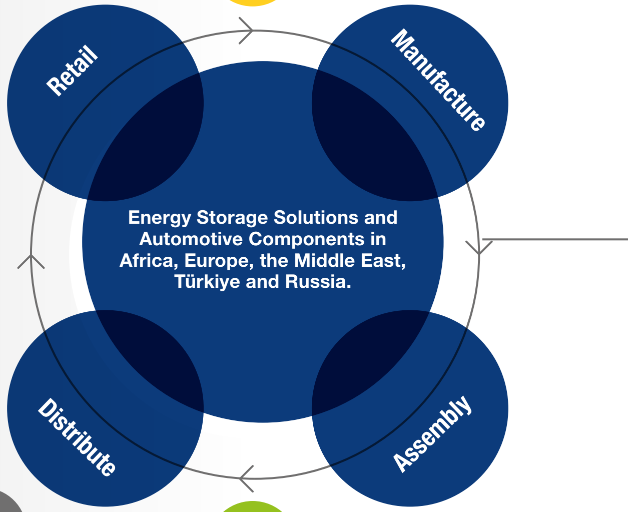
ISO 50001

ISO 9001

ISO 18001

ISO/IATF 16949

ISO 14001



AUTOMOTIVE COMPONENTS VERTICAL

Outputs

- Brake systems
- Shock absorbers
- Lighting
- Radiators
- Air conditioners
- Suspension parts
- Wiring harnesses
- Plastic parts

ENERGY STORAGE VERTICAL

Outputs

- Lead-acid auto batteries
- Lithium-ion auto batteries
- Telecoms solutions
- Material handling solutions

Our governance framework enables oversight and accountability through reporting and disclosure, effective risk management, clear performance management, transparency and ethical and effective leadership.

CAPITAL OUTCOMES

FINANCIAL CAPITAL

- R3.3 billion in wealth created for stakeholders
- R586 million EBITDA

MANUFACTURED CAPITAL

- Hesto successfully commissioned a new 35 000 m^2 state of the art facility
- Wear and tear on manufacturing equipment

HUMAN CAPITAL

- Group LTIFR improved to 0.20
- Absenteeism reduced to 1.9%
- Staff attrition increased to 8.0%
- 96.3% HDSA staff
- 47.9% female representation

INTELLECTUAL CAPITAL

- Improved technical skills and experience in the group
- Focus on succession planning to develop the next generation of leadership and technical expertise
- Continued development of lithium-ion batteries for automotive and industrial use
- Lithium-ion battery cell manufacturing and assembly facility moving to Türkiye

SOCIAL AND RELATIONSHIP CAPITAL

- R18.6 million invested in CSI projects
- Consolidated group B-BBEE Level 1 achieved
- Relationship with UWC to develop intellectual capital around lithium-ion technology
- Relationship with TWIMS to develop green manufacturing capabilities

NATURAL CAPITAL

- 2022 carbon footprint 614 258 tCO_2e
- 12 tonnes of non-hazardous waste recycled
- ±68 000 tonnes of lead recycled

MATERIAL TRADE-OFFS MADE DURING 2022

When a major customer's facility was closed for four months by floods in KwaZulu Natal, Metair sent engineers and other staff to assist in restoring and restarting the facility, strengthening our relationship with this key stakeholder.

Metair continued to incur significant premium freight costs (airfreight and sea freight) to secure commodities and parts when their arrival was delayed by supply chain disruptions. This allowed us to meet our commitments to our OEM customers (building social and relationship capital), but increased unusual costs by R126 million.

Metair expanded and opened new facilities (manufactured capital), our workforce increased by 38% (human capital) and we incurred significant training costs to support major OEM customer model launches. These upfront investments further strengthen our relationship with customers and create the base for future financial returns over the life of the models.

Metair is committed to UN Sustainable Development Goals (SDGs) and ensures that negative environmental and social impacts are limited.

KEY STAKEHOLDER RELATIONSHIPS

Metair's commitment to custodianship recognises the responsibilities we have to our stakeholders and broader society. We understand that our ability to create long-term sustainable value depends on how well we understand and respond to their needs, interests and expectations. This information provides essential input into strategy, our material matters, key risks and opportunities, company policies and governance structures.

The Metair stakeholder engagement policy applies to all group companies and, together with Metair's code of ethics, emphasises equitable treatment of all stakeholders. Stakeholder engagement is a standing item on the board agenda and directors are kept appraised of all material engagements and their outcomes.

Engagements take place at various levels in the company according to the nature of the stakeholder and engagement, and are handled by the functions to which they most closely relate.

Strategic focus areas

Operational | Financial | ESG

Providers of financial capital

Shareholders and lenders

Shareholders and lenders provide the financial capital essential to fund our ongoing operations, planned expansions and acquisitions.

Their expectations:

Acceptable returns on invested capital, effective capital allocation, value creation strategy, sustainability of our business, total shareholder returns, fair and transparent remuneration, unlocking share value, good reputation, positive prospects and responsible ESG practices.

How we engage

- Stakeholder reports, including the integrated annual report, results commentaries, the abridged report, interim and annual results presentations, pre- and post-results feedback, SENS announcements and press releases.
- Regular meetings, including the annual general meeting, one-on-one meetings, site visits, pre-close meetings and ad hoc (as requested).
- Investor perception surveys
- Company website

Frequency of engagement

Regular direct engagement

Relationship indicators and focus areas

- Return on invested capital (ROIC)
- Dividends paid
- Share rating
- AGM voting
- ESG ratings
- Feedback during interactions

Strategic pillars

Value created in 2022

- R174 million dividends paid
- R585 million paid to providers of finance

Customers

Major OEMs and consumers in the aftermarket

We work closely with our customers to ensure that we continue to meet their needs and entrench our reputation as the gold standard in manufacturing excellence.

Their expectations:

Meeting required product quality and delivery standards at a competitive cost, brand strength, sustainability of our business, B-BBEE, transformation, investment in technology and innovation, expansion to support customer goals, responsible health, safety and environmental performance, ongoing investment in training, corporate social responsibility.

How we engage

- Contract negotiations
- Scheduled supplier forums
- Ongoing interactions in the ordinary course of business
- The annual Metair Exhibition
- Quality reviews
- Performance reviews
- Industry forums
- Trade shows and exhibits
- Customer reward systems
- Customer visits

Frequency of engagement

Regular direct engagement

Relationship indicators and focus areas

- Feedback during interactions
- Quality reviews
- Performance reviews

Strategic pillars

Value created in 2022

- Parts produced for more than 541 000 vehicles
- More than 8 gigawatt hours of energy storage capacity produced
- R958 million invested in capacity expansion
- R27.9 million invested in research and development
- Successful support for flawless model launches and facelifts

Business partners

Joint venture partners and associates

The partners in our subsidiaries provide essential intellectual property and experience that helps us to meet the requirements of our OEM customers.

Their expectations:

Financial performance, consistent supply, manufacturing and management performance, fair treatment and quality of management, investment support, effective business model, responsible ESG practices, investment in technology, employee health and safety.

How we engage

- Ongoing interactions in the ordinary course of business
- The annual Metair Exhibition

Frequency of engagement

Regular direct engagement

Relationship indicators and focus areas

Feedback during interactions

Strategic pillars

Value created in 2022

- Successful support for flawless model launches and facelifts

KEY STAKEHOLDER RELATIONSHIPS (continued)

Employees and trade unions

Management, employees and their representatives

The quality of Metair's human capital is essential to our success. Regular engagement supports productivity, morale and culture, and helps us position our employee value proposition to be the employer of choice.

Their expectations:

A safe and healthy work environment, fair remuneration, equal work/equal pay, transformation, job preservation and creation, shareholding participation expectation, good corporate culture, 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.

How we engage

- Operational performance reviews
- Feedback sessions
- CEO site visits
- Regular electronic communication
- Anonymous Tip Offs hotline
- Company website
- Induction programmes
- Union interactions as required
- Wage negotiations

Frequency of engagement

Direct ongoing engagement with employees. Ad-hoc meetings with trade unions as required

Relationship indicators and focus areas

- Good corporate culture
- Low staff attrition
- Morale
- Low absenteeism
- Improving HDSA and female representation

Strategic pillars

Value created in 2022

- R2.33 billion paid to employees in remuneration
- 4 577 new jobs created
- Improved group LTIFR
- R31.4 million invested in employee training

Society

Government and communities

We endeavour to meet all regulatory requirements, support national priorities and make a positive difference in the communities around us.

Their expectations:

Regulatory compliance, health and safety, responsible operation and ESG practices, transformation, preferred procurement from BEE accredited parties, environmental responsibility, sustainable employment, corporate social responsibility.

How we engage

- Engagements on specific policy issues
- Representation on industry bodies
- Regular regulatory submissions
- Interactions as required

Frequency of engagement

Ad-hoc meetings as required

Relationship indicators and focus areas

- Feedback during interactions
- B-BBEE status level

Strategic pillars

Value created in 2022

- R239 million paid in taxes
- R18.6 million invested in CSI projects
- Improved environmental performance

Other

Industry bodies*, suppliers and consultants, analysts and the media

We are active participants in industry bodies to ensure Metair's position is represented in engagements with regulators, customers and other stakeholders. Suppliers and consultants provide essential inputs and services and we aim to treat them fairly and ethically in all interactions. We are committed to transparent communication with analysts and the media to improve the understanding of the group.

Their expectations:

Good corporate conduct, support in engaging government and regulators on industry matters, responsible ESG practices, health and safety, access to management, fair payment terms, fair treatment and fair contractual responsibility, preferential procurement opportunities.

How we engage

- Participation in industry forums
- Ongoing engagements in the normal course of business
- Interactions as requested
- Press releases
- Company website

Frequency of engagement

Ad-hoc meetings as required

Relationship indicators and focus areas

Feedback during interactions

Strategic pillars

Value created in 2022

- Active participation in industry forums
- R1.99 billion in total group preferential procurement

** Including NAACAM, NAAMSA and SABMA*

CASE STUDY

FNB LTIFR IMPROVEMENT

FNB has over the past six years placed a significant amount of attention on improving the health, safety and environmental aspects of our business. The initiatives embarked on primarily focused on communication, awareness and the separation of man and machine in all of our operations. In support of these initiatives, we successfully rolled out a number of safety campaign sessions in all plants. Following the launch of the programs and the aforementioned sessions, weekly safety messages are communicated company-wide through various platforms to ensure the message is successfully communicated. All morning meetings commence with safety messages being reinforced and the theme for the respective week being highlighted repeatedly.

In addition, the company records all near miss incidents which are categorised weekly and where necessary, corrective actions are implemented. To this end, FNB has successfully reduced its Lost Time Injury Frequency Rate (LTIFR) from 2.8 in 2018 to 0.26 in 2022. FNB has also successfully over all seven sites achieved an average of 404 injury free days with the highest site being our Cape Town branch which recorded 833 injury free days.

MOST MATERIAL MATTERS

Identifying and managing Metair's most material matters ensures that we understand the factors that have the biggest impact on the long-term sustainability of the group and its ability to provide value to stakeholders.

The strategy overview (page 14) considered Metair's business model in the context of current industry, macroeconomic and geopolitical conditions to identify the company's strengths, weaknesses, opportunities and threats. These were then considered against a range of other inputs, including:

- The most significant interests of our key stakeholder groups (page 20).
- Risks and opportunities identified in Metair's risk assessment process, which includes a review of economic, environmental and social impacts, risks and opportunities.
- Key market analyses.
- Major market and technology trends.
- Customer requirements and shifts.
- Business performance and budgets.
- Developments in relevant legislation and regulation.
- The information we gather from engagements with our key stakeholders.
- Sustainability and integrated reporting guidelines and best practices.
- Review of local and international media reports on the automotive and other target industries.
- Peer reports and industry benchmarks.

This process identified 10 material matters and these were prioritised according to their impact on sustainability, value creation, preservation or erosion in line with Metair's value principles. They were are also reviewed against our combined assurance model to ensure that they are subject to an appropriate level of assurance.

Relevant key performance indicators (KPIs) for each material matter are reported and monitored as required on a monthly basis at subsidiary and group levels, and quarterly to the board and its subcommittees. This annual integrated report is structured to provide readers with relevant information regarding the most material matters during 2022.

1 Project execution

Aspects	Content/explanation
• Continued manufacturing excellence • Project launches	Metair is committed to continuing to delivering on all existing projects, successfully executing on its new projects and ensuring successful project launches. We continue to invest in the required skills and resources to ensure successful management of customer projects and support flawless launches. Production of the group's major new model investment, the next-generation Ford Ranger, commenced in November 2022 at Ford's Silverton assembly plant. Metair subsidiaries entered production and ramp-up phases with peak production levels which commenced from January 2023. Management interventions to curb the impact of short-term operational pressures are in place and ongoing investments are expected to deliver returns in line with Metair's targets over the life of the contracts. New model and facelift launches are expected to drive meaningful growth over the medium to long term, most notably the ongoing contract into Ford's investment into the South African automotive industry, supporting incremental revenue for the Metair Group.

Strategy pillars	Stakeholders affected	Related opportunities	SDGs
	• All stakeholders	Demonstrating our ability to deliver manufacturing excellence and support flawless launches of new models strengthens Metair's relationship with customers and improves our ability to secure future model launches.	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

Governance and combined assurance	More information
The board and executive committee develop and execute strategies to respond to local and international developments, and monitor delivery on Metair's strategy, project implementation and efficiencies. Combined assurance through policies and procedures, internal controls, risk management function, regular management reviews, internal audit, OE supplier quality reviews and external accreditation.	• page 14 • page 64 • page 70 • page 73 • page 77

2 Competitiveness

Aspects	Content/explanation
• 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 • Agile and responsive manufacturing • Smooth transition and flawless new model launch	The automotive industry is evolving rapidly and remains highly competitive. The global supply chain allows OEMs to source from suppliers anywhere in the world, which includes countries with more attractive government incentives, lower costs and higher labour efficiency than South Africa. The revised APDP provides automotive policy certainty for OEMs and emerging trends are positioning South Africa as a production centre for particular vehicles and variants. Metair's continued participation in the industry depends on our ability to produce quality products cost-effectively despite increasingly complex, variable and unpredictable manufacturing requirements. Manufacturing in South Africa faces a number of challenges including the volatile political, social and labour environments, 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 compete and attract long-term OEM investment. To remain competitive in the face of these challenges, manufacturers must be flexible and adaptable. Rapid technological change and evolving OEM technical needs require highly specialised technical skills and a substantial investment in research and development as well as product design resources. Production planning, stability and efficiencies are continually challenged by the current supply challenges, increased variability in product mix and changing customer requirements. This requires increased agility and responsiveness to meet customers' changing needs. The increased resources and intensity required to support the OEMs' planned new model launches and facelifts over the next two years are considerable. Increased competition in the aftermarket sector will require a focus on continued brand development and positioning.

Strategy pillars	Stakeholders affected	Related opportunities	SDGs
	• All stakeholders	• Ensuring that we stay competitive, responsive to customer requirements, deliver manufacturing excellence and support flawless launches of new models can strengthen Metair's position to secure future model launches. • Grow market share in automotive batteries in the Energy Storage Vertical. • This supports the attractiveness of our countries of operation for future OEM production decisions. • Metair's ability to work closely with OEM customers and partners through Technical Agreements helps us to advance our technical expertise and intellectual property in emerging technologies, and better meet the needs of our customers.	

Governance and combined assurance	More information
The board and executive committee develop and execute strategies to respond to local and international developments, and monitor delivery on Metair's strategy, project implementation and efficiencies. Combined assurance through policies and procedures, internal controls, risk management function, regular management reviews, internal audit and OE supplier quality reviews.	• page 14 • page 64 • page 68 • page 73

MOST MATERIAL MATTERS (continued)

3 Business partnerships

Aspects	Content/explanation
• International business partners • Customer relationships • Government relationships • Shareholder relationships • Supply chain relationships • Governance	Metair depends on technology partners in some of its subsidiaries to meet OEM customers' specifications. Maintaining longstanding relationships with these partners, OEMs and our dealer networks are essential to our business. Government is providing significant support to the South African automotive industry through automotive and industrial programmes such as the South African Automotive Masterplan 2035 and the APDP. Where necessary, government can provide protection to local markets from imports subsidised by foreign governments. Bilateral trade agreement such as the African Growth and Opportunity Act and the Africa Continental Free Trade Agreement secure access to potential export markets and form part of government's business platform staging. Shareholder interests and inputs are key considerations that inform the company's strategic direction.

Strategy pillars	Stakeholders affected	Related opportunities	SDGs
	• Customers (existing and potential) • Suppliers and trading partners • Shareholders • Government	• The APDP is very supportive of future growth in the South African automotive industry and incentivises OEMs to increase localisation and transformation. Metair's B-BBEE score and good relationships with our stakeholders positions us well to benefit from future industry growth. • Our vast experience with automotive technical partnerships is an asset that can obtain more partnerships in energy storage and automotive technology. • Improve chain efficiencies by consolidating supply chain. • Finding new technical partnerships that can aid in further localisation using Metair's extensive understanding and knowledge of the industry.	8 DECENT WORK AND ECONOMIC GROWTH 11 SUSTAINABLE CITIES AND COMMUNITIES

Governance and combined assurance	More information
The board and executive committee oversee stakeholder engagement and interact directly with key stakeholders. Combined assurance through policies and procedures, internal controls, risk management function and regular management reviews.	• page 20 • page 64 • page 68 • page 73

4 Supply chain disruption

Aspects	Content/explanation
• Impact on customers • Impact on customer supply • Impact on cost • Impact on competitiveness • Impact on business partnerships • Impact on raw material suppliers • Impact on staff and operations	Global supply chains have been significantly disrupted since the Covid-19 pandemic and Russia/Ukraine conflict, affecting air- and seafreight leading to global shortages of semiconductors and several other manufacturing inputs. Metair had to supplement the existing supply chain with emergency action from supply chain experts within our subsidiaries and this allowed us to remain reliable for our customers and minimise stoppages. Many material matters relate to supply chain, this on its own will require great effort in the future. The impact of charges on imported raw materials and components are typically covered by customers. However, premium air freight is not recoverable from our customers. The difficult supply chain conditions increased the intensity of managing staff.

Strategy pillars	Stakeholders affected	Related opportunities	SDGs
	• All stakeholders	• Structural correction in the business and opportunity for improved process efficiencies. • Engineering and supply chain stability. • More localisation opportunities. • Consolidate freight forwarding and shipping arrangements to provide greater coordination among subsidiaries for importing raw materials. • Allowing greater customer transparency and visibility for our customer.	8 DECENT WORK AND ECONOMIC GROWTH

Governance and combined assurance	More information
The board and executive committee oversee implementation of the COVID-19 Response Strategy. Combined assurance through policies and procedures, internal controls, risk management function and regular management reviews.	• page 64 • page 68 • page 73

5 Macroeconomic and geopolitical factors

Aspects	Content/explanation
• Currency volatility • Socio-economic stability in key markets • Changing global trade dynamics – (political, trade, etc.)	Global trade is affected by international economic and political trends that influence OEM investment and purchase decisions. As a result of volatile global trade dynamics and changing technology, OEMs have reassessed supply chain risks and moved the manufacture of strategic components closer to their home markets to secure supply, particularly for electric vehicle components. Manufacturing facilities further away have been allocated current models and variants, and are benefitting from increased volumes. Exchange rate volatility affects our business in a number of ways, including delays in margin recovery on long-term contracts, increasing complexity in budgeting and forecasting, and through its significant direct impact on our reported financial performance. Political and social concerns in Metair's locations of operation – particularly in South Africa (loadshedding) and Türkiye (hyperinflation) – affect investor confidence in the group's ability to realise its strategy and raise capital for further capital investments and acquisitions.

Strategy pillars	Stakeholders affected	Related opportunities	SDGs
	• All stakeholders	• Meeting our customers' needs, despite socio-economic and political challenges, strengthens our position to grow our share of their business.	9 Industry, innovation and infrastructure

Governance and combined assurance	More information
The board and executive committee develop and execute strategies to respond to local and international developments, and oversee Metair's risk management processes. Combined assurance through policies and procedures, internal controls, risk management function, regular management reviews, internal audit and OE supplier quality reviews.	• page 10 • page 14 • page 68 • page 73

6 Natural environment

Aspects	Content/explanation
• Impact of climate change on customers and products • Energy consumption • Carbon footprint • Waste management • Water • Environmentally friendly products • Environmental impacts	The strategic direction of the automotive industry has been fundamentally altered by emissions regulations aimed at combating global warming, which has led to a shift towards new energy vehicles. Our original equipment (OE) customers have adjusted their strategies and products accordingly, affecting Metair's product offerings, OE production profiles and overall strategy. As part our commitment to custodianship, Metair manages the environmental impact of our operations to reduce the use of scarce resources such as energy, water, and raw materials, while limiting emissions and waste production. Recycling of water, raw materials and waste is prioritised wherever possible and the company is actively developing technologies with positive environmental impacts, including energy backup solutions and components for new energy vehicles. Metair is also implementing green manufacturing principles and expanding its commitment to sustainability throughout the group.

Strategy pillars	Stakeholders affected	Related opportunities	SDGs
	• All stakeholders	• Innovation and partnerships that create more environmentally friendly technology provide new revenue streams. • The rollout of renewable energy solutions at our operations will significantly reduce energy costs and carbon emissions. • Responsible business practices will increasingly become a competitive advantage in dealings with customers and business partners.	6 Clean water and sanitation 7 Affordable and clean energy 12 Responsible consumption and production 13 Climate action 15 Life on land

Governance and combined assurance	More information
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.	• page 52 • page 64 • page 68 • page 73

MOST MATERIAL MATTERS (continued)

7 Strategic alignment

Aspects	Content/explanation
Aligning the strategy to meet the needs of: • Shareholders • Providers of finance • Customers • Other stakeholders	Metair's strategy review aims to ensure that the new strategy effectively balances the relevant interests of shareholders and other stakeholders, as well as the major mobility and technology trends, to ensure continued relevance and support.

Strategy pillars	Stakeholders affected	Related opportunities	SDGs
	• All stakeholders	• Ensuring that the interests of stakeholders are aligned will provide clarity for the strategy and growth opportunities.	11, 8

Governance and combined assurance

The board assists management to develop and refine the strategy, and oversees delivery. Combined assurance through policies and procedures, internal controls, risk management function and regular management reviews.

More information

- page 14
- page 64
- page 68
- page 73

8 Human capital

Aspects	Content/explanation
• Health and safety • Labour productivity and efficiency • Labour cost • 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	The health and safety of our workforce is a priority. We operate in highly technical and rapidly evolving industries. The skills and experience of our leadership, management and employees are critical to our success. Attracting, developing and retaining the required technical skills are essential to delivering on our strategy and particularly the current and planned projects in the Automotive Components Vertical. The rapid changes and increasing volatility in customer needs requires that management is agile and resilient. Labour costs and productivity materially impact cost efficiencies and manufacturing competitiveness, and must be balanced with our commitment to remunerate fairly and care for our workers. Metair is committed to transformation and views strong B-BBEE performance as a competitive advantage. Demonstrating diversity at board and management level, and transforming the workforce, are moral imperatives, a customer requirement and good business practice.

Strategy pillars	Stakeholders affected	Related opportunities	SDGs
	• All stakeholders	• Good relationships with our employees and protecting their health and safety helps to retain skills and build a culture of care and excellence. • Improved productivity supports our competitiveness. • Improved employee engagement across the group and leveraging our combined manufacturing excellence across all of our subsidiaries could provide us with greater depth in human development and cross functionality to prepare competent technical leaders for the future.	1, 2, 3, 5, 8

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 KPIs and targets. Employment equity and transformation committees develop strategies and measure progress against 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 45001) and external assurance of sustainability information.

More information

- page 64
- page 68
- page 73
- page 86

9 Balanced business

Aspects	Content/explanation
Balance across: • Customers • Products • OEM and aftermarket • Industries • Geographies • Technologies • Customer requirements and the need to earn a sustainable economic return	Metair has diversified its business to mitigate risk and support the sustainability of the company. This led to broader representation in terms of customers, products, markets served, geographies and technologies. Our customers' needs must be balanced against our need to earn a sustainable economic return. Metair's research and development centres ensure that we understand and are positioned to respond to disruptive technologies and emerging trends, including developments in industrial and renewable energy solutions and the impact on our business from new energy vehicles.

Strategy pillars	Stakeholders affected	Related opportunities	SDGs
	• Shareholders • Analysts • Customers (existing and potential) • Government	• Balance across the business supports the group's sustainability.	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

Governance and combined assurance	More information
The board and executive committee develop and execute strategies to respond to international developments and ensure that Metair's business is diversified and sustainable. Combined assurance through regular management review, risk management function, internal audit, policies and procedures.	• page 14 • page 64 • page 68 • page 73

10 Technology and innovation

Aspects	Content/explanation
• Technology shifts • Customer relationships • Products • Raw material suppliers • Business partnerships	Future trends affecting the energy storage and automotive industries include the shift to new energy vehicles, autonomous driving, increased vehicle connectivity and artificial intelligence. The technology to support these trends is developing rapidly and Metair needs to ensure that our research and product development meet the technology needs and fulfil the energy and automotive component requirements of our international customer base. We continue to build our capacity and business relationships to ensure that we can deliver on these requirements.

Strategy pillars	Stakeholders affected	Related opportunities	SDGs
	• Shareholders • Analysts • Customers (existing and potential) • Government	• Innovation that leads to new product development creates new revenue opportunities. • Metair's long history of successful technology partnerships positions us well to participate in future trends and to secure incremental technical partnerships.	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

Governance and combined assurance	More information
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.	• page 64 • page 68 • page 72 • page 73

FINANCIAL HIGHLIGHTS
FOR THE YEAR ENDED 31 DECEMBER

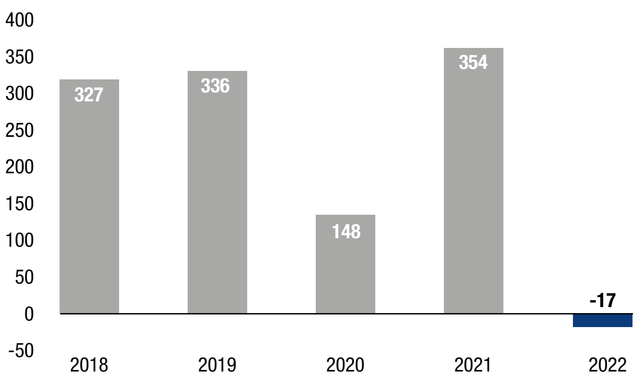
	2022 R'000	2021 R'000	2020 R'000	2019 R'000	2018 R'000
Revenue	13 905 467	12 621 070	10 234 706	11 237 995	10 276 966
Profit before taxation	234 605	962 122	296 768	871 369	899 329
Impairment (reversals)/charges	(4 247)	10 903	108 168	25 351	1 031
Interest paid	410 747	177 464	204 731	259 875	210 056
Preference dividend	47 466	41 658	46 919	60 532	59 206
(Loss)/profit attributable to ordinary shareholders	(40 385)	674 791	174 184	624 186	667 377
Total equity	5 197 495	3 874 354	4 214 838	4 310 786	4 287 721
Interest-bearing debt	3 557 367	2 289 422	2 370 313	2 196 411	1 841 794
Property, plant and equipment	3 770 774	2 636 978	2 618 197	2 707 381	2 538 145
Current assets	7 491 543	5 536 218	5 538 675	4 906 321	4 493 253
Total assets	12 832 400	9 075 419	9 298 270	8 967 335	8 422 000
Number of shares in issue	198 986	198 986	198 986	198 986	198 986
Weighted average number of shares in issue	193 483	192 715	192 118	191 904	197 284
Net asset value per share (cents)*	2 615	1 946	2 133	2 186	2 167
Basic (loss)/earnings per share (cents)	(21)	350	91	325	338
Headline (loss)/earnings per share (cents)	(17)	354	148	336	327
Dividend per share (cents) declared and paid	90	75	Nil	100	80
Dividend cover (times) (calculated on headline earnings on prior year)	3.9	2.0	N/A	2.8	3.5
ROIC**	4.5	16.4	8.6	15.7	15.3
Net (loss)/profit as a % of average total shareholders' funds (ROE)	(0.1)	17.1	4.3	15.3	16.5
Total shareholders' funds as a % of total assets	39.7	42.7	45.3	48.1	50.9
Interest cover (times)	1	7	3	4	5
Staff complement	6 467	6 062	5 920	6 166	6 089

Notes:

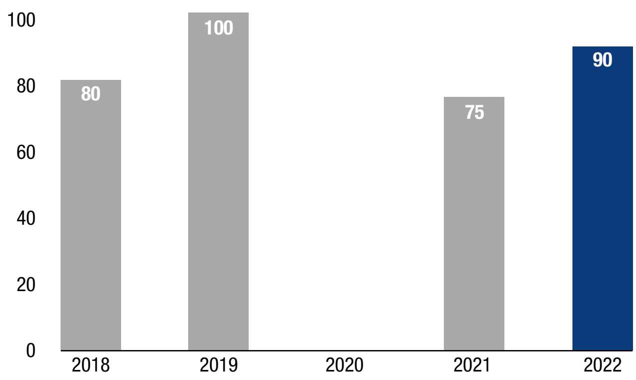
** Calculated on ordinary shareholders equity and number of shares in issue excluding treasury shares.*

*** Previously adjusted ROIC was disclosed.*

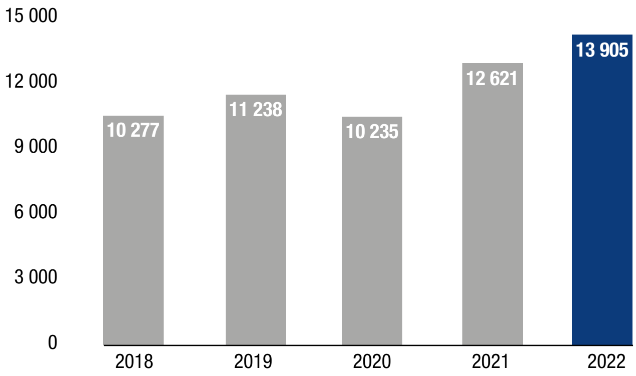
HEADLINE EARNINGS PER SHARE (CENTS)



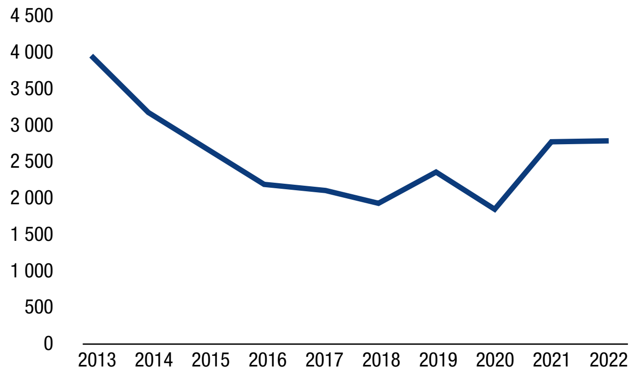
DIVIDENDS PER SHARE (CENTS)



REVENUE (R MILLION)



SHARE PRICE AT 31 DECEMBER



AWARDS

SMITHS MANUFACTURING

Achievement award for cost

Acknowledgment award for Toyota recovery

Runner Up Achievement Award for Aftermarket Supply

Superior award – Parts and accessories

Superior award – VA/VE

Superior award – Stable supply for DENSO Sales SA

HESTO HARNESSES

Achievement award – Cost

Acknowledgment award – Toyota recovery

Runner Up Achievement Award – Aftermarket Supply

SUPREME SPRINGS

Toyota – Supplier Achievement Award

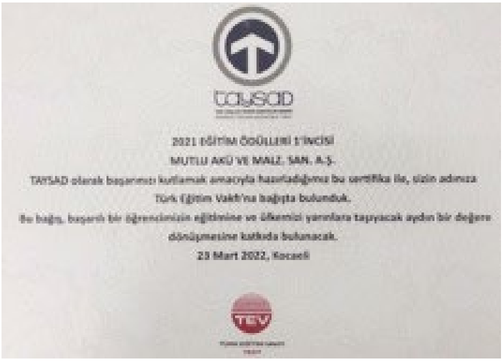
2021 Parts and Accessories Award

MUTLU AKÜ

Tech Brands Türkiye – Nielsen & Pazarlamasyon – Best Technologic Battery Brand in Türkiye

Taysad – Automotive suppliers of Türkiye
Most Attendance of Taysad Trainings

Republic of Türkiye Ministry of Industry and Technology
Productivity Project Awards Process Improvement Category Winner
Productivity Project Awards Finalist Project – 2022
Efficiency Awarded Business Certificate – 2022
Productivity Project Awards Finalist Project – 2022



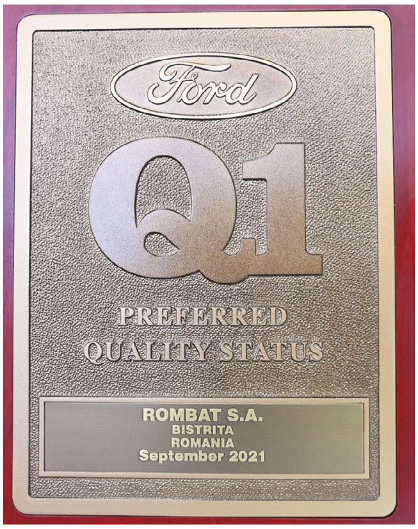
ROMBAT

Member of Metair Group

Best Q1 supplier in Romanian automotive industry

Best company in export from Bistrita Chamber of Commerce
Transilvania Business Awards

Rombat CEO in Top 100 CEO



PERFORMANCE REVIEW

OPERATING CONTEXT

The volume of vehicles produced in our countries of operation is linked to demand in domestic and export markets, which generally tracks economic growth. Around two thirds of annual vehicle production is exported from South Africa and Türkiye, with Europe the main destination.

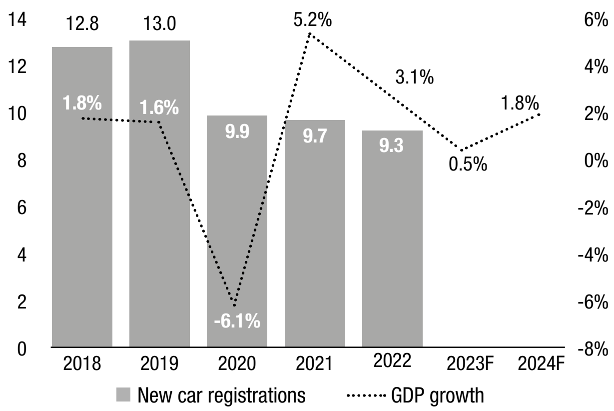
Economic growth in the primary destination markets for Metair's products declined in 2022, in line with the global economic slowdown. The outlook remains weak owing to rising inflation, energy costs, the war in Ukraine and the ongoing impact of the COVID-19 pandemic. Country-specific factors affecting economic growth include load-shedding and policy uncertainty in South Africa and hyperinflation in Türkiye.

GDP growth	2019	2020	2021	2022e	2023F	2024F
South Africa	+0.3%	-6.3%	+4.9%	+2.1%	+1.1%	+1.3%
Türkiye	+0.8%	+1.9%	+11.4%	+5.0%	+3.0%	+2.9%
Romania	+4.2%	-3.7%	+5.9%	+4.8%	+3.1%	+3.8%
Euro area	+1.6%	-6.1%	+5.2%	+3.1%	+0.5%	+1.8%

Source: IMF World Economic Outlook (WEO) October 2022

While the economy in Europe grew in 2022, the passenger car market decreased by 5% to the lowest level since 1993, mainly as a result of components shortages in the first half of the year.

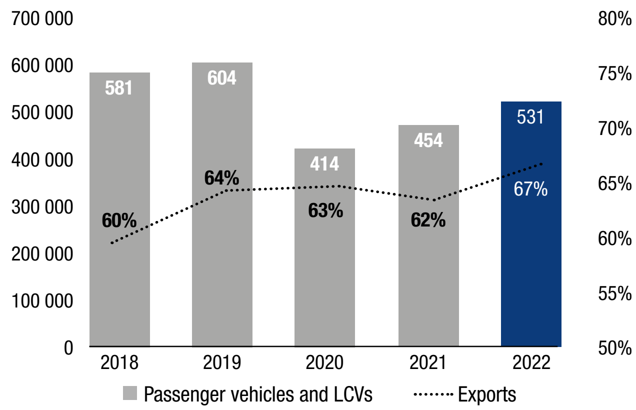
NEW CAR REGISTRATION AND GDP – EU



Sources: ACEA, IMF WEO

In South Africa, production of passenger vehicles and light commercial vehicles (LCVs) increased by 11% to 525 000 units, despite continued global supply chain disruptions, the impact of floods in KwaZulu Natal in April, record levels of loadshedding and the impact of rail and port strikes of export volumes. While consumer and business confidence was negatively affected by rising inflation, interest rate increases and record fuel prices, sales improved by 14% to 499 000 units, 2% below 2019. Exports increased by 18% year on year and, although the outlook for growth in destination markets remains constrained, volumes are likely to be supported by new model launches by major vehicle exporters.

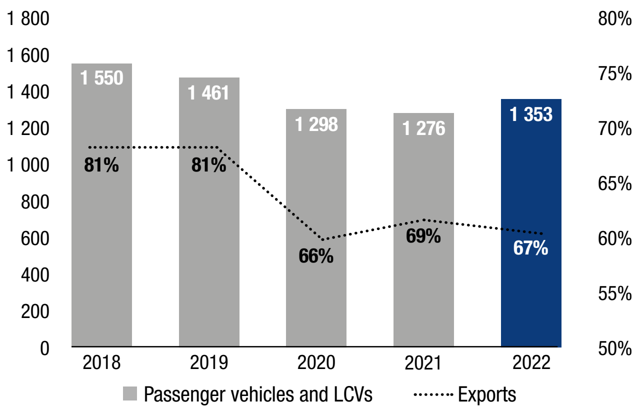
MOTOR VEHICLE PRODUCTION AND EXPORTS – SOUTH AFRICA



Source: NAAMSA, Lightstone Auto

The South African manufacturing environment faces a number of significant challenges, including ongoing electricity supply interruptions, increasing socio-economic strain on communities, breakdowns in the rule of law as well as poor and deteriorating electricity, water, rail and port infrastructure. These issues have a significant effect on production stability, cost efficiencies and the attractiveness of South Africa as a manufacturing destination.

MOTOR VEHICLE PRODUCTION AND EXPORTS – TÜRKIYE



Source: OSD

Production of passenger cars and commercial vehicles in Türkiye increased by 6% in 2022, with exports rising 3%. Manufacturing in Türkiye is currently contending with hyperinflation, unprecedented energy and labour cost increases, high interest rates, currency volatility and an uncertain political environment.

Passenger car production in Romania increased 21% compared to 2021, reaching a new record of 509 000 units despite inflationary cost pressures (particularly energy and labour costs) and the ongoing uncertainty following Russia's invasion of Ukraine.

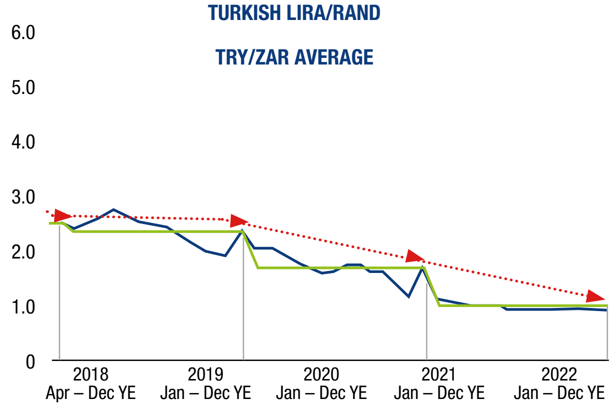
CURRENCY VOLATILITY

Many of our inputs include imported materials and commodities denominated in hard currencies. The cost of these inputs is affected by devaluation of the Rand, Turkish Lira and Romanian Lei. While operations can generally recover rising input costs from customers by increasing prices over time, margins may be affected in the short term.

Prolonged currency weakness supports exports and increases the local cost of competing imported product. Currency volatility makes planning and forecasting challenging and devaluation of the Lei and Lira against the Rand negatively affects reported profit from foreign operations. The financial effects of the significant weakening of the Lira against the Rand since 2016 are discussed in the CFO report on page 38.

TURKISH LIRA/RAND

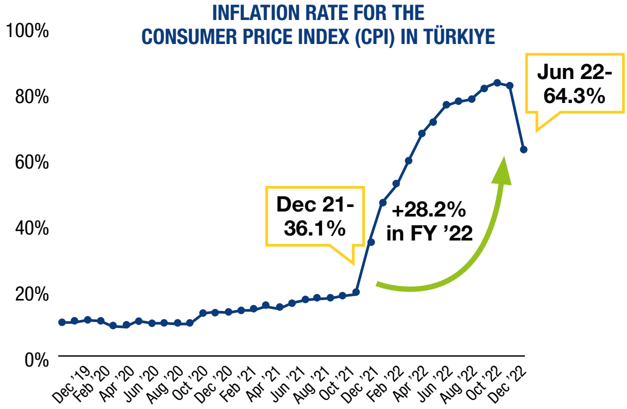
TRY/ZAR AVERAGE



HYPERINFLATION

Türkiye's inflation rate accelerated dramatically in the first half of 2022. Mutlu Akü's business is largely dollarised, with more than 80% of inputs and more than 50% of sales in hard currencies (and therefore not directly affected by Turkish inflation), and strategies are in place to manage hyperinflation locally. However, this development triggered hyperinflation accounting (IAS 29), which had a significant impact on Mutlu Akü's reported results. This is explained in more detail in the CFO's report on page 38.

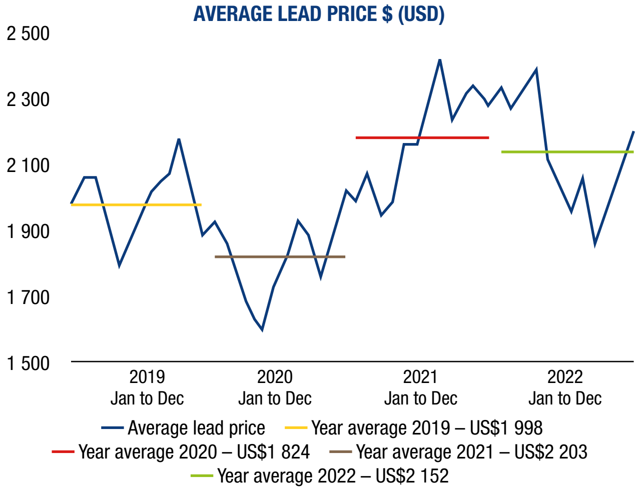
INFLATION RATE FOR THE CONSUMER PRICE INDEX (CPI) IN TÜRKIYE



RAW MATERIAL COSTS

Lead is a key input in our Energy Storage Vertical and during the year the lead price fluctuated significantly, trading between US$1 870 and US$2 400.

AVERAGE LEAD PRICE $ (USD)



CFO'S REPORT

Sjoerd Douwenga
CFO

"Although Metair's primary goal is to create financial value for our shareholders, the legitimate interests of all stakeholders are important to us."

This CFO report provides commentary on Metair's financial position and performance for 2022 and should be read with the financial statements and the integrated report as a whole. It also addresses capital allocation, returns on capital invested, balance sheet strength, funding structures and strategy.

Although Metair's primary goal is to create financial value for our shareholders, the legitimate interests of all stakeholders are important to us. In conducting our operations, we carefully assess the inevitable trade-offs between current financial returns and the longer-term and sustainable interests of the group, as well as how these decisions affect the creation, preservation or erosion of the capitals available to us. This ensures that we take a responsible approach to social and environmental issues that aligns with our commitment to custodianship. Metair's distribution of the value created during the year to various stakeholders is shown in the group value-added statement on page 41.

RESULTS

Metair's results reflect the difficult operating environment during the year. These included:

- additional project costs, ramp up costs and increased complexity related to Ford's new model launch,
- lost volumes due to delays in the Ford launch as a result of supply chain challenges and related project cost inefficiencies (labour and airfreight),
- volumes lost to the 4.5 month production stoppage at Toyota due to the flooding in KwaZulu Natal,
- ongoing supply chain disruptions, which created delays and increased costs through emergency airfreight,
- increased working capital due to 'safety stock' held for Ford and Toyota to support ramp up and overcome supply chain challenges,
- global inflationary and energy cost pressures,
- the impact of the war in Ukraine on demand in Europe.

Group revenue increased by 10% to R13.91 billion (2021: R12.62 billion), due to higher overall OEM production volumes in South Africa and strong local automotive battery aftermarket volumes. Higher material/energy content combined with higher lead prices also contributed to price growth. Group operating profit (EBIT) decreased by 61% to R0.45 billion (2021: R1.16 billion) and the operating margin declined to 3.3% (2021: 9.2%). Operating profit and margins were negatively affected by project costs incurred ahead of new project launches (particularly Ford-related) and operational inefficiencies during ramp up, additional sea- and airfreight costs, the non-cash impact of hyperinflation accounting adopted by Mutlu Akü and a lag in the recovery of energy costs in Europe. In addition, the group incurred transaction costs of R54 million in evaluating offers and negotiating terms for the Energy Storage Vertical.

The Automotive Components Vertical (including Hesto) contributed R7.1 billion in revenue, a 5.1% increase compared with the 2021 reporting period. Revenue from the Energy Storage Vertical increased by 14.2% to R8.6 billion. Group EBITDA (including equity earnings and impairments) decreased by 58% to R0.6 billion (2021: R1.4 billion) and the EBITDA margin reduced to 4.2% (2021: 11.2%).

As a result of supply chain instability and increased air- and sea freight the Group invested in additional inventory holding. This in combination with capital expenditure related to new projects and decreased cash inflows resulted in the Group net debt increasing to R2.6 billion (2021: R1.3 billion) while net finance expenses increased to R377 million (2021: R145 million) due to higher debt levels and increasing interest rates.

Headline earnings per share decreased by 105% to a loss of 17 cps (2021: 354 cps). Group return on invested capital (ROIC) was 4.5% (14.0% normalised) (2021: 16.4%).

SEGMENTAL REVIEW

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 127.

Metair's two business verticals – Automotive Components and Energy Storage – supply products to their local markets in South

OPERATING PROFIT
decreased by 61% to
R0.45 bn

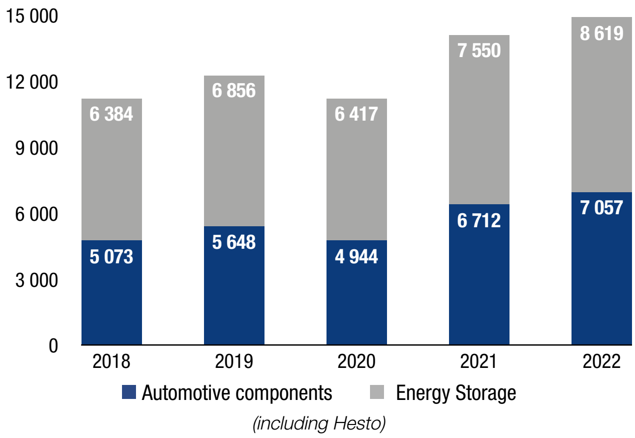
REVENUE
increased by 10% to
R13.9 bn

GROUP NET DEBT
increased by 94% to
R2.6 bn

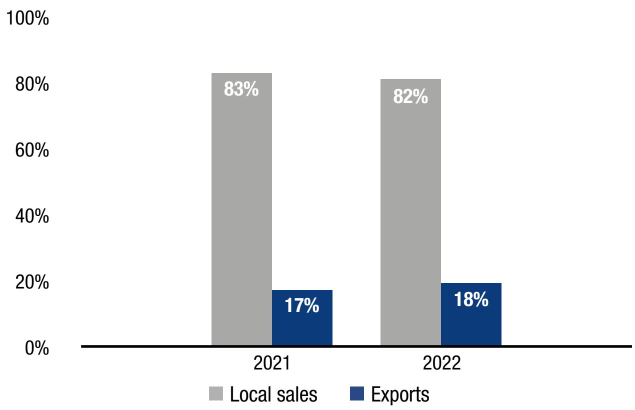
Africa, Romania and Türkiye. They also export to customers, mainly in Europe, the Middle East, sub-Saharan Africa, Russia and North America.

The Automotive Component Vertical contributed 45% to group segment turnover in 2022, with the Energy Storage Vertical contributing 55% (2021: 47% Automotive Component Vertical and 53% Energy Storage Vertical). More information on the strategic position of the two verticals is available in the sections starting on pages 42 and 46.

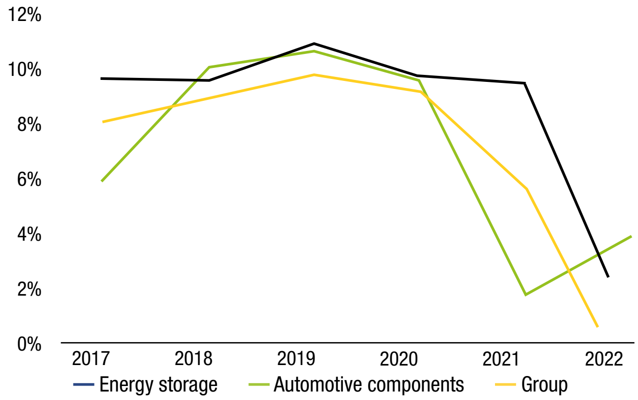
REVENUE (R MILLION)



GROUP LOCAL AND EXPORT SALES (%)



EBIT MARGIN



AUTOMOTIVE COMPONENTS VERTICAL

OEM production volumes in South Africa were impacted by supply chain disruptions, chip shortages, flooding, loadshedding and poor rail and port performance in 2022. Cars and LCVs manufactured increased 7% year on year, but remained at 88% of 2019 volumes in 2022.

Ford South Africa formally launched production of the new T6 platform in mid-November 2022 with full production expected to be reached in March 2023. Metair group has invested significantly in supporting the launch over the past two years, with Hesto, Automould, Unitrade and Lumotech having material exposure to the project.

'Unusual' costs – primarily unplanned project costs arising from increased component complexity and supply chain disruptions – totalled R420 million (R338 million at Hesto, R59 million at Automould and R23 million at Lumotech). Significant freight and labour costs were incurred in support of the launch, including air-freight costs of R126 million to support Ford's request for extended production into the last week of December.

The increased complexity in the Ford project has, however, also resulted in further incremental revenue, with project turnover increasing 28% over the model life and margins and returns above internal Metair investment criteria.

Hesto lost an estimated R600 million in revenue due to the floods in Durban in April. Efficiencies were also affected in the start up to support our customer's recommencing production and ramping back up to normal production in October. Hesto's business interruption recovery was limited to R128m.

The vertical is forecast to recover strongly in 2023 as the operations return to stability, with minimal further project and launch support costs, and strong planned volumes across OEM customers with new model launches and good export demand. The recovery will be most significant in Hesto and Automould.

CFO'S REPORT (continued)

ENERGY STORAGE VERTICAL

OEM battery volumes grew 10% across the vertical due to a recovery in OEM production and increased market share. However, total automotive battery units sold decreased marginally by 1.2% in total as a result of weaker local aftermarket sales in Türkiye (-11%) and Romania (-16%) due to high inflation and energy costs, and declining regional stability and sentiment due to the war in Ukraine. The war also affected demand across Europe, which resulted in a 20% decline in export volumes from Romania. Exports from Türkiye increased 17% supported by the devaluation of the lira and good volumes to North America.

Volumes for FNB in South Africa declined slightly year on year (-1.2%) in a very competitive and price sensitive market with small increases in the OEM and local aftermarket channels offset by a decline in exports. FNB completed the shift to a traded model for industrial batteries and unit sales decreased due to supply chain delays.

Energy Vertical growth is expected from strong aftermarket demand, increased exports including to North America, market share growth, brand positioning, economic range expansion, lithium-ion battery range (including trading) and OEM projects.

HYPERINFLATION IN TÜRKIYE

As previously reported, the Group applies hyperinflationary accounting (IAS 29) for amounts reported by Mutlu Akü in Türkiye. Under IAS 29, Turkish Lira results and non-monetary asset and liability balances (including undistributed profits) are restated to present value equivalent local currency amounts (adjusted based on CPI) before translation to ZAR at reporting-date exchange rate. Although operations remain unchanged, with a substantial portion of commodity input costs and sales being hard currency denominated and not directly subject to Turkish inflation, as well as Mutlu Akü's strong non-monetary asset base, the accounting impact on profit and loss is negative as IAS 29 requires the restatement of Mutlu Akü's retained income within current year earnings (income statement).

Refer to note 28 of the annual financial statements for the disclosure on the impact of hyperinflation (IAS 29).

The group's prior year results are not restated. Current period trading has no impact on net profit, however the indexing effect results in reclassification of operating profit to a 'net monetary gain', mainly because cost of sales is adjusted from date of cost incurred and not the date of actual sale of a battery.

In summary, the impact of IAS 29 on Mutlu Akü's pre-hyperinflationary results and consequently on Metair's consolidated results is as follows:

- Operating profit decline of R576 million
- Profit after tax decline of R208 million, arising from the restatement of net non-monetary assets of R185 million and retained income of R393 million through profit and loss
- A net monetary gain amounting to R398 million (financial gain) through profit and loss
- Uplift in assets of R1.8 billion and R1.9 billion uplift in equity relating to foreign currency translation gains within other comprehensive income

Although Türkiye's central bank cut its benchmark interest rate by 1.5 percentage points to 9% despite the country's high inflation rate, the Turkish banking system has not passed on the lower interest rates to customers due to the high inflation. There are currently no restrictions on remittances of dividends from Türkiye and access to foreign currencies remains unrestricted, but the Turkish government has issued new banking regulations which include a rule that forces exporters to sell 40% of their foreign-currency revenue to the central bank. Mutlu Akü has assessed the impact of the financial regulations and is developing measures to minimise interest rate and foreign exchange volatilities.

CURRENCY IMPACTS

Percentage change	Average for 2022	Rate at year end
Turkish Lira	⌄ 42%	⌄ 24%
Romanian Lei	⌄ 2%	^ 0.2%

Metair's four international investments operate in their local currencies – Turkish Lira (Mutlu Akü), Romanian Lei (Rombat), British Pound (Dynamic) and Kenyan Shilling (ABM). Exchange rate movements affect the contribution of these operations reported in Rand and stringent currency risk management processes are in place to protect against short-term volatility. Metair's foreign exchange risk management policy governs the hedges put in place for foreign currency exposures on raw materials, components and capital equipment except where these are offset by natural hedges.

The impact of the significant devaluation of the Turkish Lira and onset of hyperinflation on Mutlu Akü's earnings is discussed above. The earnings of our other foreign operations are translated into Rand at the average rate for the period. Rombat's 53% decline in local operating profit translated into a 54% decrease in Rand.

The net asset values of these foreign subsidiaries are included in financial reports in Rand at the ruling exchange rate at year end. Net foreign exchange currency translation gains of R1.5 million (2021: R897 million loss) were recognised in other comprehensive income in 2022.

While currency weakness reduces an investment's contribution to the group, it improves the price competitiveness of exports from that location, creating opportunities for new markets.

Imported raw materials and components are also affected by currency movements. For the Energy Storage Vertical, these inputs 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. Metair subsidiaries recover foreign exchange movements on these input costs through various contractual arrangements with customers.

FINANCIAL POSITION

Group net asset value per share increased to 2 615 cents (2021: 1 946 cents). Much of this increase is related to the impact of hyperinflation on Mutlu Akü's balance sheet, with the strong non-monetary asset base protecting against inflation and resulting in a positive gain from a net asset point of view. Net working capital increased by R933 million to R3.18 billion (2021: R2.24 billion) as a result of supply chain disruptions and availability of raw materials necessitating a greater inventory holding strategy to mitigate shipping delays and airfreight costs. Customers also requested that we build up 'safety stock' to ensure uninterrupted supply during ramp up.

Cash generation in operations was R151 million (2021: R649 million), with a significant portion of cash invested in net working capital. Greater lead usage requirements and FNB's industrial business model change also necessitated higher battery units in stock.

GOING CONCERN, CASH AND DEBT COVENANTS

Cash and cash equivalents improved to R980 million from R962 million in the prior year, while net debt (borrowings less cash and cash equivalents) increased to R2.6 billion at year-end (2021: R1.3 billion).

The group (including Hesto) is in the process of finalising an intensive capital expansion phase, with R1.16 billion in capital expenditure spent in 2022, and R750 million planned in 2023. Accordingly, the group continues to focus on liquidity management, especially considering the short-term instability experienced for most of the year.

The group's net debt/equity ratio increased to 51% (2021: 35%) and net debt to EBITDA increased to 4.4 times (2021: 0.9 times). The group's gearing increased significantly due to funding taken up for new projects, additional funding of R250 million advanced to Hesto, increased working capital investments and the impact of hyperinflation on Mutlu Akü's results. On a normalised basis, group net debt to EBITDA amounted to 1.6 times. Debt levels will decrease once the new model launch achieves full production towards the end of the first quarter of 2023.

On a covenant testing basis, calculated on a trailing 12 months adjusted EBITDA, priority debt cover amounted to 2.3 times (required to be not more than 1 times group EBITDA) and gearing was 4.9 times cover (required to be not more than 2.5 times group EBITDA), resulting in covenants being breached at balance sheet date. The group's preference share and revolving credit facility (RCF) funding have therefore been reclassified as current debt. Discussions with the group's funders regarding the debt position were positive, a waiver was received from lenders and adjustments to the covenant calculations, mainly for hyperinflation (IAS 29) impacts are under consideration.

As at 31 December 2022, Metair had access to unutilised facilities of approximately R732 million, US$53 million, TL215 million, €13 million, revolving credit facilities of R20 million. Thankfully, RCF 2 is in the process of being extended by one year from 24 April 2023.

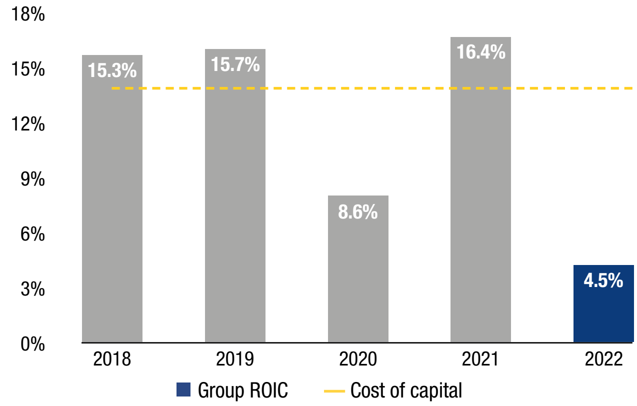
Management is closely monitoring the group's financial position and remains focused on effective cash management, especially in the areas of working capital, cost control and capital expenditures, considering customer requirements, planned investments in new or upcoming customer models and facelifts, as well as the conclusion of business interruption claims. Considering the future cash requirements of the business, management has determined that there is no material uncertainty or significant doubt upon the group's ability to continue as a going concern.

Note 14 and 19.3 in the financial statements provides detailed information on the group's borrowing facilities and capital risk management.

CAPITAL ALLOCATION

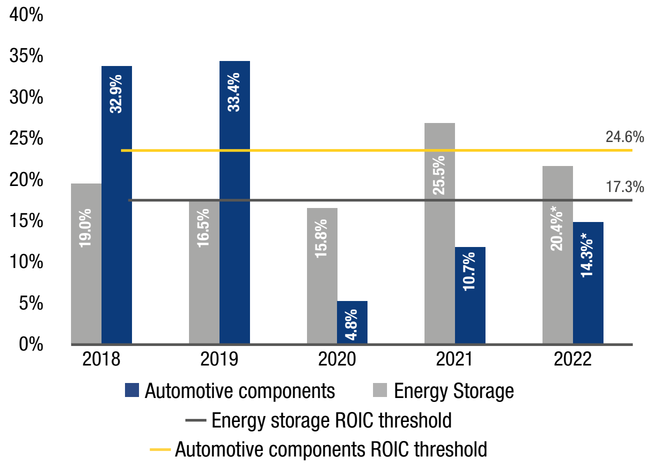
Metair's return on invested capital decreased to 4.5% (14.0% normalised) due to the overall decline in profits and declined due to initial investments in projects.

RETURN ON INVESTED CAPITAL (ROIC) vs COST OF CAPITAL



Previously adjusted ROIC was disclosed.

VERTICAL ROIC AND THRESHOLDS



** Normalised.*

ROIC targets and investment thresholds are in place at group and individual business unit levels. Metair assesses capital allocation in three areas:

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

Long-term return hurdle rates:
Metair WACC: 14.0%
Energy Storage Vertical ROIC threshold: 17.3%
Automotive Components Vertical ROIC threshold: 24.6%

We use return on invested capital (ROIC) as the primary financial return criteria when allocating capital to operating assets (maintenance and new business) and strategic investments (acquisitions), supplemented by return on assets, internal rate of return and cash generation. Capital allocated is required to exceed its cost of capital within two to three years of investment, with

CFO'S REPORT (continued)

the exception of key strategic spend. New investments are also expected to achieve a target of 4% above the cost of capital over the project duration. As the holding company, Metair sources, allocates and controls capital to achieve these objectives. 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 Hesto and intangible assets for 2022 was R1.16 million (2021: R575 million), reflecting the capital expansion phase ahead of new project launches. R158 million was allocated to maintenance, R958 million to expansion capex and R39 million to health and safety, improving the group's competitive position and efficiency. The majority of the capital expenditure for the period was focused on capacity expansion for the Automotive Components Vertical to invest in facilities, tooling and machinery required to support planned new model launches and facelifts.

For 2023, including Hesto, R362 million has been allocated to maintenance, R317 million to expansion capex and R71 million in health and safety, improving the group's competitive position and efficiency.

2023 Capital Commitment (including Hesto)

(R million)	Maintenance and general	Efficiency and expansion efficiency	Health, safety and environment	Total
Automotive Components Vertical	216	160	25	401
Energy Storage Vertical	146	157	46	349
Total commitments	**362**	**317**	**71**	**750**

INTANGIBLE ASSETS

Intangible assets reported on Metair's balance sheet primarily comprise goodwill, trademarks, licences, brands, customer relationships, capitalised development costs and software. Goodwill represents the excess in the consideration paid by the group over the acquiree's fair value of the identifiable net assets when subsidiaries were acquired. Goodwill and the Mutlu Akü indefinite useful life brand are not subject to amortisation, but are tested annually for impairment.

Intangible assets increased to R1.04 billion in 2022 (2021: R284 million) mainly due to hyperinflation effects on Mutlu Akü. 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 AFS).

During 2022, the group expensed R17million in research and capitalised R28 million of development costs. Development costs capitalised mainly relate to various new product and technology development projects at Mutlu Akü.

INSURANCE CLAIMS

The business interruption claim for the loss of a major customer's volumes as a result of the floods in KwaZulu Natal has been concluded. The overall claim was capped at R500 million and the final cash portion due of R38 million was settled by insurers.

DIVIDEND

Management continues to closely monitor the group's financial position and remains focused on effective cash management, specifically in the areas of working capital in conjunction with customer requirements, cost control and capital expenditures, taking into account planned investments required in new or upcoming customer models and facelifts. Metair's dividend policy is to pay dividends that are covered by earnings (dividend cover) between two and four times. The board decided not to declare a dividend for the year.

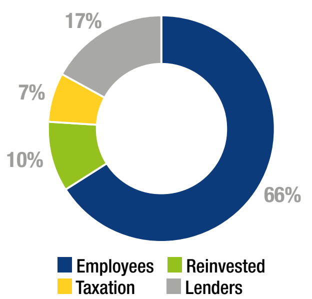
S Douwenga
CFO

VALUE ADDED STATEMENT

FOR THE YEAR ENDED 31 DECEMBER

	GROUP 2022 R'000	% 2022	GROUP 2021 R'000	% 2021
Wealth created				
Revenue	**13 905 467**		12 621 070	
Less: Net cost of products and services	**(10 172 422)**		(9 059 473)	
Value added	**3 733 045**		3 561 597	
Add: Loss from investments	**(205 422)**		(19 453)	
Total wealth created	**3 527 623**		3 542 144	
Wealth distribution				
Employees				
Salaries, wages and other benefits (note 1)	**2 331 185**	**66.0**	2 100 562	59.0
Providers of capital	**584 970**	**17.0**	321 984	9.0
Interest on borrowings	**410 747**	**12.0**	177 464	5.0
Dividends to shareholders	**174 223**	**5.0**	144 520	4.0
Government taxation (note 3)	**238 517**	**7.0**	269 324	8.0
Retained for growth	**372 951**	**11.0**	850 274	24.0
To provide for the maintenance of capital (depreciation and amortisation)	**372 951**	**11.0**	301 996	9.0
To provide for expansion	**–**	**0.0**	548 278	15.0
	3 527 623	**100.0**	3 542 144	100.0
Notes:				
1) Salaries, wages and other benefits	**2 331 185**		2 100 562	
Wages and salaries	**2 042 931**		1 832 061	
Share based payment expenses	**18 694**		18 610	
Termination benefits	**12 360**		13 238	
Social security costs	**150 240**		136 242	
Pension costs – defined contribution plans	**99 785**		92 747	
Defined benefit plans	**4 770**		4 276	
Post-employment medical benefits	**2 405**		3 388	
2) Value added ratios				
Total number of employees at year end	**6 467**		6 062	
Hourly	**4 234**		3 845	
Monthly	**2 233**		2 217	
Revenue per employee	**2 150**		2 082	
Value added per employee	**550**		588	
Wealth created per employee	**518**		584	
3) Monetary exchanges with governments				
SA normal Tax/Income tax	**238 517**		269 324	
South Africa	**128 322**		125 303	
The Netherlands	**17 865**		996	
Romania	**3 676**		10 616	
Türkiye	**88 654**		132 409	

DISTRIBUTION OF VALUE ADDED %



AUTOMOTIVE COMPONENTS VERTICAL

COMPETITIVE POSITION

Produces and sells components mainly used in the manufacture of cars and light commercial vehicles. Also supplies automotive components to the aftermarket sector, including brakes, filters, spark plugs and heat-exchange product spares.

PRIMARY PRODUCTS

Brake pads, shock absorbers, lights, radiators and air-conditioners as well as generic aftermarket products for use in imported vehicles.

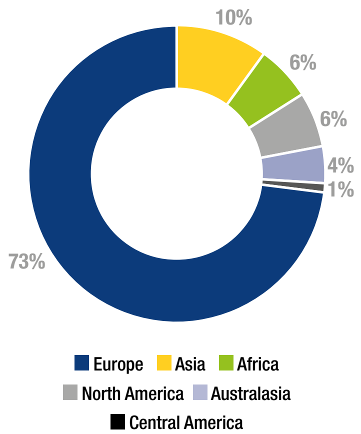
STRATEGIC INTENT

We aim to maintain our position as a leading supplier to all key OEM manufacturers and other automotive suppliers operating in Africa, offering high value and high technology automotive parts. Our aspiration is to drive technology development requirements in our market and expand our product offering in supportive electronic space where possible. We aim to grow in the aftermarket sales segment.

STRATEGIC RATIONALE

Positive indicators for continued growth in the South African automotive industry include the support provided by the Automotive Production and Development Programme (APDP), global trade dynamics and OEM manufacturing decisions. Phase II of the APDP provides support and certainty to OEM manufacturers to 2035, and Metair is well-positioned to benefit from the programme's emphasis on B-BBEE and local component production. COVID-19, ongoing logistics disruptions and geopolitical uncertainty increased OEMs' preference for sourcing components close to their manufacturing sites to simplify supply chains.

2022 SOUTH AFRICAN VEHICLE EXPORTS



STRATEGIC ENABLERS

- Government Automotive Production and Development Programme (APDP) scheme
- Market access
- Localisation opportunity
- B-BBEE status
- Manufacturing excellence
- Planned new vehicle launches
- Africa market focus and access
- Local commodities
- Commitment to sustainability

COUNTRY OF OPERATION

South Africa

The South African Automotive Masterplan (SAAM) 2035 sets an ambitious vehicle production goal of 1.4 million vehicles in 2035. From 2022 production of around 525 000 passenger cars and LCVs, we are forecasting local vehicle production of around 600 000 units per year in the short-term, growing to above 750 000 in the medium-term.

Roughly two-thirds of 2022 production was exported, mainly to Europe and the UK. As OEMs shift their focus to New Energy Vehicles (NEVs) in their home countries, South Africa is becoming a favoured manufacturing base for particular models and variants. Future export growth will be supported by planned new model launches with an export focus, further reducing the link between local production and local demand. Metair's market share is also growing on the back of increased localisation and significant additional revenue has been secured on Ford business.

All of Metair's major South African OEM customers are introducing new models in the next two to five years with some limited introduction of their NEV technology. The increasing complexity required in components also increases the technology requirements and their unit value.

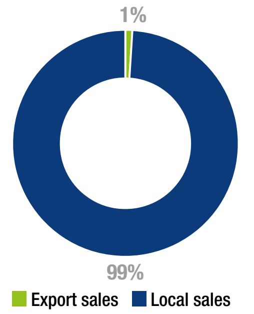
Automotive components and spares are supplied to the aftermarket to support the more than 10.5 million cars and LCVs on South Africa's roads.

THE IMPACT OF NEVS

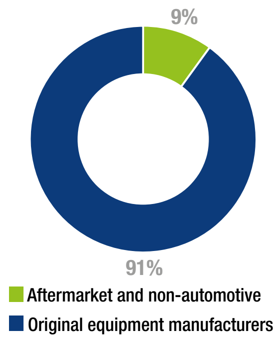
The global commitment to reducing carbon emissions is the primary driver of the move to NEVs. As South African OEMs start to produce NEVs in the years ahead, the majority of our automotive component and commodity-based products will remain relevant for these vehicles, particularly wiring harnesses (Hesto), lighting units (Lumotech), heating and cooling systems (Smiths Manufacturing) and springs (Supreme Springs). With scrutiny increasing on ESG in supply chains, Metair's deep commitment to custodianship and sustainability creates a potential competitive advantage for future EU exports.

REVENUE SOURCES

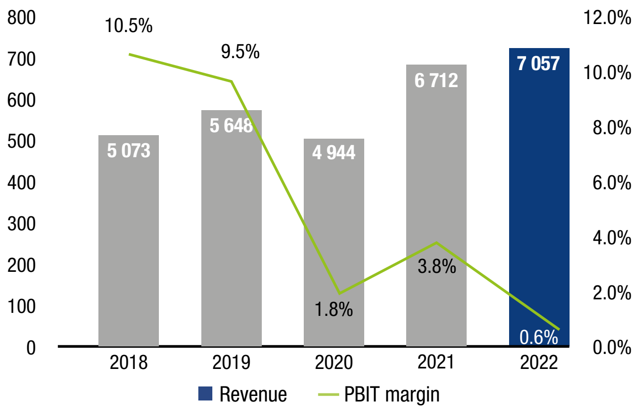
REVENUE BY DESTINATION



REVENUE BY PRODUCT



FINANCIAL PERFORMANCE – AUTOMOTIVE COMPONENTS



PERFORMANCE IN 2022

Revenue increased by R345 million to R7.1 billion (2021: R6.7 billion) and operating profit decreased to R45 million (2021: R257 million). The operating margin decreased from 3.8% to 0.6% and ROIC for the automotive component segment was 1.3% (14.3% normalised) (2021: 10.7%). More information on the segment's financial performance is available in the CFO report on page 37.

MATERIAL OPERATIONS AND MARKET SEGMENTS

AUTOMOTIVE COMPONENTS VERTICAL

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 including Hesto.

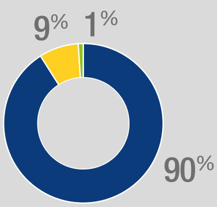
Smiths Manufacturing

Products
Heating, ventilation, and air conditioning (HVAC) and climate control systems, air cleaners, wiper and washer systems, radiators, reserve tanks, charge air coolers, compressors, engine control units, air conditioning pipes and hoses, cooling modules, radiator fan shrouds and condensers

Location
New Germany, South Africa



REVENUE SPLIT BY PRODUCT AREA



- LOCAL OE
- LOCAL AFTERMARKET
- EXPORT

OWNERSHIP **75%**

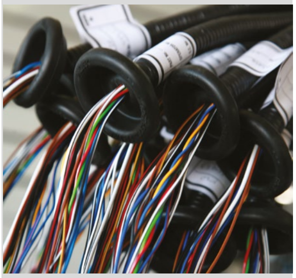
GROUP REVENUE CONTRIBUTION **12%**

Hesto

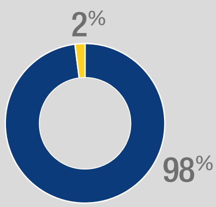
Products
Wiring harnesses, instrument cluster/combination meters, moulded parts

Location
KwaDukuza, South Africa





REVENUE SPLIT BY PRODUCT AREA



- LOCAL OE
- LOCAL AFTERMARKET

OWNERSHIP **74.9%**

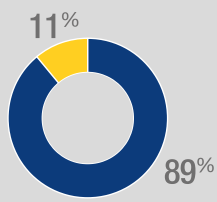
GROUP REVENUE CONTRIBUTION **11%**

Lumotech

Products
Automotive and industrial batteries, solar systems, back-up systems, standby systems, charging systems, Battery Centre franchise

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


REVENUE SPLIT BY PRODUCT AREA



- LOCAL OE
- LOCAL AFTERMARKET

OWNERSHIP **100%**

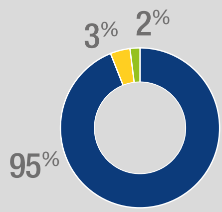
GROUP REVENUE CONTRIBUTION **8%**

Automould

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

Locations
New Germany, Westmead, East London and Pretoria, South Africa

REVENUE SPLIT BY PRODUCT AREA



- LOCAL OE
- LOCAL AFTERMARKET
- NON-AUTOMOTIVE

OWNERSHIP **100%**

GROUP REVENUE CONTRIBUTION **5%**

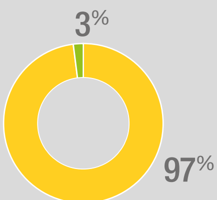
Alfred Teves Brake Systems

includes Auto Plastics

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

Locations
Boksburg and Nigel, South Africa

REVENUE SPLIT BY PRODUCT AREA



LOCAL AFTERMARKET
EXPORT

OWNERSHIP **100%**

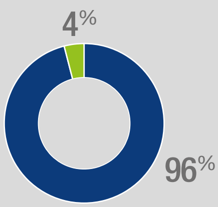
GROUP REVENUE CONTRIBUTION **1%**

Supreme Spring

Products
Automotive and industrial batteries

Location
Istanbul, Türkiye

REVENUE SPLIT BY PRODUCT AREA



LOCAL OE
EXPORT

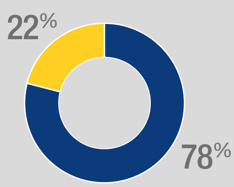
GROUP REVENUE CONTRIBUTION **5%**

Unitrade

Products
Automotive wire, PVC insulated copper

Location
KwaDukuza, South Africa

REVENUE SPLIT BY PRODUCT AREA



LOCAL OE
LOCAL AFTERMARKET

OWNERSHIP **100%**

GROUP REVENUE CONTRIBUTION **2%**

Valeo SA

Products
Headlights, tail lights, reflectors and plastic injection mouldings

Locations
Kariega, South Africa

OWNERSHIP **49%**

Tenneco Automotive

Products
Shock absorbers, struts and track control arms

Locations
Port Elizabeth, South Africa

OWNERSHIP **25.1%**

ENERGY STORAGE VERTICAL

COMPETITIVE POSITION

Manufactures and trades energy storage products and solutions, primarily lead-acid and an increasing number of lithium-ion batteries.

Supplies automotive batteries to OEMs in South Africa, Türkiye, Romania, North Africa and Europe. Serves the aftermarket demand for batteries through retail outlets and wholesalers in South Africa, Türkiye, UK, Africa, Western and Eastern Europe, the Middle East and North America. Non-automotive energy storage solutions are sold into industries including telecommunications, utilities, mines, retail and materials/ products handling sectors.

PRIMARY PRODUCTS

Batteries, solar systems, backup systems, standby systems, charging systems, Battery Centre franchise.

STRATEGIC INTENT

We aim to provide premium global multiple technology energy solutions on demand, maintain our position as market leader in current segments and improve our market share in chosen segments.

Metair expanded into Romania and Türkiye to improve the company's sustainability by diversifying our customer base, product lines and the geographies in which we operate. These investments are located close to the European home markets of some of our biggest customers, accessed leading technologies and provided exposure to the latest developments in the rapidly evolving automotive industry.

Lead-acid batteries used in existing internal combustion engine (ICE) technology comprise the majority of our current energy storage production. Demand for lead-acid automotive batteries is expected to continue in the medium-term as technology develops that provides real-time environmental monitoring at the level of individual vehicles to meet increasingly stringent emission limits. Start/ Stop battery storage solutions have an important role in reducing emissions from ICEs during the shift to full NEV technology. There are also many ICE vehicles currently on the road that will require lead-acid batteries for the rest of their useful lives. We are responding to demand for smaller lead acid AGM batteries to power the auxiliary functions of NEVs and hybrids.

Since 2018, Metair has been developing significant in-house lithium-ion expertise and capabilities to meet customer demands for traded, assembled and manufactured lithium-ion cells. Metair has diluted its shareholding in Prime Batteries (a lithium battery developer and producer in Romania) and secured required manufacturing, technology and chemistry intellectual property. Relationships with a number of tertiary research institutions and our close interactions with OEMs help us to stay up to date with the latest developments in next generation energy solutions. Lithium-ion batteries are a key enabler of current battery electric vehicles (BEV) technology and the Energy Storage Vertical can support leading technology applications including lithium-ion across all product ranges in electrical and all systems in all forms of mobility.

Our strategic focus for lithium-ion technology favours niche applications, primarily automotive starter batteries, and we are developing 12, 24 and 48-volt applications for the automotive and industrial segments in line with customer requirements. Opportunities are increasing to work with technology partners through technical aid agreements, using the model we have in a number of our current operations. Metair's lithium-ion production line is being moved from Rombat in Romania to Mutlu Akü in Türkiye to leverage Mutlu's brand strength, operational expertise, access and positioning within a growing market for lithium-ion products, and benefit from incentives. Transfer of the production line was not completed in 2022 due to regulatory delays and will now happen in 2023.

STRATEGIC ENABLERS

- Geographical position
- Market position and branding
- Distribution network
- Property portfolio
- Recycling system
- Manufacturing excellence
- Marketing excellence
- Technical skills base
- Trend awareness
- Agile manufacturing
- Lithium-ion expertise
- Commitment to sustainability

COUNTRY OF OPERATION

South Africa Türkiye Romania

PERFORMANCE IN 2022

Turnover increased by 14% to R8.6 billion (2021: R7.6 billion) with sales of automotive battery units totalling 8.7 million units, marginally down on 2021 (2021: 8.8 million).

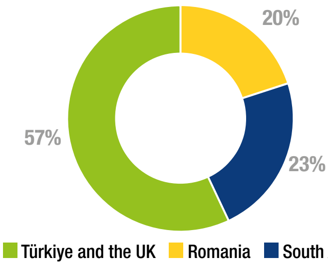
Operating margins decreased from 11.7% to 2.3% due to hyperinflation accounting and increasing energy costs. Operating profit margins would have been 9% before applying hyperinflation accounting.

The operating profit was R195 million (R746 million operating profit on a pre-hyperinflation basis) (2021: R887 million operating profit). On a pre-hyperinflation basis, Mutlu Akü's EBIT in local currency, was 44% higher than in 2021 at an EBIT margin of 11.9% (2021: 16.5%). The further devaluation of the Turkish Lira against the Rand during 2022 (an average decline of 42% year on year) finally resulted in a ZAR EBIT of R530 million pre-hyperinflation (2021: R643 million).

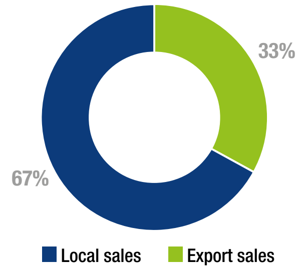
Volumes from Rombat were 13% lower, mainly due to dampened consumer confidence arising from the ongoing conflict in Ukraine. In South Africa, First National Battery's volumes were marginally down on 2021 although initiatives to improve competitiveness and grow market share continue to progress.

REVENUE SOURCES

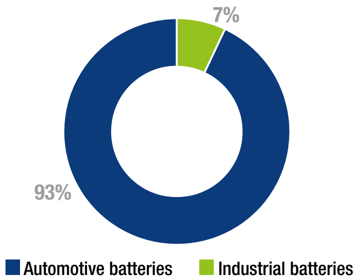
REVENUE BY MARKET



REVENUE BY DESTINATION



REVENUE BY PRODUCT



Sales of industrial batteries increased to R598 million (2021: R530 million), as First National Battery's industrial trade business migration took shape.

Return on invested capital for the segment increased to 4.9% (20.4% normalised) (2021: 25.5%).

CASE STUDY

THE BATTERY CENTRE CONCEPT STORE

Our first Battery Centre concept store, situated in the Eastgate Shopping Centre parking lot, was opened at the beginning of 2023. The store occupies four parking spaces and brings convenience to retail shoppers.

MATERIAL OPERATIONS AND MARKET SEGMENTS

ENERGY STORAGE VERTICAL

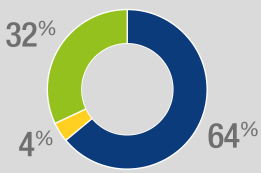
The information on the pages that follow shows the major operations, revenue contribution, revenue split and the percentage of Metair's holding in the subsidiaries/associates including Hesto.

Mutlu Akü

Products
Automotive and industrial batteries, solar systems, backup systems, standby systems and charging systems

Locations
Istanbul and Gediz, Türkiye

REVENUE SPLIT BY PRODUCT AREA



- LOCAL AUTOMOTIVE
- LOCAL INDUSTRIAL
- EXPORT

OWNERSHIP
100%

GROUP REVENUE CONTRIBUTION
31%

Mutlu Holdings

Products
Automotive and industrial batteries

Location
Istanbul, Türkiye

Mutlu Plastic

Products
Plastic parts of batteries, covers and lids

Location
Istanbul, Türkiye

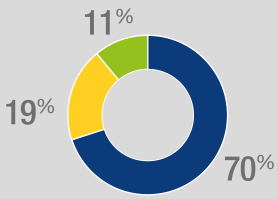
Metindustrial

First National Battery division

Products
Automotive and industrial batteries, solar systems, back-up systems, standby systems, charging systems, Battery Centre franchise

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

REVENUE SPLIT BY PRODUCT AREA



- LOCAL AUTOMOTIVE
- LOCAL INDUSTRIAL
- EXPORT

OWNERSHIP
100%

GROUP REVENUE CONTRIBUTION
13%

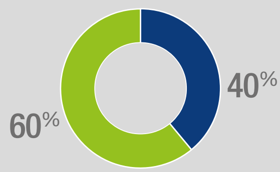
Rombat

Member of Metair Group

Products
Automotive batteries, battery distribution networks

Locations
Bistrita and Copsa Mica, Romania

REVENUE SPLIT BY PRODUCT AREA



- LOCAL AUTOMOTIVE
- EXPORT

OWNERSHIP
99.4%

GROUP REVENUE CONTRIBUTION
11%

Dynamic Battery

Products
Battery distribution networks

Locations
Lancashire, Wiltshire and Leicestershire, United Kingdom

REVENUE SPLIT BY PRODUCT AREA

OWNERSHIP
100%

GROUP REVENUE CONTRIBUTION
1%

Prime Batteries

Products
Lithium batteries, research and development and technology incubator

Location
Bucharest, Romania

OWNERSHIP
10%

Associated Battery Manufacturers (East Africa) Limited

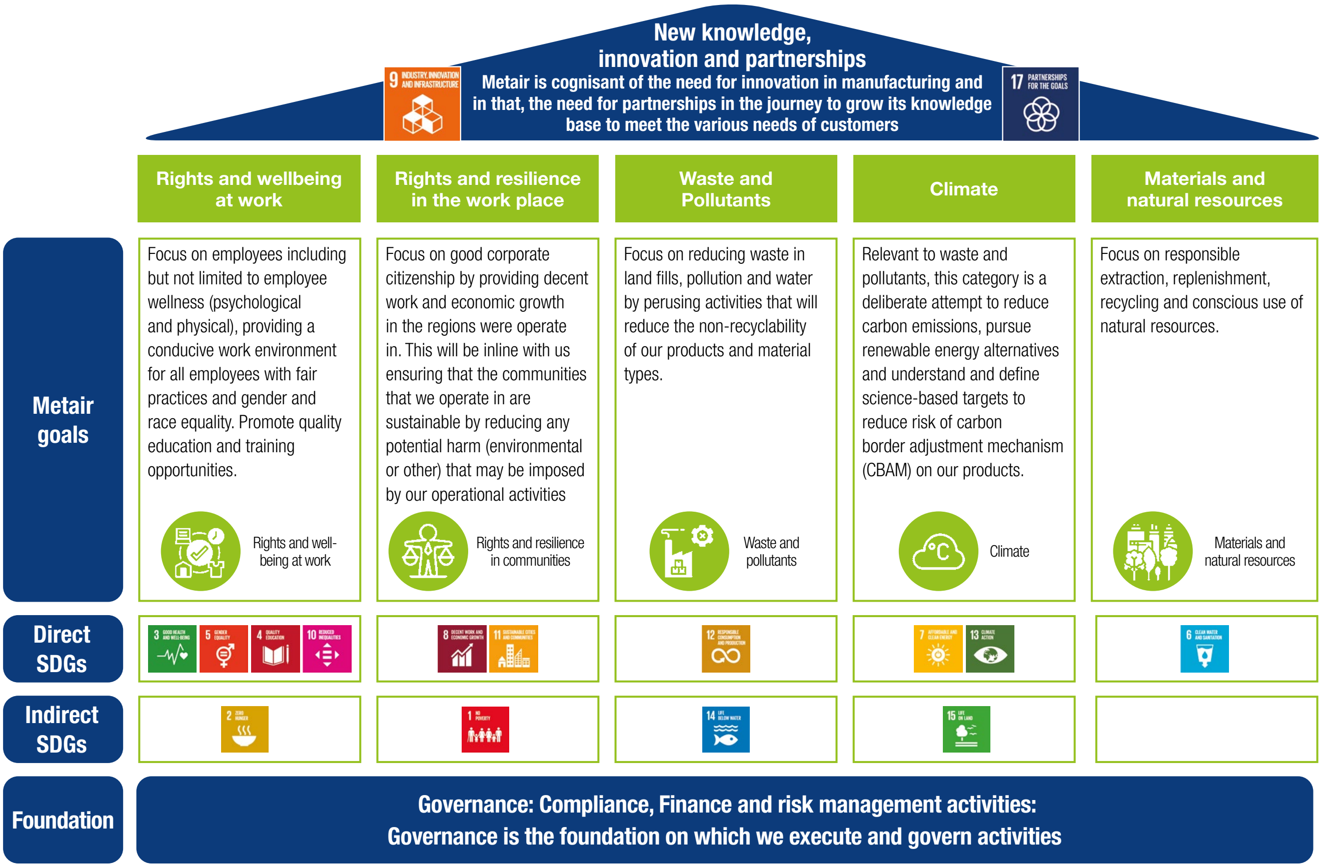
Products
Automotive and solar batteries

Location
Kenya

OWNERSHIP
25%

SUSTAINABILITY

METAIR SUSTAINABILITY MODEL



Sustainability is integrated into our strategy and designed into how we do business. In the global automotive supply chain, demonstrating high standards of quality, governance, environmental, social and ethical practices creates a competitive advantage. We see ourselves as custodians, managing our business ethically and remaining mindful of our environmental and social impacts with the wellbeing of future generations in mind.

HOW WE MANAGE SUSTAINABILITY

The board is responsible for sustainability in the group, with management and monitoring of sustainability delegated to the social and ethics committee. The group sets environmental, social and governance policies and principles that are applied by the subsidiaries. Risk management processes are overseen by the audit and risk committee and include social, ethical and environmental risks.

The social and ethics committee reviews operational sustainability performance every quarter, and social responsibility and ethics matters at least twice a year. The committee sets environmental, social and governance (ESG) targets for operations that 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). The long-term incentive structure for senior executives incorporate ESG targets for health and safety, preferential procurement and transformation.

During the year a sustainability working group was formed with representatives from group and all subsidiaries to define a sustainability framework, model and roadmap with a 13-year timeframe. Key themes were identified from the relevant areas prescribed by ESG best practice including the SDGs, Companies Act and King IV.

The social and ethics committee plan and strategy were updated to align with the roadmap and the subsidiaries are developing work plans to achieve the relevant milestones.

Our approach to sustainability also considers a number of other relevant local and international legislation, frameworks and initiatives, including:

- The JSE Listings Requirements
- The IFRS Foundation’s Integrated Reporting <IR> Framework,
- The UN Global Compact and Sustainable Development Goals
- The Global Reporting Initiative
- The Task Force on Climate-related Financial Disclosures (TCFD)
- The CDP
- The National Development Plan

ETHICS

A social and ethics register records incidents of non-compliance, disciplinary action status, corporate social investment initiatives, and risks and opportunities. Subsidiaries complete quarterly ethics questionnaires that are collated to monitor ethics performance and progress on ethics initiatives.

ASSURANCE

Non-financial sustainability information disclosed in this report has been externally assured and the report of the independent external assurance provider is available on page 101. The engagement included site visits to various operations and an assessment of data collection techniques and controls. The internal audit programme includes areas relevant to and approved by the social and ethics committee, including audits of the whistleblowing facility and reports, policy and implementation reviews and ethics training. Risk audits are periodically done by the group's insurance brokers (Marsh) to identify health and safety hazards.

Assurance visits	2018	2019	2020	2021	2022
ATE				✔	
First National Battery	✔		✔		✔
Hesto Harnesses		✔			
Lumotech	✔		✔		
Mutlu Akü					
Rombat					
Smiths Manufacturing		✔			✔
Smiths Plastics/Automould		✔			
Supreme Spring	✔		✔		
Unitrade				✔	

CASE STUDY

Hesto launch

In September 2022, Metair Investments and its subsidiary, Hesto Harnesses were honoured to have His Excellency President Cyril Ramaphosa officially launch a 35 000m² manufacturing facility dedicated to Ford in KwaDukuza. This investment amplified the manufacturing output of Hesto and created 4 000 employment opportunities, taking the subsidiary employment total to 7 200 employees. This translates into an additional R30 million a month in salaries and wages injected into the iLembe District. Hesto Harnesses is predominantly a female-driven operation with women comprising 70% of employees.

This investment resulted from the contract awarded to Metair in 2020 to support Ford South Africa's production expansion strategy to grow their exports from South Africa. Metair committed R1.7 billion in investments in:

- **Unitrade –** Building of a ±7 000m² manufacturing facility located in KwaDukuza (currently in progress) increasing manufacturing capability by 70% and headcount from 65 to 120.
- **Automould –** Leasing of a ±6 200m² manufacturing facility at the Pretoria Auto special economic zone increasing headcount by 220 to 780.
- **Lumotech –** Expanding manufacturing facilities in Kariega to add a 3 500m² warehouse and 2 400m² of manufacturing space. This expansion created 130 new jobs in KwaNobuhle Township and Kariega/Gqeberha region.
- **Supreme Springs –** Upgrading our facility in Nigel, Gauteng to provide suspension components for the new Ford Ranger.
- **Hesto Harnesses –** New facility in KwaDukuza.

This prestigious event hosted by the chairman of the board – Mr M Flemming; the CEO of Metair – Mr R Haffejee, the Managing director of Hesto – Mr W Hilditch was attended by his Excellency, the President of South Africa, Mr MC Ramaphosa, the Minister of DTIC, Mr E Patel, the Premier of KwaZulu Natal, Ms N Dube-Ncube; the MEC of EDTEA, Mr. S Duma; the Mayor of iLembe, Cllr T Shandu; the Mayor of KwaDukuza, Cllr L Nhaca; iNkosi uDube; Ambassador N Maruyama; President of Ford South Africa, Mr N Hill; Yazaki Board member, Ito San, industry bodies and associates in the automotive industry and government structures.

THE NATURAL ENVIRONMENT

Protecting the environment is one of Metair's core values and it aligns with our commitment to custodianship. In striving to achieve manufacturing excellence, we focus not only on quality, but also on maximising the efficient use of inputs including scarce natural resources, minimising waste and increasing recycling.

ENVIRONMENTAL PRIORITIES

- Improve the efficiency of use of resources (water and energy)
- Reduce carbon emissions
- Minimise pollution
- Responsible waste disposal
- Increase recycling

- Carbon Emissions
- Energy Consumption
- Water Consumption
- Carbon Taxation

Climate Natural capital

Together, Metair and our customers are collectively committed to responsible ESG practices, which includes green manufacturing in support of the circular economy that promotes initiatives such as waste reduction by avoiding landfill, reusing materials and recycling. We adhere to the highest level of compliance and declarations related to environmental issues.

Our international OEM customers are subject to high levels of regulatory oversight and consumer scrutiny regarding their direct environmental impact and the broader impact of their supply chain. Metair's environmentally responsible business practices and commitment to iteratively improving our sustainability performance ensure that we remain a favoured supplier in the global automotive supply chain. In 2022, we spent R3.3 million on environmental protection expenditure (2021: R6.6 million).

HOW WE MANAGE NATURAL CAPITAL

The board, supported by the social and ethics committee, oversees the group's programmes to manage our impact on the environment, minimise pollution, optimise waste disposal and protect biodiversity. The board has the ultimate oversight of the groups approaches to considering, evaluating, and integrating climate-related risks and opportunities throughout the company. The safety, health and environment (SHE) departments at the operations manage the environmental issues relevant to their location and activities. All subsidiaries are accredited under ISO 14001 (environmental management) and ISO 50001 (energy management).

Metair aims to comply with or exceed the requirements of current environmental legislation and codes of practice in all countries of operation. The Code of Ethics emphasises compliance with safety, health and environmental (SHE) regulations as one of its core pillars and environmental compliance is integrated into our operating practices and environmental management systems.

CARBON EMISSIONS

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 aims to ensure that the increase in global average temperature remains below 2°C above pre-industrial levels to reduce the risks and impacts of climate change. We recognise that the consequences of climate change could have a significant impact on the group's activities and we monitor our greenhouse gas (GHG) emissions. Targets are set to ensure that the group's contribution to GHG emissions is mitigated and that we adapt to the changing climate and environmental conditions.

Potential direct and indirect impacts of climate change identified by our subsidiaries include:

- supply chain disruptions and increased cost of transport;
- water constraints directly affecting our activities, and affecting households and workers in the area;
- reduction or disruption to production due to extreme weather events;
- increased temperatures leading to increased heat stress and dehydration in the workforce and increased cooling costs at production facilities;
- the shift to electric vehicles driving increased demand for lithium-ion battery technology and reduced demand for lead acid batteries; and
- rising costs due to carbon tax.

Metair reports in terms of the Task Force for Climate-Related Financial Disclosure (TCFD) principles and guidelines. A summary of our TCFD disclosure is available on our website www.metair.co.za.

Metair participated in the 2022 CDP Climate Change project and achieved a B CDP score (2021: B), indicating that we are currently at a "Management" level regarding our approach to climate change. This score places us above the averages for global powered machinery companies (D), African companies (C) and the global average for all companies (C).

Metair's total carbon footprint increased by 0.3% to 614 258 tCO_2e in 2022 (2021: 612 616 tCO_2e) as increased production at Mutlu Akü offset closures and short-time at several South African subsidiaries due to the floods. Scope 3 emissions increased by 1%. There were some adjustments to the 2021 Scope 3 emissions report to account for FNB's recycled lead purchased, Hesto's water purchased, Rombat's recycled lead and ATE's recycled lead.

	2022	2021	2020	2019	2018
Scope 1 (direct emissions)	52 666	50 467	43 944	47 032	44 800
Scope 2 (indirect emissions from electricity)	163 146	166 687	146 062	173 311	153 767
Scope 3	398 445	395 462	306 549	421 099	423 946
Total	**614 258**	**612 616**	**496 554**	**641 441**	**622 513**

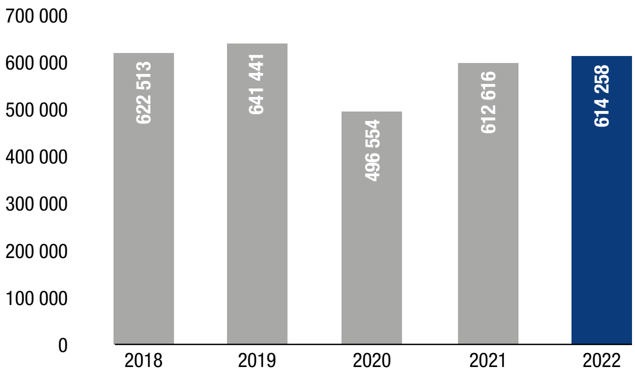
Metair's carbon footprint is calculated using the GHG Accounting Protocol (World Resources Institute, World Business Council For Sustainable Development) as a guideline, and includes CO_2, CH_4 and N_2O. Refrigerant gases included hydrofluorocarbons (HFCs) and hydrochlorofluorocarbons (HCFCs R22). The Scope 1 carbon footprint calculations use emission factors from the Intergovernmental Panel on Climate Change (IPCC). Scope 2 emissions since 2019 used the grid emission factor specific to the country of operation. Scope 3 emissions were calculated using the relevant DEFRA emission factors.

Manufacturing energy storage solutions uses carbon-dense materials and large amounts of energy and water. The three operations in the Energy Storage Vertical – First National Battery, Rombat and Mutlu Akü – together contribute 75% to the group's total carbon footprint.

58% of the group's carbon footprint arises from consumption of raw materials, 27% from electricity consumption and 6% from stationary fuels. Our focus on manufacturing efficiencies contributes to reducing our carbon emissions by optimising energy consumption and the use of raw materials while reducing waste in the production process. Scope 1 and 2 emissions per person per hour worked decreased 21% to 8.2 kg CO_2e in 2022 (2021: 10.5 kgCO_2e). This decrease is mainly due to Hesto, where person hours worked nearly doubled due to the expansion of operations, while energy use decreased due to the closure following the floods at the start of the year.

We are assessing options for installing solar panels at our facilities to decrease our reliance on electricity generated from fossil fuel, reduce carbon emissions and create ongoing savings as the cost of electricity continues to increase.

TOTAL CARBON EMISSIONS (tCO_2e)



Upstream Scope 3 emissions include:	Downstream Scope 3 emissions include:
• Extracting, producing and transporting raw materials • Extracting, refining and transporting raw fuel • Transporting raw materials from the manufacturers to our facilities • Disposing and treating waste generated • Business travel • Employee commuting	• Transporting products to distributors, retailers and customers

ENERGY CONSUMPTION

Energy used at our operations includes various fuels, including petrol, diesel and gases, with electricity being the largest energy source.

Energy efficiency initiatives include:

- ongoing training and awareness,
- increasing natural light and switching to energy efficient lighting,
- switching off equipment and lights when not in use,
- insulating equipment,
- energy monitoring to identify areas for improvement,
- reducing scrap,
- decommissioning underused machinery or facilities,
- installing variable speed drives,
- replacing pumps fans and motors with more energy efficient alternatives,
- sourcing more energy efficient options when replacing old machines in the maintenance cycle.

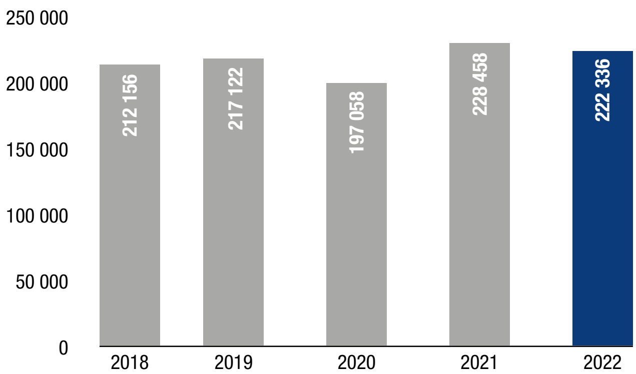
The operations consumed 1.5 million litres of petrol and diesel in 2022 (2021: 1.6 million litres), 2.1 million tonnes of coal (2021: 2.6 million tonnes) and 19 044 tonnes of gases (2021: 16 279) – mainly oxygen, nitrogen, liquified petroleum gas and liquified natural gas. In addition, 3.6 million m^3 of methane was consumed (2021: 2.8 million m^3).

Electricity use is monitored as a key input in our manufacturing processes and an expense. All operations have implemented the ISO 50001 energy management system, which requires that companies demonstrate improved energy efficiency.

Metair is also investigating opportunities for energy storage solutions for alternative power generation, including solar support energy systems.

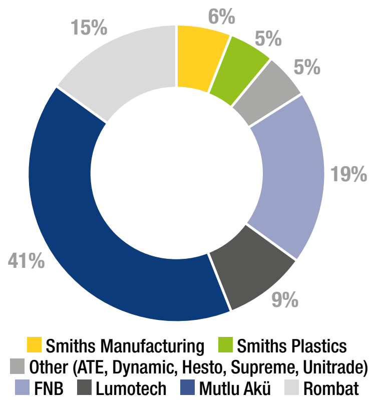
Total electricity consumed by the group decreased by 2% to 222 336 MWh or 800 408 Gigajoules (2021: 228 458 MWh or 822 448 GJ). Electricity consumption per person per hour worked decreased by 23% to 8.5 kWh/PHW (2021: 11.01 kWh/PHW).

ELECTRICITY CONSUMPTION (MWh)



THE NATURAL ENVIRONMENT (continued)

ELECTRICITY CONSUMPTION BY OPERATION



Mutlu Akü (41%), First National Battery (19%) and Rombat (15%) are the largest users of electricity in the group, comprising 75% of total group electricity. Around 40% of the electricity purchased by these operations is sold in the charged batteries and they are therefore reporting electricity purchased, rather than electricity consumed.

WATER CONSUMPTION

We recognise that water is a precious resource and this is particularly relevant in South Africa and Türkiye, both of which face significant water challenges. In South Africa, these include deteriorating water infrastructure, pollution risks, and increasing water scarcity and droughts that are likely to be exacerbated by climate change. Drought is common in Türkiye, with 2021 being the driest year in two decades and 2023 beginning with a drought.

Water saving initiatives include:

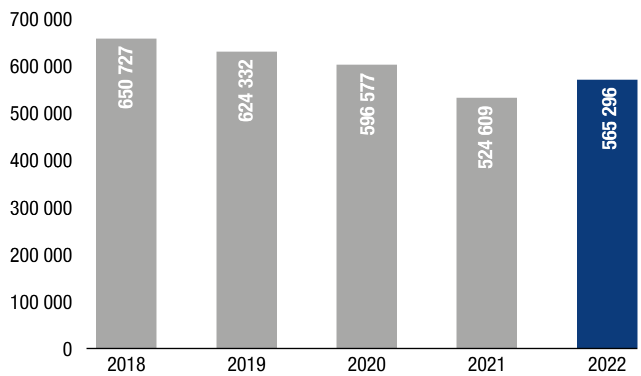
- training and awareness,
- water use monitoring,
- leak identification and repair,
- switching off underused cooling equipment,
- installing water saving taps,
- rainwater harvesting,
- reverse osmosis water purification plants to recycle and recover process water.

Fresh water is sourced from municipal sources and boreholes, and measured from municipal or internal meter readings.

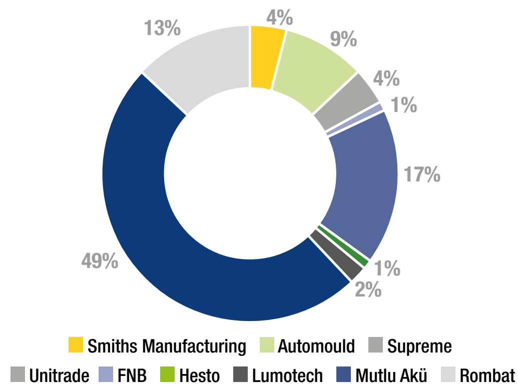
Our focus on improving manufacturing efficiencies includes reducing water consumption, increasing water efficiencies and recycling process water where possible.

The three companies in the Energy Storage Vertical account for 79% of total group withdrawal. Group water withdrawal increased by 8% to 565 296 m^3 (2021: 524 608 m^3) and water consumption per person hour worked decreased by 15% to 21.6 litres (2021: 25.3 litres). This decrease is attributable to an increase in person per hour worked. Metair does not currently participate in the CDP water programme, but does follow its guidance.

WATER WITHDRAWAL (m^3)



WATER WITHDRAWAL BY OPERATIONS



CARBON TAX

South Africa's Carbon Tax Act introduced a market-based carbon pricing mechanism to target the most carbon- and energy-intensive companies and thereby to shifting the economy to low-carbon growth. Apart from ATE and Supreme Spring, Metair's production facilities fall below the threshold emission levels in the legislation. Some of our raw material suppliers may be affected by the tax and could pass through cost increases, although to date this has not been material. The second phase of the Carbon Tax came into effect in 2022 and increases the tax rate to start aligning with global rates.

National Treasury and the South African Revenue Service (SARS) released the 2022 draft Taxation Laws Amendment Bill (TLAB) for comment during the year. The bill proposes an increase in the carbon tax rate that is likely to result in a roughly 250% increase in the carbon tax rate by 2030 if enacted in its current form.

ENVIRONMENTALLY FRIENDLY PRODUCTS (END-OF-LIFE)

Climate | Environmentally-friendly products (End-of-Life) | Natural capital

The strict environmental laws in Europe and Japan that apply to our OEM customers affect the material makeup and environmental impact of the components we supply to for assembly in their products. These include regulations to reduce waste arising from end-of-life vehicles.

Metair aims to ensure that all components manufactured across the group have a positive life-cycle and end-of-life impact on the environment. We incentivise retail customers buying new automotive batteries to return old batteries to bring lead back into the recycling process. Our ability to reclaim products or packaging from end users in our automotive components business is limited given that these components end up in vehicles that may be manufactured in, or exported to, other countries. We aim to control and eliminate as far as possible the use of Substances of Concern (SoC) in our products. We closely monitor the chemical composition of our products and submit full material declarations for all the components we manufacture in line with the International Material Data System.

WASTE MANAGEMENT

Waste and pollutants

- Waste management
- Batteries and recycling
- Hazardous substances

Natural capital

Initiatives to reduce waste to landfill include:

- Ongoing training and awareness,
- Scrap reduction targets,
- First National Battery recycles pallets into combustible material for the furnace and uses reusable plastic crates and reusable packaging to reduce cardboard waste and realise savings in packaging,
- Supreme Spring recycles steel waste, plastic containers and used oil, and re-uses shot peen dust. Old pallets are used to manufacture benches and tables,
- ATE's waste recycling programme earned enough to cover the rest of its waste management expenses,
- Lumotech granulates regrind material from scrap components for reuse in production and for sale to local and international buyers. The income generated through these sales covers the cost of the initiative and other waste management projects,
- Other operations are engaging with suppliers and customers to reduce the amount of packaging received and shipped with our products.

Employees are trained to segregate waste at source and we reuse or recycle wherever possible. 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.

Scrap reduction targets for primary and secondary materials to minimise waste from production processes to improve manufacturing efficiency. These are supported by dedicated scrap programmes, close analysis and regular interrogation of the root causes of excess scrap, as well as switching to efficient machinery and equipment.

65% of total non-hazardous waste (12 031 tonnes) was recycled in 2022 (2021: 62% and 10 192 tonnes). Recycled waste was mainly plastic, metal, wood and cardboard. We also recycled 55 384 litres of used oil during the year. Total non-hazardous waste sent to landfill increased 4% to 6 376 tonnes and hazardous waste disposed increased 2% to 21 086 tonnes. Total waste disposal, emissions treatment and remediation costs were R3.3 million in 2022 (2021: R3.1 million).

BATTERIES AND RECYCLING

Lead is included in the list of substance banned in Europe by EU directive 2000/53/EC. OEMs are required to limit substances on this list in new vehicles and ensure that they are responsibly managed throughout the vehicle lifecycle. New proposed battery regulations in the EU will introduce requirements to significantly increase recycling of cobalt, copper, lead, nickel and lithium by 2030. Our goal when designing new batteries is to reduce the amount of lead used without affecting performance.

Lead-acid batteries are nearly 100% recyclable and all of our battery manufacturing facilities have on-site recycling plants. Lead is extracted from battery grids and terminals, refined and blended to produce high-quality lead alloys for new batteries. The yield on lead recycling and plastic recycling percentage are tracked as measurement criteria for waste management. Mutlu Akü has consistently been reaching its theoretical lead recycling yield and may need to increase recycling capacity in the near future to achieve further improvement. Acid from the batteries is neutralised and processed through an effluent plant. Plastic from the battery casings is recycled into new battery casings.

Recycled lead uses around a third of the energy needed to produce virgin lead and is cheaper to access. Lead recycling helps to manage costs, secures supply of a critical input and also ensures that lead is managed responsibly through the battery lifecycle.

During 2022, the group recycled around 71 000 tonnes of lead (2021: 62 000). Lithium ion batteries are not currently recyclable on a commercial scale.

2022 Environmental targets and progress	2023 Environmental targets
All companies to target achievement of ISO 50001 accreditation by the end of 2022. *All companies are now ISO 50001 accredited*	All companies to maintain all quality management system (QMS) accreditation.
Target a 2% improvement in the consumption of water per person hour worked (PHW) across all companies. *Water use per PHW improved by 15%*	Reduce total water consumption per PHW by 2%.
Reduce total energy consumption by reducing electricity consumption per PHW by 2% by December 2022. *Achieved a 23% improvement*	Reduce total energy consumption per PHW by 2%.
Target 1% improvement on site-specific production scrap percentages across all companies.	Target 1% improvement on site-specific production scrap percentages across all companies.
Energy storage businesses to improve yield by 2% a year until they reach their theoretical ceiling yield.	Energy storage businesses to improve yield by 2% a year until they reach their theoretical ceiling yield.
Reduction of carbon emission by 2% by volume unit across Metair.	Reduction of carbon emission by 2% by volume unit across Metair (internal) and by person hours worked.
	Increase recycling of non-hazardous waste across the group by 2%
	Target 10% year on year improvement on renewable energy mix.

SOCIAL IMPACT

Our success depends on the skills, experience, productivity, wellness and motivation of our people. Metair adopts an inclusive stakeholder approach and aims to direct, grow and control the business to achieve sustainable value creation for all stakeholders

SOCIAL PRIORITIES

- Employee development, wellbeing and safety
- Embracing transformation
- Investing in CSI initiatives

- Health and Safety
- Human Rights
- Labour and Employment
- Diversity and transformation

Rights and well-being at work

Human capital

HOW WE MANAGE OUR HUMAN CAPITAL

Metair recognises that talent is central to the ongoing success of the group. We aim to be the employer of choice in our industry to our employees of choice, by offering a compelling employee value proposition. This 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.

HR is overseen by Metair's group HR executive. Ongoing interactions with HR functions across the group aim to drive collaboration regarding ideas, policy and governance, reduce risks related to industrial relations and support HR best practices, and leverage the scale of the group when identifying group wide HR needs and as such cost efficiencies.

The HR strategy aims to drive organisational transformation by implementing organisation design principles to shift the subsidiaries to embrace more modern HR practices built with a data centric intent. It also addresses future leadership and the intent to increase the use of technology while promoting diversity, equality and inclusion. We developed a leadership framework and leadership competencies will be refined once the new strategy is finalised. These competencies will be incorporated into individual development plans that map out career paths and succession for our future leaders and technical experts.

A standardised performance management model is in place at subsidiaries for top management to monitor and improve performance.

We are rolling out the defined HR framework, having benchmarked all people practices against best in class modern people practices. The intent will enable a consistent, integrated and data centric approach to HR whilst ensuring we do not lose sight of the human-centred approach. The HR executive reviewed the human capital target operating model and benchmarked people practices to advance Metair's human capital management.

Priorities in 2022 included:

- Developing and implementing a leadership development framework and learning interventions that target MDs and subsidiary executive teams over a 12- to 18-month time frame. This will ensure Metair has a cadre of leaders that can influence, inspire and align the workforce to achieve the group's strategic intent. The framework will be implemented in 2023.
- Transforming and professionalising HR by conducting an external gap analysis and internal benchmarking of all people practices to determine the short-, medium- and long-term focus areas for HR. This informed the development of the HR framework as well as the selection of an HR training provider who will start a training programme early in 2023 to enable the HR community to enhance their capabilities and offer the group modern, fit-for-purpose HR practices.
- Conducting replacement planning for all subsidiaries' top two tiers of leadership and succession planning for leaders three years away from retirement. In 2023, we will continue to build a pool of successors aligned to the new strategy to ensure the right potential candidates are identified for Metair's future intent/strategic objectives.
- Creating a talent marketplace or talent pools for critical and scarce skills.

Planned changes to the performance management process and related remuneration practices were delayed pending finalisation of the strategy and will be implemented in 2023. Developing a new employee communications and engagement plan was postponed to 2024 so as not to overlap with wage negotiations in 2023.

During the year, the board approved the HR Compliance Policy, which applies to all South African subsidiaries and defines the standards and guidelines of Metair's HR compliance-related practices. The policy aims to ensure HR activities are conducted in accordance with best practices as well as legal and regulatory provisions.

SUCCESSION PLANNING

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

To assist the remuneration and nomination committees to have a clear view of the leadership bench strength in the group, various executive assessments were done on the group managing directors and development plans were put in place.

The appointment of the new group human resource executive creates an opportunity to pause, reflect and reassess the future

people agenda for Metair and its subsidiaries. Through collaboration she intends to build a case for change and put a people strategy in

place for Metair that aims to be transformational, aspirational and inspirational for all employees. The key to organisational transformation

is a thorough and consistent process that recognises both the organisational and personal aspects of change management. The approach to succession planning for the chief executive officer and the chief financial officer is to recruit or identify individuals at subsidiary level or source externally.

HEALTH AND SAFETY

Metair values the welfare, health and safety of its employees and contractors. Effective safety policies and practices are in place in all work areas for potentially dangerous machines and certain materials at our manufacturing facilities. The most common workplace injuries in the group operations include cuts, bruises, back and muscle strains and burns.

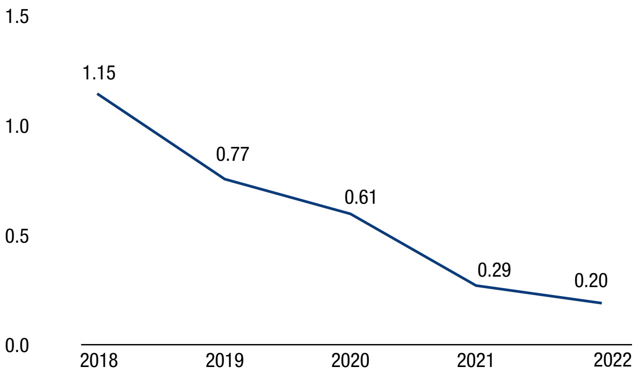
Health and safety policies align with the relevant legal frameworks, including the Occupational Health and Safety Act (OHSA), No. 85 of 1993. The Metair group safety, health and environmental policy sets guiding principles that are implemented at the subsidiaries through detailed policies that align their specific situation with the group policy.

A health and safety template based on the ISO 45001 framework assists subsidiaries with compliance, continuous improvement and best practices. Twelve of our operations are accredited in terms of OHSAS 18001 or ISO 45001.

Benchmark lost-time injury[1] frequency rates are set by the social and ethics committee for each subsidiary to drive improvements in safety performance. 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.

Subsidiaries submit incident reports to the Metair CEO for any incidents which take place in their workplaces. Metair subsidiaries also undertook a near miss campaign to increase awareness of safety hazards.

LTIFR PER 200 000 PERSON HOURS



There were no occupational fatalities at group operations in 2022 and lost time injuries reduced to 26 (2021: 37). The LTIFR improved to 0.20 (2021: 0.29), below our benchmark of 1.0 and our lowest ever LTIFR. Particularly noteworthy is the improvement in performance at FNB, where LTIs reduced from 10 in 2021 to 4 and the LTIFR improved from 0.60 to 0.26.

HAZARDOUS SUBSTANCES

Standard health and safety procedures at facilities that use potentially dangerous substances comply with local country regulations and meet the standards governing our OE customers in other jurisdictions. The primary substances of concern in the group are lead and acid at the companies in the Energy Storage Vertical, and hexavalent 6 chromium at Automould.

Policies and procedures are in place for the handling and storage of all hazardous materials. Dedicated storage facilities are set aside for hazardous materials where management and storage is strictly controlled. Spill kits are available in areas that have the potential for hazardous chemical spills and operators are trained in their use.

First National Battery, Mutlu Akü, Rombat, and ABM facilities manufacture batteries in which lead is a core component. Long-term lead exposure can result in lead poisoning and is particularly dangerous for pregnant women.

Ongoing training in safe working practices and personal protective equipment are provided to employees working in areas where they may be exposed to high levels of lead.

No women are employed in lead areas in any of our operations. Other controls include improved extraction to reduce airborne lead dust and ensuring facilities such as change houses are sufficiently far from smelters.

Occupational health programmes at operations that use lead regularly monitor blood lead levels. These are checked against baseline tests done when the employee joined the company and the maximum exposure limits set in the relevant occupational health and safety regulations in the country of operation. Employees are removed from lead areas if blood lead levels reach 35 µg/100ml, which is below the regulatory limit in South Africa (60 µg/100ml) and in Türkiye and Romania (both 40 µg/100ml).

Operations monitor 30 µg/100ml as an "early warning" indicator and targeted no new cases above this limit for 2022.

During 2022, there were 85 new blood lead levels of above 30 µg/100ml.

Employees with blood lead levels >30 µg/100ml	2022	2021	2020
New cases	85	64	47
Cases returned below 30 µg	89	64	55

EMPLOYEE WELLNESS DURING COVID-19

Policies and protocols remain in place at all subsidiaries to prevent the spread of COVID-19 aligned with the relevant regulations in each jurisdiction. Detailed dashboards at each subsidiary track and report all COVID-19 statistics. Although the impact of COVID-19 during the year continued to decrease, we introduced a vaccination policy to safeguard the health and safety of our employees and continue to actively encourage employees to get vaccinated. Approximately

[1] *Lost-time injuries are workplace injuries that prevent an employee from returning to work the next day*

SOCIAL IMPACT (continued)

75% of the workforce is vaccinated. From the start of the year, we are no longer able to request vaccination status from employees in Türkiye due to local regulations.

HIV/AIDS

Estimated HIV/Aids prevalence rates at our South African operations is around 2%. Clinics at Metair's major South African operations offer VCT for HIV/Aids to employees and contractors. In 2022, 317 HIV/Aids employees received voluntary counselling (2021: 135) and 781 employees and contractors were tested for HIV/Aids (2021: 331).

Employees on the group's medical aid programmes have access to Aids management programmes. Some of the clinics distribute anti-retrovirals (ARVs) to HIV-positive employees, while others have relationships with local community clinics that provide ARVs. Certain operations provide nutritional supplementation and vitamins to HIV positive employees. HIV/Aids awareness is promoted at our South African operations through competitions, promotions, banners, speeches on wellness days and World Aids Awareness Day activities.

HUMAN RIGHTS

Human rights in the group is overseen by the social and ethics committee. 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. These principles are applied consistently across all operations in all our countries of operation.

Physical, mental, verbal, sexual or any other abuse, inhumane or degrading treatment, corporal punishment or any form of harassment are prohibited in the code of ethics. Metair does not tolerate discrimination in the company and, should an incident be reported, it is subject to the normal disciplinary procedures, which include dismissal.

As a supplier of products to OEMs and a producer of commercial and industrial energy storage solutions, our products are not directly intended for use or consumption by children. Metair does not market its products to children.

We support the elimination of child labour, forced and compulsory labour. Assessments are performed on suppliers during onboarding of new suppliers and through supplier audits to ensure that they share these ideals and that they operate in an ethical, compliant and sustainable manner.

There were no incidents reported in the company of unfair practices, discrimination or human rights abuse during 2022, and no reported incidents of non-compliance with regulations and voluntary codes concerning the impacts of the company's products and services on children's health. There were no reported negative impacts on children in local communities and/or wider society directly due to our products.

LABOUR AND EMPLOYMENT

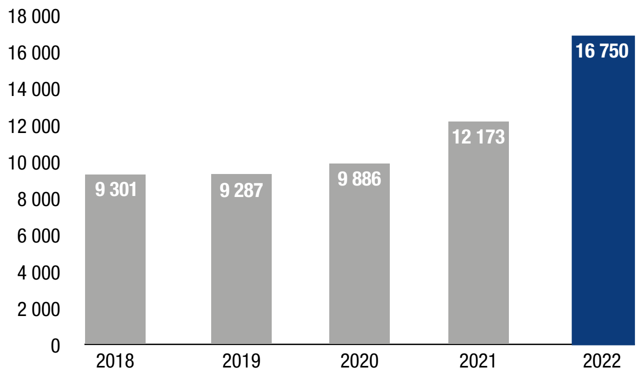
Workforce profile

Note: Total employee numbers reported in this section include Hesto employees as Metair is responsible for day-to-day management at this associate.

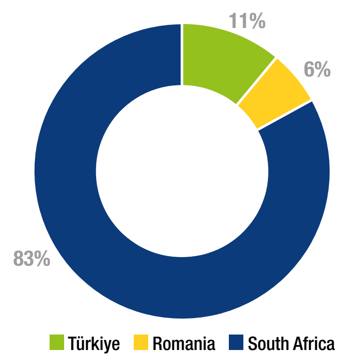
Total staff complement (including contractors) increased by 38% to 16 750 at year end (2021: 12 173) as the Hesto workforce more than doubled to build capacity to support customer model launches. South African operations employ 83% of the group's workforce, Türkiye 11% and Romania 6%.

Permanent employees make up 92% of the workforce and contractors 8%. (2021: 85% permanent staff). Total workforce numbers may vary during the course of the year linked to model changes, seasonal volume adjustments and strikes. Hesto accounts for 54% of the group workforce, Lumotech 9%, Mutlu Akü 9% and First National Battery 8%. HDSA comprise 96% of South African employees (2021: 93%) and women comprise 48% of group employees (2021: 39%).

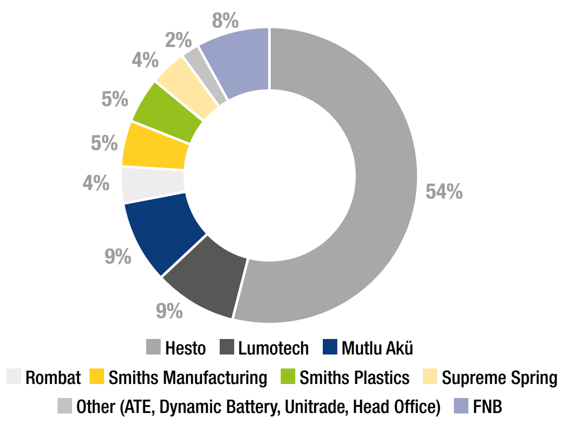
STAFF COMPLEMENT (INCLUDING HESTO)



STAFF BY REGION



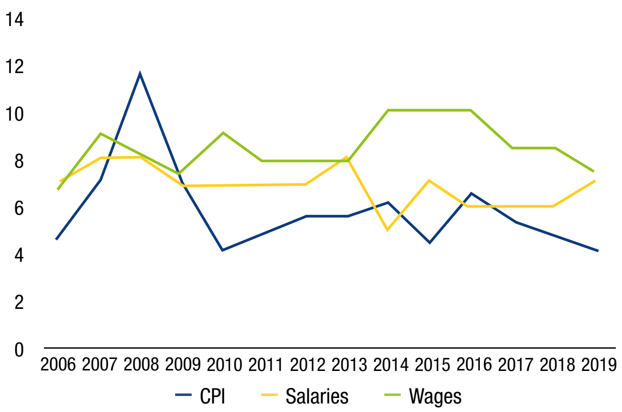
STAFF BY OPERATION



The permanent staff turnover rate increased to 8% in 2022 (2021: 5.7%) and absenteeism decreased to 2% (2021: 3.0%). There were 118 retrenchments in the group (2021: 16), with 72 at FNB arising from the section 189 process started in 2021.

Metair is committed to fair and competitive remuneration and our lowest earning workers are paid well above the national minimum wage. We regularly benchmark remuneration to ensure that we are aware of market practices. Metair has consistently increased hourly wages faster than salaried pay and the CPI to help to reduce the pay gap between salaried employees and wage earners.

ANNUAL INCREASE (%)



Impact of April floods in KwaZulu Natal

The floods in KwaZulu Natal resulted in a major customer being unable to use their production facilities in Durban for an extended period, affecting around 4 500 employees at the Metair subsidiaries most aligned to that customer (Smiths Manufacturing, Hesto and Automould). Following the imposition of short-time, wage earners affected by the no-work-no-pay policy were offered a cash advance of between 25% and 50% of normal basic wages on lost earnings, depending on affordability. This advance was recouped from earnings by the end of 2022 once production restarted. Salaried staff exposed to the customer received 50% to 80% of their salaries depending on their degree of exposure.

Impacted employees were able to claim flood relief grants in terms of government support programmes and we assisted them to claim lost pay due to reduced work from the UIF. Employee readiness, training and planning was provided to support their return to work once production resumed.

Labour relations

Metair respects the rights of our employees and those of our suppliers to freedom of association and recognises trade unions as important stakeholders in the group. Recognition agreements are in place at national, provincial and company level. Most South African operations fall under Chapter III of the Motor Industry Bargaining Council, although First National Battery is covered at plant level. At year-end, the number of employees that belonged to a union declined to 41% (2021: 53%). This is largely due to an uptake of employees at Hesto that are not unionised.

We aim to maintain constructive relationships with unions that appropriately balance the needs and interests of all parties. 8 870 (2021: 366) person days were lost to strike action, mainly in a 10-day strike at Mutlu Akü (6 933 person days) as well as strikes at Smiths Manufacturing (1 423) and Automould (454).

Skills development

Training programmes at the operations aim to develop skills relevant to their industry and areas of focus. Development opportunities available to employees include mandatory skills training, technical training, personal and professional development, product knowledge training, on the job training and study assistance. Hesto's training school is accredited with the Manufacturing, Engineering and Related Services SETA (MERSETA).

The group invests in various practical learning programmes for qualifying candidates that build a skills pipeline for future employment. These include learnerships, apprenticeships, candidate technician internships, candidate engineers' programmes and graduate-in-training programmes. Hesto offers an accelerated artisan training programme in collaboration with the Department of Labour and MERSETA.

Several operations offer adult education and training courses and permanent employees can receive financial assistance to further their studies at a recognised college or university. First National Battery, Hesto, Automould and Smiths Manufacturing provided learnership and other opportunities to disabled candidates.

There were 163 learners in non-artisan learnerships in the group in 2022 (2021: 263), 68% of whom are women, as well as 49 new recruits in Metair's artisan apprenticeship programmes (33 women). 478 bursaries were provided to promising students studying in the engineering, finance and technical fields (2021: 426) at a cost of R4.8 million.

Hesto identifies promising candidates in its succession and talent management programmes on a management development programme in partnership with the Durban Automotive Cluster.

The group invested R20.9 million in skills development programmes for employees in 2022 (2021: R22.9 million) which represents 4.2% of net profit after tax (2021: 3.3%). R31.3 million was invested in training, which includes induction training, awareness programmes and other non-skills training (2021: 36.8 million). Training spend per permanent employee decreased to R3 216 (2021: R4 071), across 19 650 training interventions. 89% of training spend in South Africa was directed to HDSA candidates in 2022. A total of 16 374 employees were trained during the year, which includes training of temporary and seasonal employees that may not be included in the headcount at year-end.

Diversity and transformation

Metair recognises the many benefits of diversity. This section discusses transformation in the South African subsidiaries in the context of the applicable local regulations. Programmes to promote diversity at our international subsidiaries mainly focus on improving gender representation.

South Africa's APDP requires Level 4 B-BBEE status to realise the full benefit of government support and demonstrating our commitment to transformation is a potential source of competitive advantage when bidding for new OEM business.

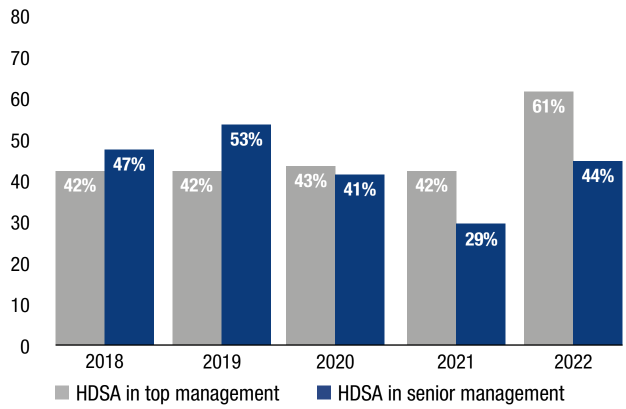
Metair's HR policies emphasise the importance of diversity in key decision-making forums. Transformation in the workforce is implemented in terms of the group transformation and the equal opportunity policy. Progress is monitored by the employment equity and transformation committees, which report to the board. Five-year employment equity plans are in place and annual employment equity reports are submitted in accordance with the Employment Equity Act. Metair is monitoring the amendments to the Employment Equity Act and the possible effect they could have on the employment equity plans.

The talent management and succession planning programmes have a focus on improving representation at management level. Promising candidates identified in the subsidiaries are developed through accelerated skills development programmes, learnerships, targeted internal and external training programmes as well as mentoring by executives.

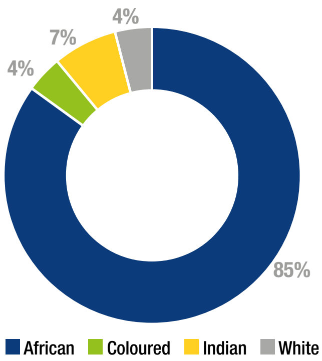
SOCIAL IMPACT (continued)

At the end of 2022, HDSAs comprised 96% of the total permanent workforce at the South African subsidiaries. HDSAs in top and senior management increased to 59% (2021: 36%) and HDSA women in top and senior management decreased to 16% (2021: 20%). HDSAs in top management increased to 61% (2021: 42%) and HDSAs in senior management increased to 44% (2021: 29%).

HDSA IN MANAGEMENT (SOUTH AFRICAN OPERATIONS ONLY)



STAFF COMPOSITION (SOUTH AFRICA ONLY)



Enterprise and supplier development

Metair's enterprise and supplier development (ESD) initiatives promote job creation, entrepreneurship and transformation in the South African automotive supply chain by providing opportunities for black-owned, black women-owned businesses and the youth. These programmes support suppliers of raw materials and consumables, providers of services and consultants.

Preferential procurement and ESD are entrenched in the group procurement policy and learnings and best practices are shared at the group procurement forum. Preferential procurement targets are included in performance incentives for senior executives.

Total group preferential procurement spend was R1 999 million in 2022 (2021: R1 959 million), which represents 54% of total discretionary procurement spend.

ESD support during 2022 included:

- **ATE** provides a fully-equipped garage facility to a small business, including three vehicle lifts and all tooling. The business repairs vehicles for Ekurhuleni municipality and other privately-owned vehicles.
- **Smiths Plastics** bought embroidery machines for a small company that supplies PPE, and is supporting another PPE supplier through the supplier development programme. The company also supports a small company providing security services with early payment terms.
- **FNB** provides discounts to two 100% black owned Battery Centre businesses. One of the businesses has graduated from the enterprise development programme to the supplier development programme and the other opened an additional outlet during the year.
- **Hesto** supplies tools and raw material to an injection moulding company and provides working area and early payment terms to a supplier of bubble wrap that also cleans magic pile/Velcro.
- **Lumotech** supports an emerging training service provider, a recruitment and assessment company, a small business that sorts Lumotech's lights for Ford and a supplier of small injection moulded plastic components.
- **Smiths Manufacturing** gave interest free financing to a manufacturer of turned/machined steel and aluminium parts, an embroidery company and a foam seal manufacturer to help them buy new equipment and broaden their customer base. The company also provided an interest-free loan to a security company with 157 employees to support their cash flow.
- **Supreme Springs** gives rent-free premises and free water, electricity, PPE, training and administration support to a building, maintenance, plumbing and carpentry business, a boilermaker/welding business and a cleaning and gardening business. It also provides early payment terms to a 100% black woman owned freight forwarding agent employing four people.
- **Unitrade** provided funding for new equipment to a local 100% black-owned manufacturer of masterbatch raw material to promote localisation of raw materials. This helped the business to achieve ISO 9001 certification, receive internal approvals for nine colours from our operations and grow 30% over the past two years.
- **Metair Group** supports the NAACAM initiatives drive localisation in the automotive components sector.

Group and subsidiary B-BBEE performance

Group and subsidiary transformation progress is measured using the Department of Trade, Industry and Competition B-BBEE Codes of Good Practice. Transformation targets are in place at all South African subsidiaries and B-BBEE performance is included as a key performance indicator in executive variable remuneration.

In 2022, the Metair group retained its externally assessed Level 1 B-BBEE status on a consolidated basis. Metair's externally verified B-BBEE certificate is available on the company website at www.metair.co.za. All South African operations were as shown in the table below:

	BBBEE Status	
Company	2022	2023
ATE	Non-Compliant	Non-Compliant
Automould	Level 4	Level 4
FNB	Level 4	Level 3
Hesto	Level 1	Level 2
Lumotech	Level 2	Level 2
Smiths Manufacturing	Level 2	Level 1
Supreme Spring	Level 2	Level 3
Unitrade745	Level 3	Level 2

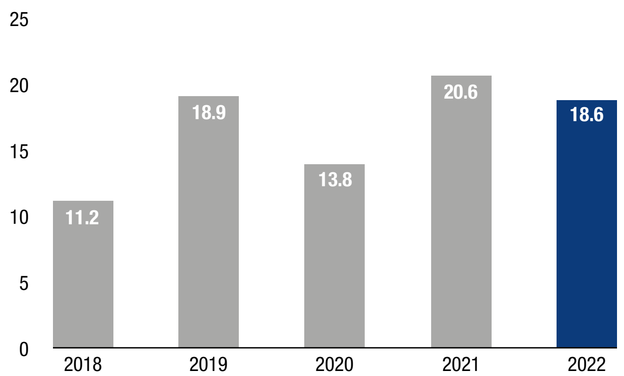
Element	Weight	Score 2022	Score 2021	Score 2020	
Ownership	25	24.05	23.0	23.00	Although the contribution of Metair's initial empowerment shareholders (Royal Bafokeng Holdings) fell away in 2022, the company gained 1.05 points from the involvement of black new entrants.
Management control	19	14.29	14.43	13.75	Refer to the preceding section.
Skills development	20	17.10	16.87	16.55	
Enterprise and supplier development	42	43.32	40.78	45.00	Refer to the preceding section.
Socio-economic development	5	5.00	4.96	5.00	Refer to the following section.
Overall score	**111**	**103.76**	**100.04**	**103.30**	
BEE contributor level	**1**	**1**	**1**	**1**	

CORPORATE SOCIAL INVESTMENT

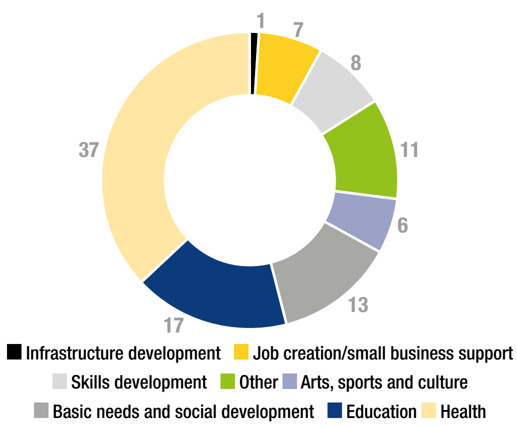
- Corporate social investment (CSI)

Metair's operating companies allocate 1% of net profit after tax to corporate social investment (CSI) initiatives to improve the lives of those around them and strengthen their relationships with their host communities. We prioritise projects that develop and uplift community members and increase skills in local communities, with an emphasis on addressing health issues and improving facilities and tuition at schools. We encourage employees to identify relevant initiatives for support through the CSI programme. The group allocates a further 1% of group net profit after tax to community projects. Corporate social investment decreased to R18.6 million in 2022 (2021: R20.6 million).

CORPORATE SOCIAL INVESTMENT SPEND (R MILLION)



2022 CSI AREAS SUPPORTED



Initiatives supported during the year included:

- **ATE** supports Oliver's house, an NGO in Benoni that supports more than 600 vulnerable children and adults
- **Automould** supports clinic initiatives for contractors and employees.
- **FNB** contributed to ITEC's Maths, Science and literacy programmes to help build capacity in children in the Eastern Cape. The company also provided support to Masithethe counselling services and a range of other initiatives in local communities, primarily focused on infrastructure, equipment and educational material to promote educational outcomes and support disabled people and the youth.
- **Hesto** installed a computer lab at Umphumulo Primary School and equipped it with a projector, tablets and printer and laptop for the educator.
- **Mutlu** helped to promote Science education for girls through the Türkiye in Science Girl Project.
- **Smiths Manufacturing** provided 20 academic bursaries to the Fulton school for the deaf, contributed to upgrade a science lab at a local school and sponsored ten physical science kits. Smiths also donated and installed an inverter to provide backup electricity at a local children's home, sponsored an English and Maths literacy programme at a local primary school and sponsored afternoon classes in Maths and English at a local high

SOCIAL IMPACT (continued)

school. It supported STEM-focused programmes in Cato Manor, uMlazi and Kwamashu, and upgraded plumbing and installed water conservation measures at Merryhill Primary school.

- **Rombat** provides daily meals to a local home for severely disabled children and youth, and sponsors local teams of students on technical subjects including robotics, as well as local sports teams.
- **Metair** sponsors the green manufacturing chair at the Toyota Wessels Institute for Manufacturing Studies (TWIMS) as well as a related CSI initiative. TWIMS is a learning institution in Durban accredited by GIBS Businesses School that offers advanced industry focused lean and green manufacturing MBA qualifications to previously disadvantaged individuals. TWIMS also offers a senior management development programme that includes Green Manufacturing, African Trade Industrialisation, Lean Operations Management, Lean Supply Management and the Age of Disruption. The Institute's innovation centre serves as an incubator in manufacturing simulation.

2022 Social Impact targets and progress	2023 Social Impact targets
Zero fatalities and reduce LTIFR to 1 or below across all companies. *There were no fatalities in the group and all companies achieved an LTIFR below 1.*	**Zero fatalities and reduce LTIFR to 1 or below across all companies.**
Group absenteeism to average below 3.0% (excluding contractors) across all companies. *Group absenteeism averaged 1.9%, but was above 3% at three companies (ATE, Mutlu Akü and Smiths Manufacturing)*	**Group absenteeism to average below 3.0% (excluding contractors) across all companies.**
Maintain group training spend at a minimum of R40 million. *Group training totalled R31.3 million in 2022, below target due to budget cuts as a result of the Durban floods.*	**Maintain group training spend at a minimum of R40 million.**
At least 250 learnerships across the group. *There were 163 learnerships in 2022.*	**At least 250 learnerships across the group.** **145 bursaries, 22 apprenticeships and 65 skills**
Target at least a Level 2 B-BBEE score going forward. Group B-BBEE Level 1 achieved	**Target at least a Level 2 B-BBEE score going forward.**
Blood lead levels to be kept below 30µg per 100ml 85 new cases with blood lead level > 30 µg per 100ml were identified and 89 cases were returned to below 30 µg	**Blood lead levels to be kept below 30µg per 100ml**
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. 3.7% of net profit was allocated to CSI projects.	**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.**

CASE STUDY

The Metair/NAACAM graduate programme

Metair is participating in an industry skills development initiative through a public-private partnership with the National Association of Automotive Component and Allied Manufacturers' (NAACAM) and the Manufacturing, Engineering and Related Services SETA (merSETA). The partners have recognised the need for a bursary, apprenticeship and skills advancement programme to develop gold-standard manufacturing skills to support the automotive component sector's growth and sustainability. The initiative also aims to reduce inequalities and unemployment while promoting employability and participation in the economy.

Over the next year, 145 bursaries, 65 skills development programmes and 22 apprenticeships will be awarded to successful candidates to lay a foundation of skills development for the current and future requirements of the sector. The R30 million award, the largest to date, was granted to further transformation and diversification of the industry. The programmes will give preference to youth, people with disabilities and female applicants, particularly African females, who are greatly under-represented across this historically male dominated industry.

The programme directly addresses a number of the objectives of South Africa's Automotive Master Plan to 2035, which sets the vision for the country's automotive sector to achieve "a globally competitive and transformed industry that actively contributes to the sustainable development of South Africa's productive economy, creating prosperity for industry stakeholders and broader society".

Metair will provide practical experience to beneficiaries on the programme who will be placed at one of its South African subsidiaries. These beneficiaries will acquire world-class skills and relevant work experience from specialist teams, empowering and positioning them for successful careers in the industry. NAACAM acts as programme manager, administrator, and co-ordinator. merSETA is funding the programme and will provide advisory services and guidance on quality assurance.

GOVERNANCE REPORT

METAIR GOVERNANCE PHILOSOPHY AND FRAMEWORK

Metair defines governance as the system used to direct, grow and control its business in a sustainable manner. We continuously challenge our approach, design and application in this area. In deepening our commitment to sustainability, the importance of the environment, society and profitability will be critical to Metair's long-term prospects. This requires a balanced focus on performance and stakeholder inclusivity.

The board strives to embed integrity, fairness, justice, transparency, responsibility and accountability in all of its dealings. The board is the custodian of good corporate governance in the group and aims to remain relevant in the fast and dynamic environment in which the group operates. Metair's governance philosophy guides the board to continuously direct, grow and control the business to achieve sustainable value creation for all stakeholders.

The board's duties and responsibilities are derived from:

- The Companies Act, 71 of 2008 (the Companies Act)
- JSE Limited Listings Requirements (JSE Listings Requirements)
- The Company's Memorandum of Incorporation (MOI)
- South African common law

Metair's application of the King IV Report on Corporate Governance™ for South Africa, 2016 (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 the company's website at www.metair.co.za

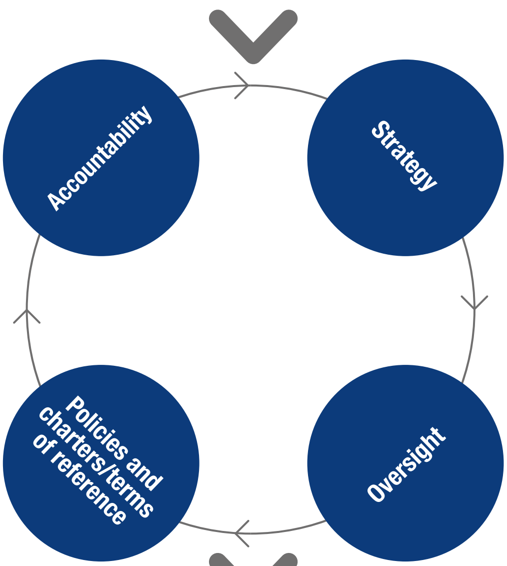
The board is collectively responsible for its primary governance roles:

Ensuring accountability	Steering and setting strategic direction	Overseeing and monitoring performance	Formulation of policies

BOARD INPUTS

The board is **accountable** to all stakeholders (page 20) for the company's performance. The group's governance framework enables the board to maintain effective control of the company's operations. The board ensures the proper management, measuring and monitoring of the group's performance.

The board steers and sets the group's **strategic direction** (page 14). It oversees the group's strategy formulation, risk management (page 73), stakeholder engagement, budget and policy approvals as well as Metair's materiality determination processes (page 74).



The board charter (charter) (page 64) and MOI outline the board's roles, responsibilities and policies, and define the parameters which guide the board's functions. The board ensures that sound **governance processes** are embedded and diligently applied to Metair's internal controls, policies, terms of reference as well as overall procedures and processes.

The board and its committees (page 69) **oversee and monitor** the group's performance. All committees function according to board-approved terms of reference. The board has an approved delegation of authority framework (page 65) which outlines the authority levels of the board, committees and executive management.

GOVERNANCE OUTCOMES

In line with King IV, the board is responsible for cultivating an ethical culture, ensuring good performance, effective control and legitimacy.

- 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

VALUE CREATIONS FOR ALL STAKEHOLDERS

GOVERNANCE REPORT (continued)

Board charter

The charter and 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 the company's website at www.metair.co.za, is aligned with the provisions of relevant statutory and regulatory requirements. Metair's board charter is reviewed and approved annually.

Effective control

As at 31 December 2022, the board comprised eleven directors. In terms of the MOI, 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.

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 and has a lead independent director. 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.

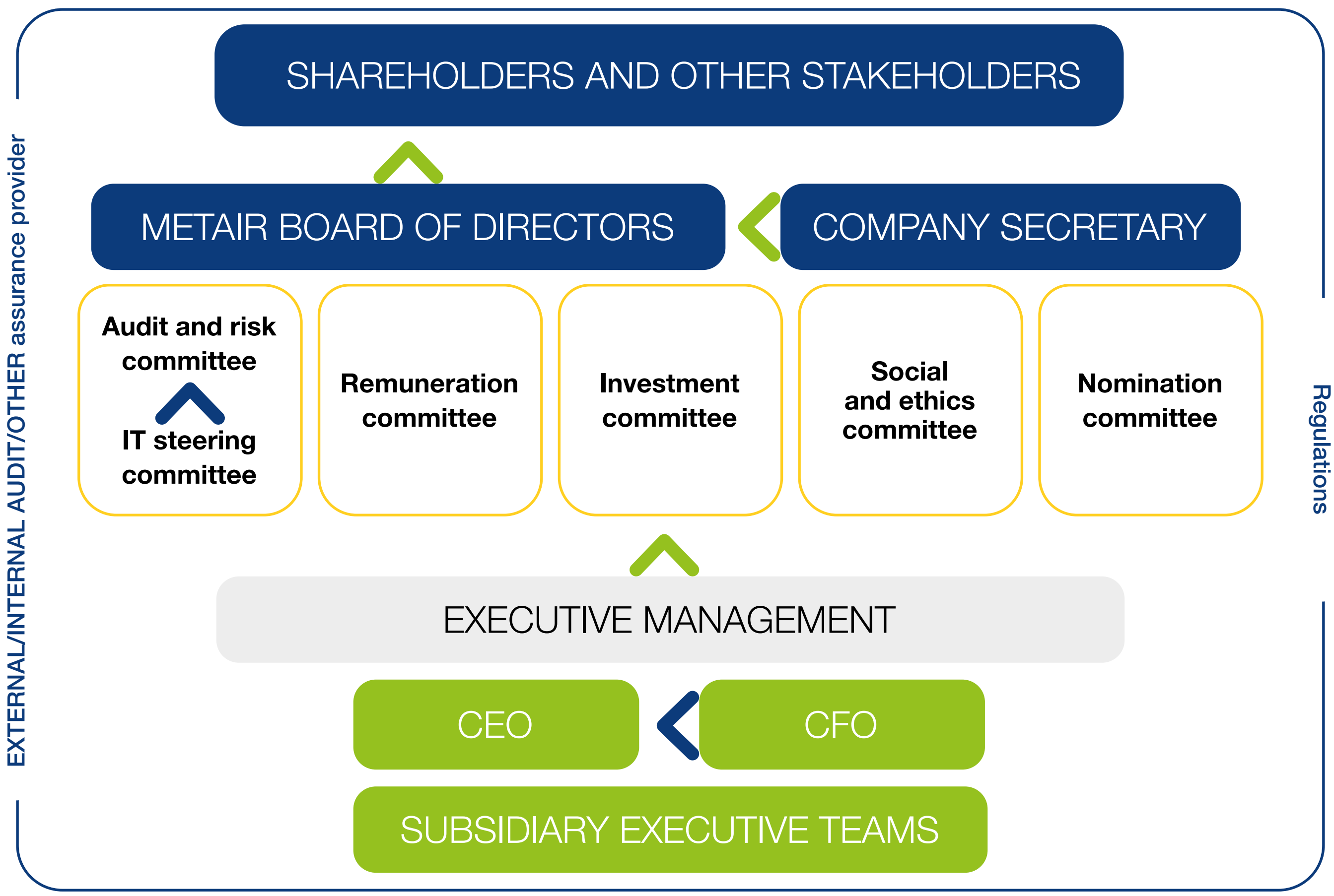
The leadership structure distinctly separates the roles of the chairman and the chief executive officer. This structure ensures that the appropriate balance of power and authority is in place and that no single person has unfettered decision-making powers.

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. 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.

Diversity

Metair has a formally approved policy to encourage broader diversity at board level. The policy addresses the historical gender and racial imbalances at board level when appointing new directors. The policy prescribes that the board should comprise one-third female board members and one-third black (as defined in the Broad-Based Black Economic Empowerment Act, No. 53 of 2003) board members, wherever possible.

The diversity of age, culture, gender, knowledge, skills, experience, education and independence of the board ensures that the board is appropriately equipped to navigate Metair's operating context. Wherever possible, Metair aims to ensure that, at least, a third of the board's composition is women. Metair achieved its diversity targets in 2022. The board considered the composition of its gender and racial diversity targets when new directors were appointed during the year and is satisfied that the composition is aligned to the broader diversity policy.



Delegation of authority framework

Metair's delegation of authority framework reinforces the board's role as the primary custodian of corporate governance and ensures that the group is effectively governed. The framework enables the achievement of the four governance outcomes of an ethical culture, good performance, effective control and legitimacy.

Metair's delegation of authority framework outlines the authority levels of the board, committees and executive management. The delegation of authority framework enables the board to retain effective control and well-informed oversight of the company. The framework was reviewed in 2022 and the board is satisfied that it contributes to role clarity and the effective exercise of authority.

Metair's executive directors are the primary link between management and the board. The group's executive directors formulate the strategy with the board (refer to the strategy section on page 14 for more details on the strategy) and they are responsible for implementing the board approved strategy and policies in the day-to-day operations of the group.

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

In 2022 the board's key decisions and resolutions were:

Key decisions and resolutions

Board satisfaction

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

Q1

11 Feb 2022
Endorsed the appointment of EY.

Q2

5 May 2022
Assessed the impact of the flooding in KwaZulu-Natal on Metair's operations and provided updates to shareholders.

23 June 2022
Approval of Valeo SA shareholder support and equity conversion solution in the event of default in repaying the shareholder loan over the agreed 5-year repayment plan.

Q3

20 July 2022
Formulated plan to address the impact of hyperinflation in Türkiye and determine the impact of IAS 29 on the group reporting. Interim results were delayed to 15 September 2022

Q4

23 Dec 2022
Approval of Hesto bridging finance, Metair guarantee and shareholder agreement second amendment for an additional R100 million facility.

19 Jan 2023 and 17 March 2023
Extended the maturity dates of Metair's revolving credit facilities to February 2023 and April 2023 respectively.

Value unlock process

The board evaluated a value unlock process within the Energy Storage Vertical. The process did not translate into an executable transaction, largely due to the geopolitical climate within Eastern Europe. The board will revisit its strategic options as and when the operating climate improves.

BOARD CHANGES

2 August 2022

- Mr Sithole resigned as an independent non-executive director and a member of the remuneration committee and nominations committee and was appointed as an alternate director to Ms Mkhondo.
- Mr Mawasha stepped down as a member of the nominations committee;
- Ms Mkhondo was appointed as a member of the remuneration committee; and
- Mr Giliam and Ms Mathews, were appointed as members of the nominations committee.

15 February 2023

- Mr Flemming resigned as the chairperson of the Board and as an independent non-executive director, for personal reasons, and has consequently stepped down as the chairperson of the nominations committee and as a member of the social and ethics committee;
- Ms Mgoduso was appointed as the new chairperson of the Board, subject to shareholder confirmation at the AGM in May 2023. She was appointed as the chairperson of the nominations committee. She stepped down as the lead independent non-executive director and as the chairperson of the remuneration committee (but shall remain a member of this committee);
- Mr B. Mawasha was appointed as the lead independent non-executive director; and
- Ms Mkhondo was appointed as the chairperson of the remuneration committee.

22 March 2023 and 31 March 2023

- Mr Haffejee resigned as CEO and executive director of Metair with effect from 31 March 2023 and consequently stepped down as a member of the social and ethics committee with effect from the same date; and
- With effect from 22 March 2023 (i) Mr Douwenga, Metair's CFO, was appointed as interim CEO and a member of the social and ethics committee; and (ii) Mr Jogia, Metair's financial executive, was appointed as interim CFO and interim executive director of Metair.

GOVERNANCE REPORT (continued)

Ethical Culture

The board strives to embed an ethical culture which all Metair board members, employees, contractors and suppliers embrace and abide by. Metair's ethical culture cultivates a value-driven environment where all stakeholders are dedicated to conducting business honestly, fairly, legally and transparently. The Metair values are built on the principle of custodianship. Being a custodian has the built-in notion that Metair has an important role to play in a bigger long-term sustainable plan and that it is not the size of the role that matters but rather how well all stakeholders perform their role.

Code of ethics

Metair's code of ethics (the code) is available on www.metair.co.za. The code guides Metair to operate with unity, harmony, equality and respect for human dignity. The code aims to guide all stakeholders to act and conduct themselves with integrity. This assists to mitigate unethical conduct, fraud and corruption. The code encourages all employees to be exemplary custodians in their areas of responsibility, wherever they go. Training, awareness programs and a social and ethics conference were held during the year to enhance the company's ethics management.

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.

Conflicts of interest

Board members are required to regularly declare any shareholding and any interest they might have in transactions with the group. The Metair board members are also required to declare any conflict of interest in respect of any matters on the agenda at board or committee meetings. No conflicts of interest were identified during the year.

No board members were identified as politically exposed persons in 2022.

Dealing in securities and insider trading

Metair adheres to the Insider Trading Act which prohibits individuals from trading in any shares/securities when in possession of non-public material information. No employee, officer or director may trade directly or indirectly in the shares of the company during a closed period or a prohibited period. Closed periods are imposed from the 1st of January and 1st of July 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.

The group also discloses all director dealings in securities in accordance with the JSE Listings Requirements.

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.

Whistleblowing

Metair has an independent anonymous whistleblowing programme managed through Deloitte & Touche's fraud tip-off line that operates 24 hours a day, 365 days a year. Whistleblowing awareness training was conducted in the beginning of 2022 for all directors and management throughout the group to amplify and instil the principle and importance of whistleblowing, the process it should follow and to avoid victimisation.

All employees across the group are encouraged to report any unethical transgressions or conduct without fear of being victimised. The Protected Disclosures Act ensures that those individuals who speak up against unethical or illegal behaviour will be protected. All tip-offs received are investigated and resolved within a reasonable time. Feedback is provided to the whistle-blower on actions taken and outcomes of the report. No issues of fraud and/or corruption were identified during the year.

Reports	2022	2021	2020
Received			
Tip-offs	**36**	30	51

Human rights

The social and ethics committee oversees human rights. This entails monitoring that the company's activities are in accordance with the human rights provisions of the Constitution of the Republic of South Africa (including the Bill of Rights), any relevant legislation, other legal requirements or prevailing codes of best practice, and the company's own code of ethics and policies. The company supports and respects the protection of internationally proclaimed human rights. The company is not complicit in human rights abuses.

Corporate Social Responsibility (CSR)

The board, supported by the social and ethics committee (Page 83) and management, recognises the group's social and moral commitments to society. Metair's approach to CSR is based on the concept of custodianship and it is reinforced by the code, which entrenches the group's corporate citizenship and ethical leadership policies.

The board is committed to responsible corporate citizenship. The group contributes to the attainment of the UN Sustainable Development Goals (SDGs). Metair's alignment with the SDGs, where relevant, is shown in the material matters section of the report on page 24. 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 61.

Board independence

The board confirmed the independence of the non-executive directors. None of the Metair non-executive directors have served for nine years or longer.

Professional advice

Metair has mechanisms in place to obtain independent professional advice on matters within the scope of any director's duties at the company's cost.

Performance

Board evaluations

The board conducts an annual self-evaluation and externally facilitated board evaluations will be done as and when required.

The results of the 2022 board evaluation indicate that the board is functioning well.

A peer evaluation of non-executive directors and 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. The board is satisfied that the board evaluation process supports continued improvement in the company's performance and effectiveness.

Committee evaluations

All board committees conduct annual self-evaluations. All evaluations in 2022 indicated that the committees are functioning well. The improvement areas were noted and will be addressed in the forthcoming year. The board is satisfied that the committee evaluation process supports continued improvement in the company's performance and effectiveness.

The board reviews and approves all committee terms of reference annually. All charters were updated and approved during the year. Refer to the specific committee disclosures for more information.

Induction process

The nominations committee oversees the board induction programme for new directors and ensures that directors develop relevant experience 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 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 CFO and company secretary.
- Visits to major subsidiaries with the Metair CEO and/or CFO.
- Provision of Metair documents including charters, policies and procedures, other company documents and relevant additional information as required.
- Provision of Metair's meeting schedule with all relevant board and committee meeting work plans, dates and times.
- Provision of the latest Metair integrated annual report.

Board training

Continuous training and development are important contributors to board effectiveness. Board training is scheduled annually on topical subjects by external and internal experts. The following training programmes were arranged in 2022:

- Whistleblowing and anonymity.
- ESG risk mapping and quantification, update to reporting requirements, including alignment with JSE reporting.
- United Nations Sustainable Development Goals.
- Science based targets and Carbon tax implications.

Company Secretary

Ms SM Vermaak has been the company secretary since 2001. The company secretary fulfils the duties set out in section 88 of the Companies Act, No. 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.

Metair's board conducts an evaluation of the company secretary annually. Based on the 2022 evaluation, the board is satisfied that the company secretary has the appropriate level of competence, qualifications, 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 CEO and/or CFO. 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.

Chief executive officer (Mr R Haffejee)

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

The Metair board chairman together with all the committee chairs reviewed the chief executive officer's performance against agreed performance measures and targets. The board confirmed that they were satisfied that he carried out his duties with due care, skill and diligence during the year. The board expressed their sincere appreciation and support for the hard 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 appointments shown at the bottom of the page were approved by the board during the year.

CEO board appointments and membership to other governing bodies outside of Metair

Company and registration number	Registered address	Present capacity	Appointment date to the Board
Coral Cotswold 2020/802171/07	20-22 Broadway Road, Westville, Durban. 3630	Director	20-Oct
The RAMS Haffejee Family Trust IT000763/2019(D)	20-22 Broadway Road, Westville, Durban. 3630	Trustee	19-Aug
NAACAM		Vice President	
Durban Auto Cluster		Executive member	
Durban Chapter Young Presidents' Organisation (YPO)		Member/Gold Chapter Chair	

GOVERNANCE REPORT (continued)

Ensuring legitimacy

Inclusive stakeholder approach

The Metair board has adopted a stakeholder inclusive approach in the execution of its governance roles and responsibilities. Refer to the Key Stakeholder Relationships section on page 20.

Employment equity and transformation

The group, through each of its subsidiaries, submitted the relevant employment equity reports in October 2022 after thorough consultation with staff and union representatives. The employment equity and transformation committees at each of our South African subsidiaries monitored and measured performance against the five-year employment equity plan and instituted corrective action where necessary. Barriers such as skills shortages in previously disadvantaged groups were addressed 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.

Sponsor

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

Broad-Based Black Economic Empowerment

Metair maintains a consolidated B-BBEE scorecard to monitor subsidiary performance. The group remains committed to improving the management control element. Metair's ownership credentials which flow through to all of our subsidiaries increased to 24.05 (2021: 23). All subsidiaries achieved their goal to be at least level 4 contributors. We are pleased to report that four of our subsidiaries achieved a Level 2 or better.

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 ensures compliance with King IV, the Companies Act, the JSE Listings Requirements and non-binding rules, codes and standards where applicable.

Metair complies with the provisions of the Companies Act or relevant laws of establishment, specifically relating to its incorporation, and operates in conformity with its MOI and/or relevant constitutional documents.

The audit and risk committee and the social and ethics committee oversee the group's compliance function. The company secretary and JSE Sponsor (One Capital Sponsor Services (Pty) Limited (One Capital)) are responsible for assisting the board in monitoring compliance with relevant legislation, including the JSE Listings Requirements. To keep committee members informed of developments in legislation, the JSE Listings Requirements and general compliance trends in the industry, compliance reports are regularly compiled and included in the meeting packs for the board and all committees.

During 2022, the board continued to monitor the compliance of occupational health and safety regulations. Other key compliance risks identified were:

- Continued compliance with local and global business and competition regulations such as anti-competitive practices and increased focus on ESG aspects.
- Emission regulations to address global warming have shaped the strategic direction of the automotive industry, including the trend towards new energy vehicles. Metair businesses are working to reduce their use of scarce resources, including energy, water and raw materials, and limit emissions and waste production. A specific target to reduce carbon emissions was included as a KPI in the Metair short-term incentive in 2022 for all management throughout the group and a target for the improvement of the renewable energy mix will be added to the 2023 KPIs.
- Metair's IT governance, risk and control policies, with continued focus to ensure that cybersecurity is optimally addressed to prevent hacking of critical infrastructure.

Metair is not aware of any material or repeated regulatory penalties, sanctions or fines for contraventions, or non-compliance with environmental laws or criminal sanctions and prosecutions imposed against any of its directors during 2022.

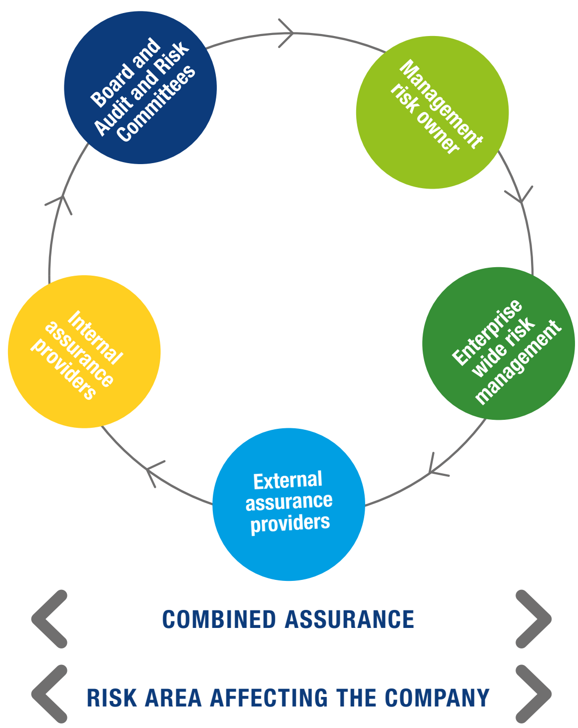
Combined assurance

Metair's combined assurance framework is based on five lines of defence as detailed below:

The audit and risk committee oversees assurance on behalf of the board. The group reviews its combined assurance model annually based on identified key risks. In 2022, the audit and risk committee confirmed that all risks are adequately covered by either/or external audit, internal audit, management, specialist consultants, government or insurance.

In 2022, all board committees worked on optimising Metair's combined assurance model to avoid duplication and to promote collaboration.

All subsidiaries complete a control self-assessment questionnaire annually to declare that assurance has taken place. The subsidiaries also complete a regulatory universe annually and relevant employees are responsible for monitoring adherence with relevant legislation. The regulatory universe is updated regularly to include the latest legislation.



BOARD AND COMMITTEE ATTENDANCE

Directors' attendance at board and committee meetings during the year (including the changes which took place during the year) are shown in the table below.

	Board		Audit and risk committee	Social and ethics committee	Remu-neration committee		Nomi-nations committee		Investment committee	IT steering committee		Overall attendance#
Number of meetings	8		7	3	8		3		3	3		
CMD Flemming	8			3			3	#				100%
R Haffejee	8			3								100%
S Douwenga	8								3	3		100%
TN Mgoduso	7	A			8		3					95%
MH Muell	8			3	8							100%
NL Mkhondo*	8				4	#			3			100%
B Mathews**	8		7				1	#				100%
AK Sithebe	8		7	3								100%
B Mawasha***	8		7				2	#	3			100%
PH Giliam****	7	A					1	#	3			100%
S Sithole*****	4				4	#	2	#				53%
P Govind>******										2	#	100%
J Smith>										3		0%
U Reddy>										3		100%
D Seker>										3		100%
Overall director attendance#	93%		100%	100%	100%		100%		100%	100%		

Attendance percentage calculated on board attendance during the tenure of appointment. Executive directors are invited to attend all committee meetings.
A *Apologies tendered.*
> *Subsidiary representatives on the IT steering committee. They are not directors of Metair Investments Limited.*
* *Ms Mkhondo was appointed as member of the remuneration committee with effect from 2 August 2022.*
** *Ms Mathews was appointed as member of the nominations committee with effect from 2 August 2022.*
*** *Mr Mawasha stepped down as a member of the nominations committee with effect from 2 August 2022.*
**** *Mr Giliam was appointed as member of the nominations committee with effect from 2 August 2022.*
***** *Mr Sithole stepped down as independent non-executive director of the company and member of the remuneration and nominations committees on 2 August 2022 and has been appointed as an alternate director to Ms Mkhondo.*
****** *Ms Govind resigned from the IT steering committee with effect from 15 August 2022.*

Board Committees

All committees function according to their board-approved terms of reference or charters which are available on the company's website at 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 2022. 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 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 CEO is a member and the investment committee where the CFO 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 an executive director of Metair.

GOVERNANCE REPORT (continued)

The composition of the committees below are as at 31 December 2022.

INVESTMENT COMMITTEE

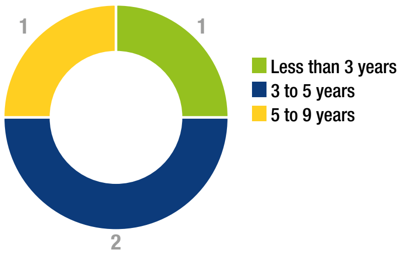
The investment committee analyses investment opportunities presented by executive management. Once the opportunities are approved by the committee, they are submitted to the board for final approval.

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 by applying specific, detailed investment criteria.

The committee will also be focusing on post investment review documents to track performance on previously approved investments going forward.

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, and directors' personal financial interests as set out in section 75 of the Companies Act.

INVESTMENT COMMITTEE TENURE – NUMBER OF DIRECTORS



Members	Mr B Mawasha (Chair) Mr P Giliam Ms NL Mkhondo Mr S. Douwenga
Attendees by invitation	Mr R Haffejee
2022 focus area feedback	• Ensure costs and borrowing facilities for all projects are in line with plan and successfully concluded – Still work in progress • Execute Metair strategic review process – In progress • Review the authority levels matrix – Concluded
2023 Focus areas	• Monitoring project execution in line with agreed capital allocation • Reviewing capital requirements for the ensuing year • Revolving credit facility agreements and extensions

AUDIT AND RISK COMMITTEE

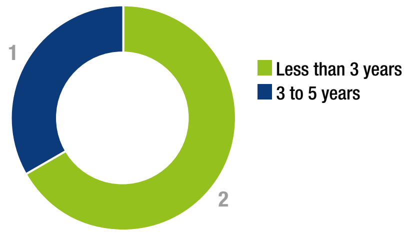
The audit and risk committee is constituted as a statutory committee of Metair in respect of its statutory duties in terms of section 94(7) of the Companies Act, the JSE Listings Requirements and in line with the recommendations of King IV as a committee of the board in respect of all other duties assigned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

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

Disclosure of Metair's risk management is available on page 73. The audit and risk committee report, as required in terms of section 94(7)(f) of the Companies Act, is set out on pages 81 – 82.

AUDIT AND RISK COMMITTEE TENURE – NUMBER OF DIRECTORS



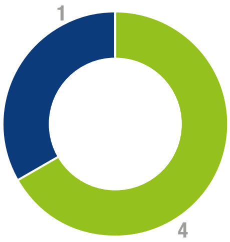
Members	Ms B Matthews (Chair) Ms A Sithebe Mr B Mawasha
Attendees by invitation	Mr R Haffejee Mr S Douwenga Mr A Jogia External audit – EY Representatives Internal audit – KPMG Representatives
2022 focus area feedback	• Metair Durban flood response and business interruption claims – Concluded • Debt waives/covenants – Debt waives and covenants were revised by the funders. • Renewal of the revolving credit facilities – Concluded • Mutlu hyperinflation response – Metair has implemented IAS 29 accounting • Internal audit of the procurement function – Concluded and action plans are being implemented • Implementation of the combined assurance framework – Concluded
2023 Focus areas	• Seamlessly embedding the new audit team and audit partner • Continued focus on the group's IT strategy and cyber security • Monitoring human capital resources in the finance functions at key subsidiaries

TECHNOLOGY AND INFORMATION STEERING COMMITTEE

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 risks 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.

IT STEERING COMMITTEE TENURE – NUMBER OF DIRECTORS



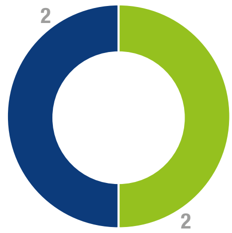
Members	Mr S Douwenga (Chairman) Mr U Reddy (Metair) Ms J Smith (Supreme Springs) Mr D Seker (Mutlu Akü) Mr S Konar (Smiths Manufacturing)
Attendees by invitation	Mr A Jogia Ms M Mail Mr R Lane Mr R Haffejee
Changes during 2022	Ms Govind resigned from the IT Steering Committee with effect from 15 August 2022
2022 focus area feedback	• Mutlu ERP migration • Hesto IT capacity resourcing • Continued focus on cyber security • IT strategy update • BI implementation
2023 Focus areas	• Implementation of the IT strategy

NOMINATIONS COMMITTEE

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.

NOMINATIONS COMMITTEE TENURE – NUMBER OF DIRECTORS



Members	Mr CMD Flemming (Chairman) Ms TN Mgoduso Mr P.H. Giliam Ms B. Mathews
Attendees by invitation	None
Changes during 2022	• Mr S Sithole resigned as a member of the nominations committee • Mr Mawasha stepped down as a member of the nominations committee • Mr P. Giliam and Ms B. Mathews, independent non-executive directors of the Company, were appointed as members of the nominations committee.
2022 focus area feedback	• Board succession planning and bench-strength exercise – Executive assessments were done on the group managing directors and the Metair CFO and development plans were put in place to assist the committee to have a clear view of the leadership bench strength in the group
2023 Focus areas	• Re-evaluating the composition and industry experience of the board and all committees

GOVERNANCE REPORT (continued)

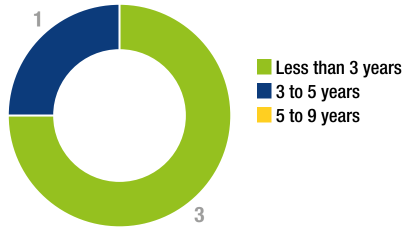
SOCIAL AND ETHICS COMMITTEE

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.

In 2022, the committee updated and approved various policies which were recommended to the board for final approval.

SOCIAL AND ETHICS COMMITTEE TENURE – NUMBER OF DIRECTORS



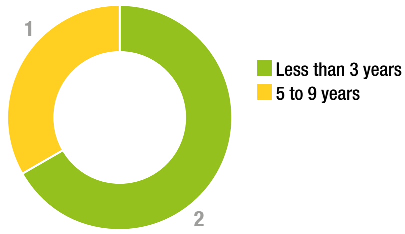
Members	Mr MH Muell (Chairman) Mr R Haffejee Ms A Sithebe Mr CMD Flemming
Attendees by invitation	Mr MC Mahlanu (First National Battery) Ms B Yagmur Erol (Mutlu Akü)
2022 focus area feedback	• Review Metair's sustainability strategy. – Done and implemented • Develop a sustainability workplan incorporating climate change and green manufacturing. – Done and implemented • Policy review and consolidation. – All policies have been reviewed and consolidated
2023 Focus areas	• Assessing the feasibility of the group's renewable energy strategy • Embedding the sustainability framework

REMUNERATION COMMITTEE

The remuneration committee operates and reports in accordance with principle 14 of King IV and includes reporting on executive and non-executive director compensation.

For more details refer to the remuneration report on page 84. The report includes a background statement, remuneration policy and implementation report.

REMUNERATION COMMITTEE TENURE – NUMBER OF DIRECTORS



Members	Ms TN Mgoduso (Chair) Ms M Mkhondo Mr MH Muell
Attendees by invitation	Mr R Haffejee Mr S Douwenga
Changes during 2022	• Mr Sithole resigned as a member of the remuneration committee; and • Ms Mkhondo was appointed as a member of the remuneration committee
2022 focus area feedback	• Develop and implement a leadership development framework. – In progress • Conduct replacement planning for the top two tiers of leadership as well as succession planning for leaders three years away from retirement. – In progress • Talent management to create talent pools for critical and scarce skills. – In progress • Enhance and simplify the performance management process and remuneration practices to ensure outputs deliver on the strategic objectives of the group and are aligned to financial rewards. – A new performance management process has been introduced • Develop a structured employee communications and engagement plan for Metair. – Done
2023 Focus areas	• Implement leadership and talent management. • Continue with replacement planning for the top two tiers of leadership as well as succession planning for leaders three years away from retirement. • Addressing Hesto's workforce structure to align with the rapid growth and increased demand • Implementing the new performance management framework • Increased focus on the management control element of the B-BBEE scorecard

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
  - Backup 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 cybersecurity, hacking and phishing.

IT AUDITS

IT internal audit reviews performed during the year at some of the subsidiaries include the following:

- Internal vulnerability test and external vulnerability test at First National Battery.
- Cyber security review (SCR) at Smiths Manufacturing.

Key findings are being shared among the group.

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 below.

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

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.

GOVERNANCE REPORT (continued)

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 appetite and tolerance

Our risk appetite approach considers the nature of the automotive components industry and the commercial substance of our relationship with customers.

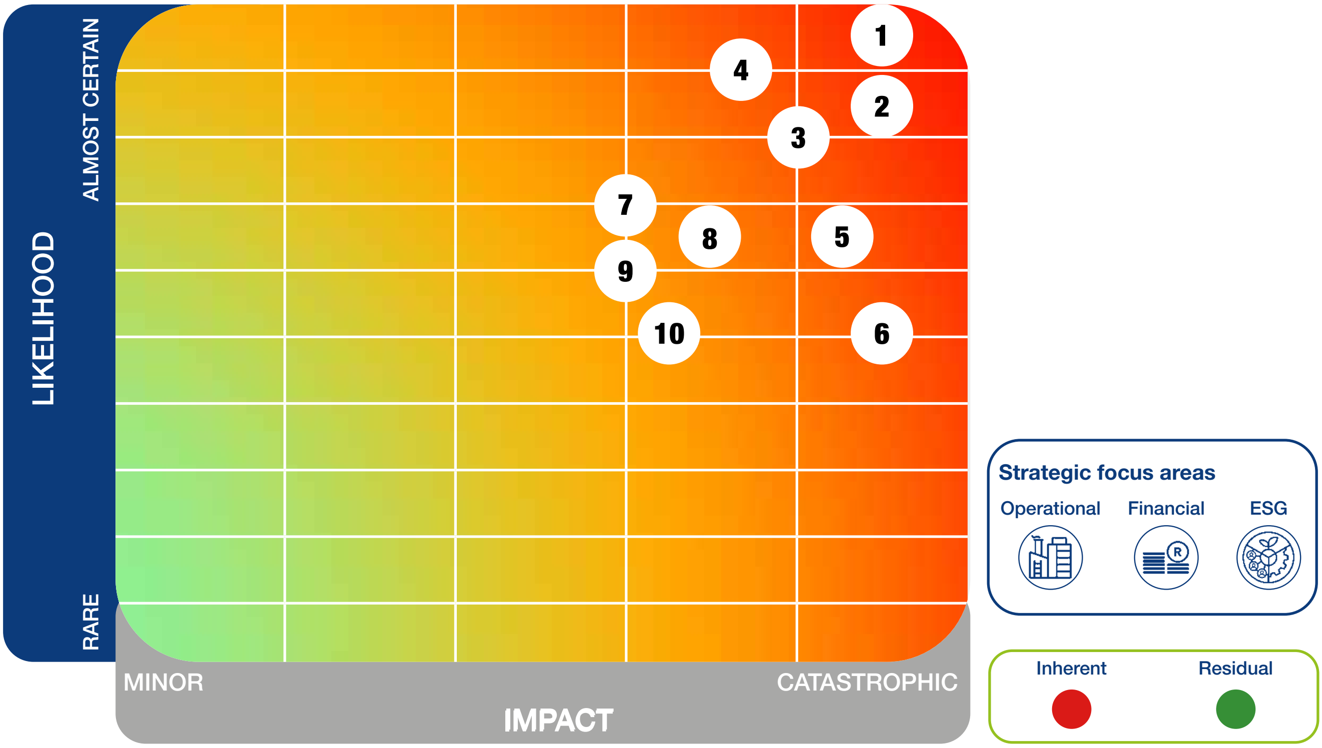
Metair's risk appetite approach defines the nature of the risks which Metair will tolerate or not.

Metair's tolerance level is currently set at a residual risk exposure level of 70 (critical) which equated to R180 million in 2022. The rand value is assessed annually in the context of the prevailing economic environment and the state of the business. Adjustment factors are applied to each company's risks based on their respective materiality to the group's consolidated performance.

The audit and risk committee reviews the group's risk appetite annually.

Group top residual 10 risks:

Current Rank	Previous Rank	Move	Risk name	Committee Oversight
1	2		Customer production stability, market demand visibility and overall volatility due to market, model and technology trends combined with model launch complexity and flexibility leading to an increase in capital and capacity requirements combined with project execution capability	• Investment • Audit and risk • Board • Management • Marketing
2	3		Metair strategy review, finalisation and execution in line with partners' and shareholders' expectations within the current operating environment	• Board • All committees
3	11		Human capital burnout, focus, fatigue and mental wellness	• Remuneration • Social and ethics/board
4	12		Stability and quality of reliable Eskom power supply	• Social and ethics • Audit and risk/board • Management committees – solar project
5	New	New	Ukraine/Russia war impact on the business	• Audit and risk • Social and ethics • Board
6	1		Risk of supply challenges across all subsidiaries	• Audit and risk • Social and ethics/board • Management committees – supply chain steerco
7	New	New	Ford project special focus	• Investment • Audit and risk/board • Management committees – Ford steerco
8	5		Natural disasters and climate change events, explosions and conflagrations	• Social and ethics • Audit and risk/board
9	6		Türkiye geopolitical and world trade position	• Audit and risk • Social and ethics/board
10	7		Compliance with local and global business and competition regulations such as anti-competitive practices and increased focus on ESG aspects	• Audit and risk • Social and ethics • Board



1 (2021: 2)	Customer production stability, market demand visibility and overall volatility due to market, model and technology trends combined with model launch complexity and flexibility leading to an increase in capital and capacity requirements combined with project execution capability	Residual vs Inherent risk exposure Link to strategy	

World trade and economic adjustments in response to customer, market, technology shifts and component availability. High volatility in customer production volumes, product values and required variability. These conditions are challenging Metair's confidence levels in OEM forecasts.

Action plans

- Product, market and technology trend monitoring and adjustment due to volume variation requirements by customers
- Capital allocation focus to be adjusted to ensure optimal utilisation and opportunity possibility

Material matters affected	Outcome
• Competitiveness • Macroeconomic and geopolitical factors • Technology and innovation • Strategic alignment	Metair's ability to deal with volatility and market changes will effectively result in Metair becoming and remaining the OEM supplier of choice despite changing markets and technologies.

Opportunity

Opportunity to cement long-term relationships with customers, licensors and employees, and increased product offering.

GOVERNANCE REPORT (continued)

2 (2021: 3)	Metair strategy review, finalisation and execution in line with partners' and shareholders' expectations within the current operating environment	Residual vs Inherent risk exposure	
		Link to strategy	

Increase in 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.

Action plans

- Capital allocation
- Budgets/HEPS
- Shareholder engagement

Material matters affected	Outcome
• Competitiveness • Macroeconomic and geopolitical factors • Technology and innovation • Strategic alignment	Stable and supportive shareholder and partner base supporting company and management actions. Stable platform to launch strategic execution from. Rigorous capital allocation process.

Opportunity

Shorter term unlocking of value for shareholders and partners.

3 (2021: 11)	Human capital burnout, focus, fatigue and mental wellness	Residual vs Inherent risk exposure	
		Link to strategy	

Unpredicted, unanticipated, unprecedented complexity over last three years has led to human capital burnout, fatigue and deteriorating focus and mental wellness.

Action plans

- Prioritising key workstreams critical to the company
- Evaluate return on effort
- Evaluate capacity constraints

Material matters affected	Outcome
• Human capital • Project execution	Increase the probability of sustainability. Improve fundamentals of quality, cost and delivery and ESG.

Opportunity

Invest in wellness offerings.

4 (2021: 12)	Stability and quality of reliable Eskom power supply	Residual vs Inherent risk exposure	
		Link to strategy	

Power outages due to loadshedding by Eskom resulting in manufacturing disruptions during loadshedding (stage 4+). This results in loss of production time and increased scrap percentages.

Action plans

- Solar project
- Production planning

Material matters affected	Outcome
• Project execution • Competitiveness • Natural environment	Consistent production certainty, lower scrap yields, reduced cost of energy and increased productivity.

Opportunity

Increase energy sourcing from alternative suppliers.

5 (New)	Ukraine/Russia war impact on the business	Residual vs Inherent risk exposure	
		Link to strategy	

The Eastern European conflict has disrupted OEM and aftermarket supply and contributed to rising inflation, supply chain and energy costs. Metair has encountered challenges such as loss of sales, increased input costs, inability to recover costs from customers in a timely manner and general European competitiveness concerns.

Action plans

- Renegotiation of energy costs – Romania
- Sales development

Material matters affected	Outcome
• Macroeconomic and geopolitical factors • Supply chain disruption • Competitiveness	Redistribution of potential manufacturing and sales channels.

Opportunity

Evaluate other markets. Synergies within the group.

GOVERNANCE REPORT (continued)

6 (2021: 1)	Risk of supply challenges across all subsidiaries	Residual vs Inherent risk exposure	
		Link to strategy	

Shortages of containers and shipping vessels is resulting in significant increases in logistical charges (both air- and sea freight) which are not recoverable from customers. Longer lead times are resulting in inventory volatility. Increased technical complexity combined with variable customer derivative volumes impacted subsidiaries' ability to execute normal product launch processes.

Action plans

- More frequent marketing committee meetings
- Consolidate shipping lines and freight forwarders across the group
- Exploring opportunities for temporary bulk warehousing and orders

Material matters affected	Outcome
• Competitiveness • Balanced business • Human capital • Natural environment • Supply chain disruption	Increased customer satisfaction and more business opportunities.

Opportunity

Structural correction in the business. Engineering and supply chain stability. More localisation opportunities.

7 (New)	Ford Project special focus	Residual vs Inherent risk exposure	
		Link to strategy	

The newly awarded Ford contract presents a great opportunity over the project life for the group, but also poses significantly risks. The project has become more complex. Metair has invested a substantial amount of capex building facilities and commissioning machinery.

Action plans

- Established a Ford steering committee
- Report back at each MD update meeting
- Report back at each subsidiary exco and board meeting

Material matters affected	Outcome
• Competitiveness • Macroeconomic and geopolitical factors • Technology and innovation • Strategic alignment	Better balance in the Automotive Components Vertical

Opportunity

Customer diversification.

8 (2021: 5)	Natural disasters, climate change events, explosions and conflagrations	Residual vs Inherent risk exposure	
		Link to strategy	

The nature of the manufacturing environment and high energy requirement increase the risk of conflagrations, explosions and manufacturing failures. Global warming is affecting the natural environment constantly and increasing the occurrence of natural disasters. Metair is therefore exposed to production stoppages, damage to buildings and equipment, and increased employee safety risks. Interruptions caused by manufacturing and equipment failures have a considerable impact on the operations.

Action plans

- Risk monitoring plan
- Adequate insurance cover for natural disasters

Material matters affected	Outcome
• Competitiveness • Balanced business • Natural environment	Continued focus on new areas of risk and improvement of current risks. Implement a risk identification and management plan with external assurance providers. Overall improvement in contingency plans.

Opportunity

Dedicated focus on infrastructure, health and safety standards reduces the risk of supply stoppages and creates opportunities for insurance savings. Presents an opportunity for innovation.

9 (2021: 6)	Türkiye geopolitical and world trade position	Residual vs Inherent risk exposure	
		Link to strategy	

Challenging political views and policies affecting global relationships. Generally negative emerging market sentiment. Threat of US sanctions imposed on entities in Türkiye and critical market access restrictions.

Action plans

- Proactive monitoring of changing government policies and macroeconomic indicators
- Maintain economic, social and political relevance
- Focus on export contracts and opportunities
- Monitor management and general employee satisfaction and resilience
- Improved consultation with local non-executive members on Mutlu Akü board

Material matters affected	Outcome
• Competitiveness • Macroeconomic and geopolitical factors • Human capital • Strategic alignment	Continued improved performance from Mutlu Akü that challenges the devaluation of the TL on a continual basis and adaption to changing operating environment.

Opportunity

Review Mutlu Akü business design using competitive market position to improve market share. Improved management structure and style to overcome challenges.

GOVERNANCE REPORT (continued)

10 (2021: 7)	Compliance with local and global business and competition regulations such as anti-competitive practices and increased focus on ESG aspects	Residual vs Inherent risk exposure	
		Link to strategy	

Increased global and international focus by competition authorities within the automotive sector. More regulated global carbon environment.

Action plans

- External consultant reviews of current market practices
- Dawn raid readiness training
- Continuous review of training programmes
- Hesto training
- Appoint a group competition compliance liaison officer

Material matters affected	Outcome
• Competitiveness • Business partnerships • Human capital	Ongoing training for management and staff, issue a specific internal manual containing information and regulations to guide behaviour so that competition regulations are not breached. Co-operate with all relevant authorities in all aspects that might be investigated from time to time. Initiate green manufacturing infrastructure to reduce our carbon footprint.

Opportunity

Increased focus on all marketing practices to eliminate 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. Adopt green manufacturing practices. Report on ESG elements to mitigate risk further.

Risk watch list

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

- Hyperinflation in Türkiye
- General insurance business risk cover in current operating environment across all risk areas ranging from business interruption, dread disease, warranty and recall risk cover
- Policies aimed at managing and controlling currency volatility including alignment with customer requirements and views
- Cyber risk monitoring – standard risk watch list item

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 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 2022 financial year.

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.

Names and qualifications of committee members

Ms B Mathews (Chair)	BCom Accounting, BCom Accounting Honours, CA(SA), HDip Tax
Mr B Mawasha	BSc (Eng) Electrical, GCC, PMD, ADP
Ms A Sithebe	BCom Accounting, BCom Accounting Honours, CA(SA), MBA

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, https://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.

Meetings

Seven meetings were held during the year. All members attended all meetings.

Statutory duties

The role of the committee is set out in the audit and risk committee charter which can be found on the company's website.

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

- Nominated and appointed Ernst & Young Inc. (EY) as external auditors and Mr D Venter as the designated individual audit partner, after confirming their independence as approved at the AGM on 5 May 2022.
- The committee confirmed that EY and the respective designated individual auditor were approved by the JSE.
- Approved the external auditor's fees, as per note 3 of the annual financial statements, and their terms of engagement.
- All non-audit services provided by EY were reviewed and approved.
- Meetings were held with EY after the audit and risk committee meetings, without executive management present, and no matters of concern were raised. No reportable irregularities were noted by EY.
- 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 reporting back on proactive monitoring of financial statements in 2022 (2022 report) and documents set out in Annexure 3 of the 2022 report, 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.
- Reviewed all trading statements 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 ensured that appropriate financial reporting procedures exist and are working, which included consideration of all entities included in the consolidated group IFRS financial statements, to ensure that the committee has access to all the financial information of Metair. This ensures that Metair can effectively prepare and report on the financial statements of the company.

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

The audit and risk committee satisfied itself that the external auditor, EY, and its audit partner, complied with the suitability criteria for appointment as required by paragraph 3.84(g)(iii) as read with paragraph 22.15(h) of the JSE Listings Requirements, are properly accredited and independent and assessed the quality of the audit.

Following an effectiveness review the committee has no concerns regarding the external auditor's performance or independence. Refer to note 3 of the annual financial statements for audit fees paid. All non-audit services have been reviewed and approved by the committee and the independence of the auditors confirmed.

GOVERNANCE REPORT (continued)

In line with best practice in governance and regulations to enhance the independence of the external audit function and following the early adoption of the mandatory audit firm rotation rule issued by the Independent Regulatory Board for Auditors, EY replaced PricewaterhouseCoopers and was approved as the company's external auditors by shareholders at the AGM on 5 May 2022.

The committee has ensured that the appointment of EY as the external auditor, and Mr D Venter as the designated individual audit partner, is presented and included as a resolution at the AGM of Metair pursuant to section 61(8) of the Companies Act.

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:
- Mutlu Hyperinflation
- Goodwill and indefinite life intangible assets impairment (Consolidated financial statements)

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.
- Ensured that KPMG is subject to an independent quality review, as and when the committee determines appropriate, at least every five years.
- Ensured that the company has established appropriate financial reporting procedures and that those procedures are operating, which includes consideration of all entities included in the consolidated group IFRS financial statement, to ensure that it has access to all the financial information of the company to allow the company to effectively prepare and report on the financial statements of the company.

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 at the end of 2019. External quality assurance is further provided through KPMG's international quality performance and compliance programme, which comprises an annual quality performance programme and risk compliance programme 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, is a strategic partner to their clients and acts as a leader in the internal audit profession.

In 2021, internal quality assurance was done as external quality assurances are typically done every four to five years, in line with IIA requirements.

The internal audit service is subject to constant internal quality assurance and peer reviews. The primary responsibility for the ongoing, high-level quality assurance of all work carried out by the team is that of the engagement director. This responsibility includes ensuring that:
- The terms and conditions of the service level agreement are adhered to – both in letter and in spirit.
- The strategic and annual internal audit plans are risk based and provide the level of coverage and assurance required by management and the audit and risk committee.
- Individual projects are appropriately staffed at director and manager level.
- The scope of the project is appropriately determined and communicated.
- The reporting deadlines and standards are consistently met.
- Internal quality assurance is performed by the manager and director on the assignment to ensure that the deliverable is of an exceptional standard, meets the requirements of the scope letter and the approved internal audit plan.
- The director and manager's responsibilities include monitoring that the turnaround time for issuing reports is met.
- The committee has a good working relationship with KPMG.

Chief financial officer review

The committee has reviewed the performance, appropriateness, experience and expertise of the CFO, Mr S Douwenga, and newly appointed interim CFO, Mr A Jogia, and confirms their 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 2022 and, based on the information provided to the committee, considers that the group complies in all material respects with the requirements of the Companies 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.

Ms B Mathews
Audit and risk committee chair

29 March 2023

SOCIAL AND ETHICS COMMITTEE REPORT

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 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 2022 financial year.

Composition

As at 31 December 2022, the committee comprised three independent non-executive directors, namely Mr MH Muell (chair), Mr CMD Flemming and Ms A Sithebe as well as one executive director, Mr R Haffejee.

Names and qualifications of committee members

Mr MH Muell (chair)	Diplom-Betriebswirt (BA) from Berufsakademie Stuttgart, Germany, equivalent to a Bachelor of Commerce
Mr R Haffejee	BSc, PGD, MBA
Ms A Sithebe	BCom Accounting, BCom Accounting Honours, CA(SA), MBA
Mr CMD Flemming	B Com, Bachelor of Law, B Prok, AMP Harvard

Mr Flemming resigned from the board effective 15 February 2023.

Following Mr Haffejee's resignation as CEO and executive director of Metair with effect from 31 March 2023 and consequently stepping down from the social and ethics committee on the same date, Mr Douwenga, Metair's CFO, was appointed as interim CEO and a member of the social and ethics committee on 22 March 2023.

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, https://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 practice, the company's own code of conduct and policies, regarding matters relating to:
  - ethics; and
  - social and economic development.
- Ensure good and responsible corporate citizenship in terms of:
  - 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 AGM on matters within its mandate.
- 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.

Meetings

Three meetings were held during the year and these were attended by all members.

No material non-compliance with legislation or best practice relating to the areas within the committee's mandate was 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 occurred.

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

MH Muell
Social and ethics committee chairman

29 March 2023

REMUNERATION REPORT

BACKGROUND STATEMENT

Metair adheres to all relevant remuneration governance codes and statutes that apply in the various jurisdictions where the group operates. The remuneration committee (committee) continually strives to improve the application and disclosure of recommended practices. Achieving a balanced and sustainable company requires us to improve in all aspects of the business, including our remuneration and reward system. Accordingly, we embarked on a performance management process and remuneration practices exercise during the year to ensure the executives' outputs deliver on the strategic outputs of the group and are aligned with financial rewards. Due to the socio-political environment currently prevailing in South Africa and Türkiye, remuneration and reward systems remain sensitive matters in the group and especially challenging to manage in Türkiye.

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 execute our strategy and create value across all operations, and critical for the future sustainability of Metair. Delivering manufacturing excellence and adhering to our customer's quality standards while ensuring cost competitiveness depends on our ability to attract, nurture and retain appropriately skilled, experienced, diligent, involved and motivated employees. The company's capability in this regard is evident in Metair's proud 75-year history of strong financial performance and a lasting legacy.

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. We go further, to test these systems against local conditions to ensure that key country-specific remuneration nuances are addressed. The group uses the Willis Towers Watson global grading system 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. The pay-lines, job grading and executive salary surveys were done in January 2023 for Türkiye. The results from the 2022 surveys for South Africa and the other regions were aged to January 2023. A detailed survey will be done again in 2023, with the intention of reviewing whether the fundamental principles are still relevant, given the changing realities in the world of work globally.

The committee is satisfied that Willis Towers Watson is independent and objective.

Shareholder voting

Metair proactively engages with its shareholders to discuss material concerns relating to the group's remuneration policy and its implementation. In the event of a vote of 25% or more 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, the manner and form of engagement to ascertain the reasons for dissenting votes and the resulting responses/actions 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 4 May 2023. In future, there might 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 AGM held on 5 May 2022, 90.17% (2021: 87.82%) of shareholders voted in favour of the 2021 remuneration policy and 88.09% (2021: 97.10%) were in support of the implementation report.

The results of the non-binding advisory voting on the 2022 remuneration policy and implementation report as well as the measures taken in response based on King IV and the Listings Requirements will be disclosed in the 2023 integrated annual report.

A copy of the AGM minutes is available on the company's website.

	Shares voted	For	Against
Ordinary resolution number 6(a): Endorsement of the company's remuneration policy	87.21%	90.17%	9.83%
Ordinary resolution number 6(b): Endorsement of the company's implementation report	87.21%	88.09%	11.91%
Special resolution number 1: Approval of non-executive directors' remuneration	87.14%	100.00%	0.00%

The queries raised with the company by shareholders post the AGM, regarding the remuneration policy and implementation report, were addressed as outlined on the next page.

Shareholder feedback	Metair response
Although retention awards aren't currently issued, the remuneration report makes room for issuing them in the future. Any awards must always be linked to performance.	Although there is strictly speaking a share-based retention scheme according to the original share plan, the remuneration committee has resolved not to issue any retention shares at this time.
What was the rationale for down-weighting the importance of cash conversion when considering short-term incentives?	Short-term incentives were reweighted based on a remuneration committee request because key deliverables this year are significant.
In determining ROIC, how are prior year impairments treated, given that any erosion of book value in one year artificially boosts ROIC calculations in future periods? In addition, how is goodwill relating to any acquisitions treated?	The detailed calculation of ROIC is disclosed in the integrated annual report. In the calculation, intangibles or goodwill related to acquisitions are continuously restated to original exchange rate values. As such, there is a greater/consistent requirement to deliver a return on these items especially in the case of Mutlu Akü. Impairments are currently not adjusted for in the calculation of ROIC, as these have been insignificant in the past.
The remuneration report states "a problem being experienced among all subsidiaries where lower end white collar workers earn less than the higher end blue collar workers". How is it anticipated that this gets resolved, and what are the implications for salary growth?	Grading will be handled through a review of grading system across Metair currently in the planning stage and due for 2023.

Main areas of responsibility

The committee approves and oversees 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 it aligns with shareholders' interests and remains relevant to Metair's prevailing market conditions and the group's operational standpoint.

Eight meetings were held during the year and were attended by all members of the committee. Please refer to page 69 for more details on meeting attendance. The quorum for transacting business as per the committee terms of reference is two members. The chairman reported to the board after each meeting.

During the year, the committee approved the following policies which were recommended to the board for final approval:

- Metair HR compliance policy.
- Metair global mobility policy.
- Metair vaccination policy.

The committee was satisfied that it achieved its stated objectives during the period under review.

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 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, https://www.metair.co.za/sustainability/policies-and-reports

The committee also performs an annual self-evaluation of its effectiveness. The results of the 2022 self-evaluation confirmed that the committee is functioning well, and no major concerns were noted. The committee's focus for improvement are still on leadership succession and development.

The external and internal factors that influenced the company's remuneration are:

External

- Macroeconomic conditions
- Inflation
- Cost of living
- Labour market
- Labour unions
- Legislation
- Society

Internal

- The company strategy
- Job evaluations
- Performance appraisal
- Individual employee performance

Key decisions and focus areas in 2022

The key decisions taken by, and focus areas for, the committee were as follows:

- Review the remuneration policy and implementation report annually for presentation at the AGM 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 for the long-term sustainability of the company.
- Review and approve succession planning to ensure strategic objectives are achieved.
- Monitor improvements to performance appraisals and assessments to enhance talent management development and career path planning.
- Monitor employment equity reports and adherence to the Metair masterplan.
- Measure key executive performance against KPIs and strategic objectives. An enhanced performance management process and executive scorecard design was performed during the year and will be implemented in 2023.

For more information and other roles and responsibilities, refer to the committee charter on the company's website, https://www.metair.co.za/sustainability/policies-and-reports

REMUNERATION REPORT (continued)

Human capital and succession planning

The Metair nominations committee addresses succession planning at board and board committee level and the remuneration committee addresses subsidiary executive appointments.
The remuneration committee's three-tier approach to succession planning is as follows:

- External candidates are identified from the market, permitting us to calibrate external talent with internal stars.
- Possible internal replacements are identified from within the respective subsidiary.
- Individuals at other subsidiaries are identified who, if transferred, can succeed in possible vacancies.

With the appointment of the group HR executive in 2021 the opportunity to pause, reflect and reassess the future people agenda for Metair, its subsidiaries and its employees was presented. Through collaboration she has begun building the case for change by implementing a new HR Framework for Metair that is transformational, aspirational, pragmatic and enables the group to become more data centric when making people-related decisions. The key to organisational transformation is a thorough and consistent set of processes that recognises both the organisational and personal aspects of people management.

Focus areas in 2022 included:

- A people practices health check which identified risks and encouraged recommendations for developing the new HR framework.
- Developing a leadership development framework, with implementation planned for the second half of 2023.
- Conducting replacement planning for the top two tiers of leadership and succession planning for leaders three years away from retirement.
- Talent management to create a talent pipeline of critical and scarce skills.
- During 2022, HR-specific training to further professionalise the HR function across the group was identified.

In 2022, the HR executive provided an effective HR service for the group, promoting and supporting a harmonious work environment through teamwork in and between subsidiaries, to ensure consistency and compliance with modern and up-to-date HR practices as well as adherence to current legislation.

Occupational health and safety remained a high priority during the year, with specific attention on tracking COVID-19 cases, providing psychological support to our employees and educating employees on the benefits of vaccination.

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 malus, value destruction and gross negligence. Although this concept is still untested in the market, the company will aim to as a minimum embed the right to full clawback in a court of law with standard burden of proof requirement in such an event. This has been done and current executive service and employment contracts were updated accordingly.

An executive director may, subject to the provisions of the Companies Act, No. 71 of 2008 and the JSE 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 considered 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 always 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 their appointment. Subject to the terms of their contract, they shall be subject to the same provisions of removal as the other directors and if they cease to hold the office of director from any cause, they shall *ipso facto* cease to be an executive director.

Performance management and performance appraisals

The committee reviewed performance appraisals for group executive management, the company secretary and subsidiary management. The CEO and the company secretary performance appraisals were reviewed by the board chair and chairs of all committees, and the CFO performance appraisal was reviewed by the audit and risk committee chair and investment committee chair.

Performance appraisals are based on a generic assessment which includes the following key performance areas:

- Specific KPIs set by the Metair board.
- Thinking competencies.
- Self-managing competencies.
- Relationship competencies.
- Leadership competencies.
- Achievement competencies.
- Alignment to Metair objectives.

The results of the performance appraisals are moderated by Metair, the committee and all chairs, and are considered when salary increases, and incentive participation are determined.

During the year, the committee performed a detailed exercise to enhance and simplify the performance management process and remuneration practices to ensure outputs deliver on the strategic objectives of the group and are aligned with financial rewards.
A scorecard was developed for executive management considering market and best practices that takes threshold, on-target and stretch targets into account as well as financial metrics linked to value drivers. A new performance management policy will be reviewed by the committee early in 2023 and rolled out together with the performance management process implementation.

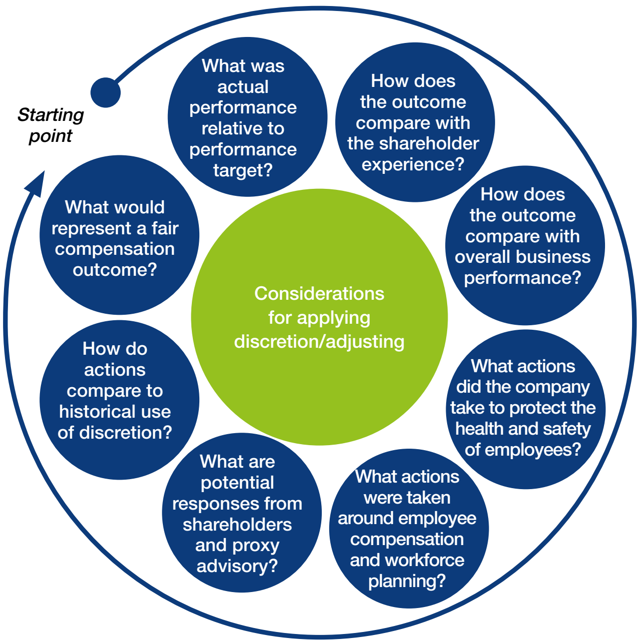
Implementation of the new performance management framework will support and advance Metair's vision in a manner consistent with its strategic intent. More specifically, it will enable Metair to meet or exceed its strategic objectives by encouraging employees to meet their respective key performance indicators. In addition, the framework is flexible enough to amend or change the measurable outcomes year after year in a dynamic process.

Elements of Metair's performance management framework:

The following key performance areas were identified around which key performance indicators were built for 2023:

- Financial.
- Strategy development and execution.
- Group cohesiveness.
- Leadership and talent management.
- ESG and sustainability.

Elements of Metair's performance management framework considering discretion:



Employment equity (EE)

Great emphasis is placed on EE under the oversight of the remuneration committee. This aims to not only address employment equity, inclusion and diversity at Metair, but also to support unemployed Black talent to build potential career paths at Metair.

Management control on the B-BBEE scorecard remains an area of focus and the group has put specific plans in place to effectively improve the scores in this regard. The management control score improved slightly with (+0.05%) from the previous year.

In Türkiye and Romania, the subsidiaries are focusing on improving diversity in terms of gender representation, especially at executive and board level.

Diversity management has been linked to the short and long-term incentive plans as one of the parameters to stress its importance.

REMUNERATION POLICY 2022

The use of performance measures supports positive outcomes across the economic, social and environmental context in which the company operates; and/or all the capitals that it uses or affects.

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, as well as its approach to recognising and rewarding employees. There were no deviations from the policy during 2022.

Metair is mindful of the sensitivities around remuneration, and as such, is committed to applying a fair, consistent, transparent and professional approach to all of its pay practices.

The policy is consequently designed with the following principles in mind:

- Promoting positive outcomes.
- Promoting an ethical culture and responsible corporate citizenship.
- Aligning with stakeholders' requirements and expectations.
- Attracting, retaining and motivating qualified, skilled employees.
- Enhancing transparency.
- Fair and responsible remuneration practices that are consistently applied.
- Fair minimum wages.
- Driving a high-performance culture.
- Affordability.
- Overall sustainability of the company including financial and ESG indicators.
- Compliance with applicable legislation.

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 achievement of the group's sustainable balanced strategy. 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 guaranteed 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 comprehensively 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 REPORT (continued)

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 approving 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 achieve 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.
- Engage with shareholders to address objections and concerns relating to the remuneration policy as and when required.

Metair's remuneration strategy aims to address all the considerations listed below by our stakeholders.

Benchmarking

Metair uses Willis Towers Watson, a leading global advisory and broking solutions company with offices in over 140 countries worldwide, to benchmark all employee salaries. 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 assist the committee to identify trends such as future retirements to ensure proper succession planning is in place. Income gap analyses are used to monitor employee categories relative to one another.

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 at least 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 other things, their roles and responsibilities and fees. 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).

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 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 a 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 committee reviews remuneration on an annual basis and decides on the total remuneration composition. The committee also reviews targets to ensure that they are relevant, fair and responsible, competitive, aligned to the strategy and have the potential to optimise shareholder value.

The principles applied to guaranteed pay and short-term incentives form part of the budgeted expenses of the business. Any incentive

Stakeholder groups

Stakeholder groups and what they may potentially consider

Investors/Shareholders
- Total shareholder return performance vs market
- Dividend payments

Employees/Trade unions
- Redundancies and restructuring
- Salary review
- Fixed pay and CEO pay ratio
- Gender/race gap
- Working conditions

Customers
- Financial performance
- ESG performance

Suppliers/Technology partners
- Environmental impact
- Net zero emissions

Community
- Use of funding
- Community impact

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 and the LTIP.

Total annual remuneration in the group consists of three pay elements:
- Guaranteed pay
- Capped short-term incentive
- Capped long-term incentive

Guaranteed pay

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. The magnitude of pay against the median can be influenced over time by employee performance, retention and years of service.

Short-term incentive

The design architecture for the STIP is based on the market comparative position shown in the next column:

Specific elements	Maximum capped theoretical % CTC+ participation 2022 CEO	CFO
Actual HEPS* vs budgeted HEPS and target	35	30
Annual specific and strategic performance KPIs**	45	25
ROIC*** vs returns to/above WACC	15	10
Group cash conversion target	5	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*
\+ *Cost to company*

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).
d. Excluding project costs (1 – tax rate)*.

**(Project costs are defined as the direct net incremental expenses incurred subsequent to securing new business up until the start of production of the specific project).*

(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 – unproductive new project debt.
b. Plus the weighted average BV of debt (excluding unproductive new project debt) + BV of equity for the acquisition of new businesses.
c. Adjusted for the weighted average BV of debt repaid during a year.
d. Adjusted for the foreign currency translation reserve (FCTR) effect associated with intangible assets that arose on acquisition of subsidiaries.

Targets
- ROIC upper target = weighted average cost of capital (WACC) + 3%.
- ROIC lower threshold = 100% of WACC.

ESG targets included in the 2022 STIP at 5% include, among other things:
- Reducing carbon emissions by 2% per volume unit across Metair.
- Health and safety targets targeting LTIFR <1, zero fatalities, absenteeism rate below 3% excluding contractors and blood lead <30µg per 100ml for battery businesses.
- Procurement targeting 10% from Black owned businesses or local communities for international subsidiaries.
- B-BBEE, focusing on a two-point improvement for management control.

The STIP was refined during 2022 and will be implemented in 2023 in conjunction with the enhanced performance management framework, taking into consideration the newly designed scorecards with threshold, on-target and stretch targets for all KPIs applicable to the STIP. Specific KPIs will be allocated for the following key performance areas:

Pillar	Key performance area	% On target CTC participation 2023* CEO	CFO
Financial	Profitability	35	35
	Asset efficiency	15	15
	Cash generation	5	5
Strategic	Strategy development and execution	20	20
	Group cohesiveness	5	15
	Leadership and talent management	5	
ESG/ sustainability	Environment	5	5
	Social	10	5
Total		**100**	**100**

** Maximum participation at stretched target – 150%*

The ESG targets for 2023 are as follows:

Environmental
- 2% reduction in scope 1 and 2 carbon emissions per person hour worked.
- Reduce water consumption by 2%.
- Reduce energy consumption by 2%.
- Target 10% year-on-year improvement on renewable energy mix.
- Increase recycling of non-hazardous waste across the group by 2%.

Social
- LTIFR below 1.
- Customer returns (manufacturing faults) below 1%.
- Procurement – 10% local content from black-owned businesses or local communities for international subsidiaries.
- Zero blood lead level cases above 30 µg/dl.
- Maintain or improve current B-BBEE level for local subsidiaries.

REMUNERATION REPORT (continued)

Improve gender representation on the board for international subsidiaries.

Long-term incentive

Metair's LTIP was designed by an independent third party with high integrity as well as local and international recognition. Similarly to the STIP, it is based on the cost to company of the participant to ensure fairness, even-handedness and to have an automatic built-in protection against exorbitant reward.

The aim of the LTIP is to attract, retain and extend the services of executive management of Metair. However, where required, the LTIP can be expanded to include certain high potential and/or mission-critical subsidiary executives/individuals 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 to participants.

In order to offset any potential shareholder dilution, shares will be repurchased from the market if the company believes the share price is undervalued to intrinsic value. However, if the share price is trading above intrinsic value, treasury shares will be used.

Performance shares have a three-year waiting period before vesting and therefore have a three-year retention period. This design architecture was adjusted to accommodate shareholders' requirement to move away from share appreciation rights to performance share participation only. Share appreciation rights will therefore (due to the related vesting periods) run out in 2024.

Performance share participation levels:

Description	Performance share award % of CTC (rounded)
Group CEO	60%
Group CFO	50%
Metair management	25%
Subsidiary CEO	45%
Subsidiary senior executives	30%
Subsidiary junior executives	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.

Performance shares

Metair's return measurements for vesting are based on return on invested capital (ROIC), specific HEPS growth targets as well as cash conversion rates and ESG targets. The measuring of HEPS will be based on the growth above CPI over a rolling three- to five-year period.

Description	New performance share award criteria
ROIC targets	40%
HEPS growth	30%
Cash conversion target	20%
ESG targets	10%

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

- Minimum HEPS growth of annual official CPI for South Africa compounded over three years.
- Targeted HEPS growth of annual official CPI for South Africa + 4% compounded over three years.

Participation threshold and multipliers

1. At minimum HEPS growth – 0.5 times.
2. HEPS growth from three-year average CPI to three-year average CPI + 4% – 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 70% and 100% – 0.5 – 2.0 times.
3. Above target cash conversion – limited to 2 times.

d. ESG targets

- Health and safety – measuring LTIFR at <1 as well as a blood lead target of average <30µg per 100 ml for battery businesses.
- Environmental incidents – target zero incidents.
- Total adherence to the Metair ethics code – target zero incidents.
- GDPR/POPIA – target zero incidents.
- Procurement – target 10% local content from enterprise developed businesses/black-owned businesses.
- Transformation – increase in management control score on the new B-BBEE scorecard over a three-year measurement period on consolidated level with 2019 certification as the base.

ESG targets for 2023

Environmental

- Environmental performance: 0 environmental incidents.
- Target 10% year-on-year improvement on renewable energy mix.

Social

- Safety: LTIFR<1.
- Zero blood lead level cases above 30 µg/dl.
- OEM quality rejection rate – maintain customer-specific targets.
- Procurement – target/maintain 10% local content from enterprise developed businesses/black-owned businesses or local communities for international subsidiaries.

Governance

- Adherence to Metair ethics code, GDPR and POPIA.
- Achieve a two-point improvement on the management control score over the three-year measurement period with 2021 certification as base year. International subsidiaries to improve gender representation on the board.

Retention shares

The final element is retention awards linked to specific performance criteria. Previous awards issued did not meet performance criteria set and therefore were not paid out.

No retention shares have been issued to any of the group's executives at present. There are no outstanding awards at present.

IMPLEMENTATION REPORT

1. Job grading

Metair relies on objective international job grading systems, Willis Towers Watson and LMO EXSYS, which include data from all companies in the industry worldwide. Using an objective international job grading system enables stakeholders to compare positions and grades across all companies in the industry. Grading for the top positions at Metair resulted in the CEO position graded 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 LMO EXSYS job and evaluation system to determine the ranking across the 21 graded positions in the group.

The generalised outcome on the Willis 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	Company level MDs, directors, senior managers, specialised professionals at group and company level	Small company MDs, directors, senior exco members, senior specialists, Metair group HR executive, finance executive and Metair company secretary
14, 13, 12, 11, 10	Junior managers, engineers, accountants	Junior exco members, managers, engineers, accountants, Metair group finance manager and Metair executive business 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 was done in 2022 and will be conducted again in 2023. Full details will be published again in the 2023 integrated annual report.

Metair has noted the inclusion of a recommendation in the recent draft changes to the Companies Act for companies to publicly report a calculated wage gap ratio. Metair has undertaken an exercise to provide the wage gap ratio (WGR) for all employees who were employed for the entire year (i.e. excluding people who either joined or left the company during the year). Among the "current employees" in South Africa, the overall WGR was 11.08, indicating that the average total cost to company (TCC) or the sum of all wages, benefits and bonuses for the top 5% earners in our workforce was 11.08 times higher than for those in the bottom 5%.

Similarly, Metair has noted the JSE's 2022 Sustainability Disclosure Guidance recommendations and have updated several aspects of our reporting to align with as much of their guidance as possible, including a Gender Pay Gap Ratio. For the 2022 period, Metair calculated a GPGR of 0.62, such that the average compensation per female employee is 61.9% that of the average for male employees. While this may seem low, we have noted that a benchmark study for UK and EU oil companies reported ratios of between 0.51 and 0.91, where lower ratios are reported by companies with similar employment constraints as Metair. For example, legal and regulatory requirements restrict women from working in jobs where exposure to blood lead is possible, thereby significantly reducing the numbers and roles females can fill within our battery manufacturing companies where average wages tend to be higher. In addition, Metair is constrained by a current situation where the bulk of our female employees work in lower skill positions within companies like Hesto, where women make up 68% of the largest workforce in the Group, thus reducing the average compensation per female compared to the average for male employees who are more significantly represented within the higher skill level positions. This research has further enhanced our ability to focus attention on the ongoing transformation of our workforce, to ensure that more women are encouraged to fill more senior roles within the group.

2. Market position cap

The second element of Metair's approach plots remuneration against a pay grade position relative to the industry we operate within. A market data review was not conducted in 2022, as such an exercise was done in 2021 and is conducted every second year (next benchmarking to be conducted in 2023). The 2021 data was aged by geographical location annual inflation rates to track the competitiveness of employee salaries relative to the graded salary scales.

Market comparisons are performed by an independent third party that benchmarks Metair against peers in manufacturing businesses. The comparisons determine where the group should remunerate within a pay grade scale across the lower quartile, the median or the upper quartile of the benchmark. Metair uses the median as the targeted remuneration level to ensure sustainability.

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.

REMUNERATION REPORT (continued)

For the last six or seven years, Metair intentionally limited the increases of management and white-collar workers to be 2% to 3% lower than blue-collar workers to close the gap between wage and salaried employees. The gap has now closed to such an extent that lower-end white-collar workers at the subsidiaries now earn less than the higher-end blue-collar workers. In addition, union increases for wage employees over the period were 5% to 8%, higher than increases awarded to white-collar workers and management of 4% to 6%. Another issue is that lower-end white-collar salaried workers are starting to join and be represented by unions. This issue will be analysed as part of h the 2023 benchmarking exercise.

Analysing the equity and fairness of remuneration paid will continue to form part of the HR agenda for 2023.

Market volatility remuneration plan

With some of our operations operating in hyperinflationary economies, a market volatility remuneration plan was developed to govern and guide remuneration in such temporary circumstances. The key principles are as follows:

- The inflation adjustments are treated as increases separate from market role benchmarking activities used to determine base pay ranges for roles/job families.
- Adjustments are applied to all non-wage negotiated workers i.e. all white-collar workers.
- A blanket percentage will be applied to all white-collar employees.
- The percentage applied is not linked to performance-based pay.
- The adjustments will take place in July and January.
- The July adjustment will be 75% of forecast inflation, with the difference applied in January using the final inflation figure.
- The percentage will be applied to the base guaranteed pay
- The mid-year salary increase practice will remain in place until such time as inflation returns to below 20%.

3. Pay structure

The following tables represent the CEO and CFO guaranteed, short-term incentive and total earnings positions relative to the market in terms of the lower quartile, median and upper quartile based on their guaranteed packages. Market data has been aged to January 2023 using an annual incremental rate of 7%.

Guaranteed pay

The related market surveys and published reports on remuneration for 2022 indicated a 5% increase for executive remuneration for 2022 and 7% for 2023. The committee decided to recommend a 7% salary increase for 2023 (2022: 5%).

Annual performance assessments are used to adjust recommended base increases up or down.

The table below (Guaranteed pay) shows group CEO and CFO remuneration. It shows that the group CEO earnings were at 80% of the global median in 2022 as he came off a lower base when he joined Metair. The CFO is at 113% of the median due largely to his tenure in the position.

2022

Guaranteed pay

		Market data January 2023			Actual earnings as % of market level		
Position	Current earnings (R)	Lower quartile (R)	Median (R)	Upper quartile (R)	Lower quartile	Median	Upper quartile
CEO	6 831 949	7 243 117	8 521 314	9 799 510	94%	80%	70%
CFO	5 509 192	4 144 168	4 875 491	5 606 815	133%	113%	98%

2021

Guaranteed pay

		Market data January 2022			Actual earnings as % of market level		
Position	Current Earnings (R)	Lower quartile (R)	Median (R)	Upper quartile (R)	Lower quartile	Median	Upper quartile
CEO	6 010 103	6 769 268	7 963 845	9 158 421	89%	75%	66%
CFO	5 341 363	3 873 054	4 556 534	5 240 014	138%	117%	102%

Short-term incentive

The table below (short-term incentive) compares the CEO and CFO short-term incentive participation for 2022 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 2021 financials and KPIs. However, the short-term incentives reflected in the table below are based on performance and KPIs delivered in 2022 but accrued in the annual financial statements of 2022 to be paid in 2023.

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 2022 was at 31.1% for the CEO and 22.9% for the CFO.

2022

Short-term incentive programme (incentive based on 2022 results to be paid in 2023)

			Market data January 2023			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	31%	2 123 042	3 213 815	3 780 958	4 348 101	66%	56%	49%
CFO	23%	1 260 357	1 365 749	1 606 764	1 847 779	92%	78%	68%

2021

Short-term incentive programme (incentive based on 2021 results paid in 2022)

			Market data January 2022			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	57%	3 867 317*	3 003 565	3 533 606	4 063 646	129%	109%	95%
CFO	53%	2 912 852*	1 276 401	1 501 649	1 726 896	228%	194%	169%

* *Additional short-term bonuses of R597 317 for the CEO and R536 749 for the CFO were paid in February 2022.*

The table below shows the actual performance elements for the 2022 STIP structure:

2022 STIP specific elements	Capped % at 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% to 110% of budgeted HEPS	35.0%	30.0%		
ROIC vs target				
Incentive will be earned on a straight-line basis between an ROIC of 13.4% and 16.4% for 2022	15.0%	10.0%		
Consolidated cash conversion* target	5.0%	5.0%		
Annual specific performance and strategic KPIs:				
ESG – Targeted as per subsidiary measures on all 17 ESG targets	3.0%	3.0%	2.7%	2.7%
Reduction of carbon emissions by 2% by volume unit across Metair	2.0%	2.0%	2.0%	2.0%
Value unlock phase 1 conclusion – pending board decision on final process preparation and sale process with advisor is managed and implemented as per agreed timeline	10.0%	5.0%	7.5%	3.8%
Strategy proposal or consideration	5.0%		1.7%	
Develop a sustainability workplan for Metair	3.0%		3.0%	
BI implementation by end H1 2022		2.0%		2.0%
Establish the outcomes and gap analysis for the HR framework in Metair	3.0%		1.0%	
Review and update IT (including cyber security) strategy		2.0%		2.0%
Lithium ion line commissioning in Mutlu Akü	5.0%		1.7%	
Ensuring project timelines and deliverables of commissioning of Lithium ion line is successful		2.0%		2.0%
Successful OEM project launches for 2022	10.0%		7.5%	
To ensure all costs and borrowing facilities for all projects in line with plan and successfully concluded		5.0%		5.0%
Develop solar power plan for SA and implement in 2022	2.0%		2.0%	
Finalise and implement the finance structure of solar power implementation at all sites		2.0%		2.0%
Implement supply chain management changes for freight forwarding and shipping contracts across SA companies in 2022	2.0%		2.0%	
Improve reporting, management and cash usage in Hesto Finance – R150m cash savings to budget		2.0%		1.4%
Maximum potential on budget and actual participation	**100.0%**	**70.0%**	**31.1%**	**22.9%**

* *Conversion = Cash generated from operations/EBITDA (excluding equity accounted earnings).*

HEPS history (cents per share)

REMUNERATION REPORT (continued)

	2022	2021	2020	2019	2018	2017
Target	Additional incentive paid on a straight-line basis between 334 – 367	Additional incentive paid on a straight-line basis between 300 – 330	Additional incentive paid on a straight-line basis between 329 – 358	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
Actual	-17	354	148	336	327	281

Total – Guaranteed pay and short-term incentive

2022

		Market data January 2023			Actual earnings as % of market level		
Position	Current Earnings (R)	Lower quartile (R)	Median (R)	Upper quartile (R)	Lower quartile	Median	Upper quartile
CEO	8 954 991	10 456 931	12 302 273	14 147 612	86%	73%	63%
CFO	6 769 549	5 509 917	6 482 256	7 454 594	123%	104%	91%

2021

		Market data January 2022			Actual earnings as % of market level		
Position	Current Earnings (R)*	Lower quartile (R)	Median (R)	Upper quartile (R)	Lower quartile	Median	Upper quartile
CEO	9 877 420	9 772 833	11 497 451	13 222 067	101%	86%	75%
CFO	8 254 215	5 149 455	6 058 183	6 966 910	160%	136%	118%

** Additional short-term bonuses of R597 317 for the CEO and R536 749 for the CFO were paid in February 2022.*

The energy vertical head office is based in the Netherlands. Metair executive directors received director fees in the Netherlands which reflect in their total annual remuneration.

Retention and capped LTIP

The table below indicates the percentage of CTC that were used to calculate the number of performance shares awarded to the CEO and CFO in 2022. The percentage of CTC allocation is applied on an annual basis.

	Performance shares			
Position	% of CTC	Deemed value (R)	No. of shares	At deemed share value R/c
CEO	60%	4 114 087	148 042	27.79
CFO	50%	2 767 023	99 569	27.79

Details of awards 2022:

Performance shares	
Metair CEO	148 042
Metair CFO	99 569
Allocation date	1 April 2022
Vesting date	1 April 2025

The executives did not have any personal holdings as at 31 December 2022.

Individual details on vesting

Vesting in 2022

The table below contains details of vesting in 2022:

	Performance shares				Share appreciation rights			
Position	% of CTC	Deemed value (R)	No. of shares	At deemed share value R/c	% of CTC	Value (R)	No. of shares	At share value R/c
CEO	–	–	–	–	–	–	–	–
CFO	18%	1 220 930	43 871	27.83	10.13%	558 204	9 315	28.90

Performance shares	
Metair CEO	–
Metair CFO	29 247
Allocation date	3 April 2019
Vesting price	R27.83
Deemed value for CEO	–
Deemed value for CFO	1 220 930
Vesting date	5 April 2022

Share appreciation rights	
Metair CEO	–
Metair CFO	19 315
Date of award	27 November 2017, 27 November 2018, 27 November 2019
Vesting price	R28.90
Deemed value for CEO	–
Deemed value for CFO	558 204
Vesting date	28 November 2022

Refer to the remuneration policy on page 87 for more details of the performance criteria applicable to the vesting.

Awards not yet vested

Details of awards that have not yet vested including awards made in 2022 are shown 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 2022	Fair value as at 31 December 2022
CEO	Performance shares							
		01-Apr-22	01-Apr-25	R0.00	148 042	R27.27	R4 071 155	R4 071 155
		01-Apr-21	01-Apr-24	R0.00	187 990	R20.49	R5 169 725	R5 169 725
Total					**336 032**		**R9 240 880**	**R9 240 880**
CFO	Performance shares							
		01-Apr-22	01-Apr-25	R0.00	99 569	R27.27	R2 738 148	R2 738 148
		01-Apr-21	01-Apr-24	R0.00	123 766	R20.49	R3 403 565	R3 403 565
		03-Apr-20	03-Apr-23	R0.00	158 812	R12.15	R4 367 330	R4 367 330
	Share appreciation rights							
		27-Nov-18	27-Nov-23	R17.70	25 037	R6.21	R245 363	R688 518
		27-Nov-19	27-Nov-24	R24.02	38 197	R7.37	R133 117	R281 512
Total					**445 381**		**R10 887 522**	**R11 479 072**

Fair value is based on the higher of the intrinsic value or the originally determined value in terms of IFRS 2. The intrinsic value is based on the market value of the Metair share of R27.50 on 31 December 2022 and assumes that all performance criteria were 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 is reconciled to the annual financial statements in the table on the next page. The only difference between the below disclosure and the annual financial statements is the subsistence allowance and the STIP that was paid in the current year (relating to 2021) versus accrued (relating to 2022) as per IFRS requirements.

REMUNERATION REPORT (continued)

2022

Position	Count 1 guaranteed (R)	Short-term incentive (R)	Long-term incentive prior year (R)	Total (R)	Recon to AFS disclosure* STIP 2022 accrued	Recon to AFS disclosure* STIP 2021 paid in 2022	Subsistence allowance (R)	Total as per AFS (R)
CEO	6 831 949	2 123 042	–	8 954 991	(2 123 042)	3 867 317	115 766	10 815 032
CFO	5 509 192	1 260 357	1 779 133	8 548 682	(1 260 357)	2 912 852	83 894	10 285 071

2021

Position	Count 1 guaranteed (R)	Sign-on bonus	Short-term incentive (R)	Long-term incentive prior year (R)	Total (R)	Recon to AFS disclosure* STIP 2021 accrued	Recon to AFS disclosure* STIP 2020 paid in 2021	Total as per AFS (R)
CEO	6 010 103	900 000	3 867 317*	–	10 777 420	(3 867 317)	–	6 910 103
CFO	5 341 363	–	2 912 852*	2 001 509	10 255 724	(2 912 852)	1 823 166	9 166 038

* *Additional short-term bonuses of R597 317 for the CEO and R536 749 for the CFO were paid in February 2022.*

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	2 992	2 617	2 675
Performance bonuses	1 918	1 284	637
Pension and provident fund contributions	365	391	367
Company contributions	162	81	68
Gain on exercise of share options	764	1307	710
Total	**6 201**	**5 680**	**4 457**

Non-executive directors' remuneration

An increase of 7% was recommended for non-executive directors' fees and will be presented for approval by shareholders at the AGM scheduled for 4 May 2023. Directors' fees proposed for 2023 are exclusive of VAT and are as follows:

Role	Fees
Board chairman	R802 578.07 per annum
Non-executive directors	R401 289.03 per annum
Audit and risk committee chairman	R48 139.73 per meeting
Audit and risk committee member	R29 421.32 per meeting
Remuneration committee chairman	R35 707.53 per meeting
Remuneration committee member	R22 328.89 per meeting
Nominations committee chairman	R35 707.53 per meeting
Nominations committee member	R22 328.89 per meeting
Social and ethics committee chairperson	R31 290.82 per meeting
Social and ethics committee member	R16 054.37 per meeting
Investment committee chairman	R31 290.82 per meeting
Investment committee member	R16 054.37 per meeting

Subsidiary board fees 1 January 2023 to 31 December 2023:	Fees	
Chairman	R267 526.02	per annum
Board member	R127 393.34	per annum

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: 30 December 2022
Issued share capital: 198 985 886

Shareholder spread	No of shareholdings	%	No of shares	%
1 – 1 000 shares	3 409	69.61	495 684	0.25
1 001 – 10 000 shares	900	18.38	3 471 502	1.75
10 001 – 100 000 shares	387	7.90	12 497 577	6.28
100 001 – 1 000 000 shares	162	3.31	49 814 929	25.03
1 000 001 shares and over	39	0.80	132 706 194	66.69
Total	**4 897**	**100.00**	**198 985 886**	**100.00**

Distribution of shareholders	No of shareholdings	%	No of shares	%
Banks/Brokers	39	0.80	12 741 338	6.40
Close Corporations	32	0.65	271 714	0.14
Endowment Funds	40	0.82	1 667 960	0.84
Government	1	0.02	78 013	0.04
Individuals	3 696	75.47	6 180 404	3.11
Insurance Companies	46	0.94	11 967 560	6.01
Investment Companies	1	0.02	179 208	0.09
Medical Schemes	8	0.16	1 507 819	0.76
Mutual Funds	176	3.59	85 550 921	42.99
Other Corporations	18	0.37	31 281	0.02
Own Holdings	1	0.02	5 216 028	2.62
Private Companies	96	1.96	2 542 246	1.28
Public Companies	3	0.06	5 700	0.00
Retirement Funds	533	10.88	68 799 222	34.57
Sovereign Wealth Fund	1	0.02	506 814	0.26
Trusts	206	4.21	1 739 658	0.87
Total	**4 897**	**100.00**	**198 985 886**	**100.00**

Public/non-public shareholders	No of shareholdings	%	No of shares	%
Non-public shareholders	3	0.06	42 914 738	21.57
Directors and associates of the company	2	0.04	37 698 710	18.95
Treasury stock	1	0.02	5 216 028	2.62
Public shareholders	4 894	99.94	156 071 148	78.44
Total	**4 897**	**100.00**	**198 985 886**	**100.00**

Beneficial shareholders holding 3% or more	No of shares	%
Government Employees Pension Fund	21 798 037	10.95
Coronation Fund Managers	14 404 414	7.24
Old Mutual	14 253 212	7.16
Value Capital Partners H4 QI Hedge Fund	13 813 443	6.94
Foord	9 463 341	4.76
Eskom Pension & Provident Fund	9 033 669	4.54
Alexander Forbes Investments	8 577 260	4.31
Ninety One	7 892 655	3.97
Camissa Asset Management	6 822 029	3.43
Mines Pension Fund	6 446 561	3.24
Total	**112 504 621**	**56.54**

SHAREHOLDER ANALYSIS (continued)

Institutional shareholding 3% or more	No of shares	%
Value Capital Partners	37 698 710	18.95
Coronation Fund Managers	28 710 849	14.43
Camissa Asset Management	26 142 855	13.14
Truffle Asset Management	17 047 267	8.57
Public Investment Corporation	15 656 082	7.87
Foord Asset Management	12 703 591	6.38
Ninety One	9 508 267	4.78
Old Mutual Investment Group	7 954 642	4.00
Total	**155 422 263**	**78.11**

Breakdown of non-public holdings

Directors	No of shares	%
Sithole S & Mkhondo N	37 698 710	18.95
VCP Portfolio	37 698 710	18.95
Total	**37 698 710**	**18.95**

Treasury Stock	No of shares	%
Business Venture Investments No.1217	5 216 028	2.62
Total	**5 216 028**	**2.62**

Holdings of more than 10%	No of shares	%
Total	**0**	**0.00**

Breakdown of beneficial shareholders holding 3% or more

Beneficial shareholders holding 3% or more	No of shares	%
Government Employees Pension Fund	**21 798 037**	**10.95**
Public Investment Corporation	14 661 521	7.37
Coronation Fund Managers	5 601 470	2.82
Sentio Capital Management	1 124 057	0.56
Excelsia Capital	377 143	0.19
Differential Capital	33 846	0.02
Coronation Fund Managers	**14 404 414**	**7.24**
Coronation Balanced Plus Fund	6 334 092	3.18
Corolife Special Opportunities Portfolio	3 328 433	1.67
Coronation Equity Fund	892 225	0.45
Coronation Life	881 961	0.44
Coronation Industrial Fund	583 196	0.29
Coronation Smaller Companies Fund	515 741	0.26
Coronation Life – Aggressive Equity	509 205	0.26
Coronation Life	431 877	0.22
Coronation SA Equity Fund	383 579	0.19
Corolife Houseview Equity Portfolio	328 220	0.16
Coronation Life	109 550	0.06
Coronation Market Plus Fund	89 668	0.05
Coronation Domestic Houseview Portfolio	9 756	0.00
Corolife Active Equity Portfolio	6 911	0.00

Breakdown of beneficial shareholders holding 3% or more

	No of shares	%
Old Mutual	**14 253 212**	**7.16**
Old Mutual Life Assurance Company SA	5 500 628	2.76
Old Mutual Albaraka Equity Fund	2 555 568	1.28
Old Mutual Albaraka Balanced Fund	2 211 968	1.11
Old Mutual Life Assurance Company SA	1 647 417	0.83
Old Mutual Multi-Managers Satellite Equity Fund No.2	789 986	0.40
Old Mutual Albaraka Income Fund	371 429	0.19
Old Mutual Multi-Managers Satellite Equity Fund No. 4	222 548	0.11
Old Mutual Investment Group (Namibia)	179 208	0.09
Old Mutual Multi-Managers Satellite Equity Fund No. 4	175 311	0.09
Old Mutual Multi-Managers Satellite Equity Fund	162 888	0.08
Old Mutual Life Assurance Company SA	103 351	0.05
Old Mutual Life Assurance Company SA	74 932	0.04
Old Mutual Managed Alpha Equity Fund	68 389	0.03
Old Mutual Life Assurance Company SA	56 957	0.03
Old Mutual Life Assurance Company SA	53 846	0.03
Old Mutual Dynamic Floor Fund	45 549	0.02
Old Mutual Capped Swix Index Fund	23 786	0.01
Old Mutual Core Balanced Fund	5 752	0.00
Old Mutual Life Assurance Company SA	2 270	0.00
Old Mutual Core Moderate Fund	1 046	0.00
Old Mutual Core Conservative Fund	383	0.00
Value Capital Partners	**13 813 443**	**6.94**
Value Active PFP H4 QI Hedge Fund	13 813 443	6.94
Foord	**9 463 341**	**4.76**
Foord Balanced Fund	6 598 475	3.32
Foord Equity Fund	2 839 652	1.43
Foord Domestic Balanced Fund	25 214	0.01
Eskom Pension & Provident Fund	**9 033 669**	**4.54**
Value Capital Partners	5 350 140	2.69
Camissa Asset Management	2 208 771	1.11
Coronation Fund Managers	662 486	0.33
Excelsia Capital	351 441	0.18
Old Mutual Investment Group	136 068	0.07
Sanlam Investment Management	132 375	0.07
Mianzo Asset Management	118 126	0.06
Old Mutual Investment Group	74 262	0.04

SHAREHOLDER ANALYSIS (continued)

Breakdown of beneficial shareholders holding 3% or more

		No of shares	%
Alexander Forbes Investments		**8 577 260**	**4.31**
Alexander Forbes Investments Funds		5 156 197	2.59
Alexander Forbes Investments – Balanced		762 297	0.38
Alexander Forbes Investments Funds		618 400	0.31
Alexander Forbes Investments Funds		298 611	0.15
Alexander Forbes Investments Funds		273 035	0.14
Alexander Forbes Investments Fully Discretionary Local		272 560	0.14
Alexander Forbes Investments Funds – Low Equity Conserver		184 109	0.09
AF Investments Performer Managed Unit Trust		174 162	0.09
Alexander Forbes Investments Funds – Local Balanced		164 945	0.08
Alexander Forbes Investments – Shariah Equity		149 014	0.07
Alexander Forbes Investments Funds		138 934	0.07
Alexander Forbes Investments Funds		138 200	0.07
Alexander Forbes Investments – Aggressive Equity		58 159	0.03
Alexander Forbes Investments Funds – Capped SWIX Tracker		52 765	0.03
Alexander Forbes Investments Transition Account		36 012	0.02
Alexander Forbes Investments Funds – Equity		25 589	0.01
Alexander Forbes Investments Funds – Multi-Factor		19 069	0.01
Alexander Forbes Investments Fully Discretionary Global Balanced Fund		10 266	0.01
Alexander Forbes Investments Funds		9 897	0.00
Alexander Forbes Investments – Aggressive Equity		9 735	0.00
Alexander Forbes Investments Fully Discretionary Local		9 158	0.00
Alexander Forbes Investments Funds		6 475	0.00
Alexander Forbes Investments Funds		5 278	0.00
Alexander Forbes Investments Funds – Multi-Factor		4 393	0.00
Ninety One		**7 892 655**	**3.97**
Ninety One Emerging Companies Fund		4 622 672	2.32
Investec Special Focus Fund		3 269 983	1.64
Camissa Asset Management		**6 822 029**	**3.43**
Camissa Balanced Fund		2 017 171	1.01
Camissa Equity Alpha Fund		1 608 989	0.81
Camissa Islamic Balanced Fund		1 431 269	0.72
Camissa Islamic Equity Fund		1 136 729	0.57
Camissa Stable Fund		309 646	0.16
Camissa SA Equity Fund		249 209	0.13
Camissa Protector Fund		69 016	0.03
Mines Pension Fund		**6 446 561**	**3.24**
Sentinel Mining Industry Retirement Fund	Value Capital Partners	4 395 524	2.21
Sentinel Mining Industry Retirement Fund	Camissa Asset Management	1 313 328	0.66
Sentinel Mining Industry Retirement Fund	Coronation Fund Managers	308 110	0.15
Sentinel Mining Industry Retirement Fund	All Weather Capital	244 808	0.12
Sentinel Mining Industry Retirement Fund	Excelsia Capital	184 791	0.09
Total		**112 504 621**	**56.54**

INDEPENDENT ASSURANCE STATEMENT

TO THE BOARD AND STAKEHOLDERS OF METAIR INVESTMENTS LIMITED ("METAIR")

Integrated Reporting & Assurance Services (IRAS) was commissioned by Metair to provide independent third-party assurance (ITPA) over the sustainability content within Metair's 2022 Integrated Annual Report (hereafter, referred to as "the Report"), covering the period 1 January to 31 December 2022. For the purposes of this statement, the Report refers to content within the IAR in both the printed and downloadable/online forms, as well as all relevant supplemental information made available via the web at www.metair.co.za.

Assurance standard applied

To the best of our ability, this assurance engagement has been aligned with an IRAS specific combination of AccountAbility's AA1000AS v3 assurance standard, structured to meet the AA1000AS Type 2 (Moderate) requirements and guidance taken from experience gained over a more than 20-year period, inclusive of testing key sustainability performance data at its source.

Independence, responsibility and limitations

IRAS was not responsible for the preparation of any part of the Report and has not undertaken any commissions for Metair in the reporting period that would interfere with our independence.

The preparation of this Report is solely the responsibility of Metair, where input from IRAS is limited to providing ongoing guidance of where early drafts of the report may appear to fall short of reasonable reporting expectations.

IRAS's responsibility in performing its assurance activities is to the Board and management of Metair alone and in accordance with the terms of reference agreed with them.

Competence

Our assurance team was led by Michael H. Rea, a Lead Sustainability Assurance Practitioner with 24 years' experience in environmental and social performance measurement, including sustainability reporting and assurance, with support from junior associates within the IRAS team. Michael has completed 111 assurance engagements for 48 different companies and has completed 159 assurance site visits in 20 countries to test data at source. Throughout the assurance engagement, Michael was supported by our team of associates and research interns.

Assurance objectives

The objectives of the assurance process were to:
- Assess the extent to which Metair's ESG/Sustainability reporting adheres to AccountAbility's AA1000APS Assurance Principles Standard principles of Inclusivity, Materiality, Responsiveness and Impact, as well as the additional principles of Balance/Neutrality and Comparability.
- Assess the extent to which group collection, collation and reporting of key sustainability data from Metair's subsidiaries meets reasonable expectations for accuracy, consistency, completeness and reliability, as tested at the desktop/off-site level.
- As per the requirements of Type 2 assurance, test the accuracy, consistency, completeness and reliability of performance data for a set of selected sustainability indicators, as tested "at source" during site visits.
- Assess Metair's ability to provide transparent disclosure of quantitative comparable sustainability data (also referred to as "Environmental, Social and Governance", or "ESG" data).
- Assess the extent to which the Report adheres to reasonable local and international expectations for effective reporting, including guidance provided by the International Integrated Reporting Committee (IIRC) recommendations for integrated reporting (the <IR> Framework).

Scope of work performed

The process used in arriving at this assurance statement is based primarily on IRAS's own ESG/Sustainability data criteria, as well as guidance from AccountAbility's AA1000AS v3 and other best practices in reporting and assurance. Our approach to assurance included the following:
- Meetings with key Metair personnel responsible for the preparation of the Report to assess adherence to the principles of Inclusivity, Materiality, Responsiveness, Impact, Balance/Neutrality and Comparability.
- A review of sustainability measurement and reporting procedures – inclusive of reviews of the group's ESG/Sustainability data consolidation process – at Metair's head offices, via management interviews with the reporting team, as well as through desktop research.
- A review of data collection, collation and reporting procedures at the group level, with specific reference to all of the ESG/Sustainability data points detailed in the Comprehensive ESG/Sustainability Data Table presented on pages 107 to 109 of the company's 2022 IAR www.metair.co.za
- Site visits to two subsidiaries – Smiths and FNB (East London and Benoni sties) – to test not only the quality of data gathered at source, but also the effectiveness and reliability of group-developed policies, procedures, systems and controls for the collection, collation and reporting of ESG/Sustainability data at the subsidiary level.
- Reviews of drafts of the Report for any significant errors and/or anomalies, inclusive of any lapses in the reporting of material issues identified during our internal and external materiality assessments, as well as the potential inclusion of any assertions that are not supported by the ESG/Sustainability data reported by the subsidiaries to the group.
- Reviews of drafts of the Report to test for adherence to reasonable reporting expectations.
- A series of interviews with the individuals responsible for collating and writing the Sustainability Report in order to ensure sustainability performance assertions could be duly substantiated.

INDEPENDENT ASSURANCE STATEMENT (continued)

Although IRAS reviews all 260 ESG data indicators within our Sustainability Data Transparency Index (SDTI) during our Draft Report Reviews, specific attention was paid to the following 20 ESG/Sustainability data points during the site visits to Smiths and FNB, and when comparing site-confirmed data to the information contained within the Report:

1	**Total employees**	Total number of permanent, temporary, and fixed-term contract employees.
2	**Employee turnover**	Percentage of employees – at final day of reporting period – that left the company's employ for all reasons (e.g., End of Contract, Dismissal, Death, Retirement, Permanent Disability/Medical Boarding, End of Contract, etc.).
3	**Wage gap ratio**	As per the amendments to the Companies Act, the ratio of average income (total cost to company) for the top 5% of all employees and directors to the average income for the bottom 5%.
4	**Gender pay gap ratio**	As per recommendations of the JSE's Sustainability Disclosure Guidance (2022), the ratio of average income per female relative to the average income per male employee.
5	**Person hours worked**	Total number of PHW for all employees and contractors.
6	**FIFR**	Fatal Injury Frequency Rate (FIFR), calculated as the total number of fatal injuries (FIs) per 200 000 PHW – for employees and contractors.
7	**LTIFR**	Lost Time Injury Frequency Rate (LTIFR), calculated as the total number of lost time injuries (LTIs) per 200 000 PHW – for employees and contractors.
8	**TIFR**	Total Injury Frequency Rate (TIFR), calculated as the total number of injuries – inclusive of FIs, LTIs, Medical Treatment Cases (MTCs) and First Aid Cases (FACs) per 200 000 PHW – for employees and contractors.
9	**Days lost due to injury**	Total number of person days lost due to LTIs
10	**Injury severity rate**	Average number of days lost per LTI
11	**Absenteeism**	Total number of person days lost due to all forms of absenteeism, inclusive of: **Scheduled:** Annual Leave, Maternity/Paternity, Study, etc. **Non-Scheduled**: Abscond, Sick, etc.
12	**Absenteeism rate**	Total days lost relative to the number of days worked (i.e., PHW ÷ 8).
13	**Number of persons trained**	Total Rand value of expenditures on training initiatives, inclusive of: **Awareness Training:** Inductions, safety briefings, etc. **Mandatory Re-Certifications:** Renewing of licenses for forklift drivers, etc. **Skills Development:** Formal training programmes leading to new transferable skills, inclusive of certifications, diplomas and/or degrees.
14	**CSI/SED spend**	Total Rand value of expenditures – inclusive of in-kind contributions and other forms of assistance – on Corporate Social Investment (CSI)/Socioeconomic Development (SED) projects.
15	**Electricity consumption**	Total direct and indirect consumption of electricity for primary purposes.
16	**Petrol consumption**	Total direct and indirect consumption of petrol for primary purposes.
17	**Diesel consumption**	Total direct and indirect consumption of diesel for primary purposes.
18	**Water consumption**	Total volume of water consumed – from all sources (i.e., municipal services, boreholes, etc.) – for primary purposes.
19	**Waste to landfill**	Total volume of generated that is sent to landfill.
20	**Waste recycled**	Total volume of waste generated that is sent for recycling.

Findings and recommendations

Based on our analysis of Metair's ESG/Sustainability reporting, it is our belief that the company's ESG/Sustainability data collection, collation and reporting processes facilitate the effective consolidation of subsidiary performance data at the group level for the purposes of annual disclosure to stakeholder. However, some opportunities exist with respect to the adequacy of pre-FYE controls relating to ensuring that data is updated if/when new information is obtained prior to finalisation of quarterly data submissions to the group. Nonetheless, the current Report reasonably reflects an accurate accounting of Metair's performance, including the review of data collected, collated and reported by the various subsidiaries.

Reporting against the assurance principles:

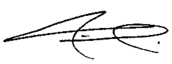
- As per a review of management assertions, inclusive of discussions at the group level and reviews of the stakeholder engagement content within the IAR, Metair reasonably identifies, prioritises and engages key stakeholders, thus meeting the requirements of ***Inclusivity***.
- The content of the Report does not differ, in any significant way, from an analysis of the material issues discussed within Metair, or within its sphere of influence, as per our desktop materiality scan process. Adequate systems and controls appear to be in place to identify and prioritise the company's "most material issues", thereby meeting reasonable ***Materiality*** expectations.
- As per a review of management assertions, inclusive of discussions at the group level and reviews of the stakeholder engagement content within the IAR, Metair reasonably addresses stakeholder concerns through engagement, inclusive of, but not limited to, the content within its IAR, thereby meeting reasonable ***Responsiveness*** expectations.
- As per a review of management assertions, inclusive of discussions at the group level and reviews of the stakeholder engagement content within the IAR, it is reasonable to assert that Metair addresses its most material impacts on stakeholders and the natural environment in which it operates through risk management policies and procedures at both the group and subsidiary levels. However, we believe that more can be done to improve its ability to demonstrate how actions affect their broader ecosystems, and what is being done to mitigate these impacts. At a moderate level, we believe Metair's activities, inclusive of, but not limited to, the content discussed within its Report, meets basic ***Impact*** expectations, but require further improvement, particularly with respect to additional disclosure to stakeholders within the Report.
- As per a review of management assertions, inclusive of discussions at the group level and reviews of the IAR, the presentation of performance information by Metair reasonably includes a fair and balanced reporting of the company's successes and challenges during the reporting period, thereby meeting reasonable ***Balance/Neutrality*** expectations.
- As per a review of management assertions, inclusive of discussions at the group level and reviews of the IAR, particularly with respect to the presentation of quantitative/numerical performance information, and alignment of the Report to leading guidance materials (e.g., the *International Integrated Reporting Council's Integrated Reporting <IR> Framework*). Metair provides an exceptional level of performance transparency in a manner that allows for comprehensive comparability against peer companies, thereby meeting reasonable Comparability expectations.

Sustainability data performance

- Metair's systems for data collection, collation and reporting, at both the group and subsidiary level, are well established and used effectively to allow for the ongoing (quarterly) monitoring and management of the group's ESG/Sustainability performance, inclusive of annual reporting to stakeholders.
- With respect to the data reported by the subsidiaries to the group, inclusive of the data reviewed at Smiths and FNB during the site visits, no significant errors and/or inconsistencies were identified to the extent of requiring any sort of qualification. While data errors were identified – primarily transcription errors from site to group data management systems – these were identified, addressed and corrected during the year end consolidation and reporting process. However, it was noted that some subsidiaries may require a re-review of group ESG/Sustainability definitions to ensure consistency of reported data.
- Based on the depth of reporting of ESG data within the IAR, including the comprehensive consolidated ESG/Sustainability data table, we believe that Metair demonstrates leadership relative to public disclosure of the ESG/Sustainability data. As per our SDTI analysis of Metair's current reporting, their ESG/Sustainability data transparency falls within the Top 1% of all JSE-listed companies.

CONCLUSIONS

Based on the information reviewed, IRAS is confident that Metair's Report provides a comprehensive and balanced account of the sustainability performance of the company during the period under review. The data presented is based on a systematic process and we are satisfied that, aside from the exceptions stated above, the reported performance data accurately represents the current performance of Metair, while meeting the reporting principles of Inclusivity, Materiality, Responsiveness, Impact, Balance/Neutrality and Comparability. Moreover, we firmly believe that the Report demonstrates leadership with respect to ESG data transparency.



Integrated Reporting & Assurance Services (IRAS)

Johannesburg

13 March 2023

SUPPLEMENTARY SCHEDULES

GLOSSARY

ABM	Associated Battery Manufacturers (East Africa) Limited
ACI	African, Coloured and Indian
AFS	Annual financial statements
AGM	Annual general meeting
AGM batteries	Absorbent glass matt batteries
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
BEV	Battery electric vehicle
BI	Business intelligence
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
DEFRA	UK Department of Environment, Food and Rural Affairs
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
ECL	Expected credit loss
EE	Employment equity
ESG	Environmental, social and governance
EU	European Union
FEC	Forward exchange contracts
FNB	First National Battery
FVOCI	Fair value through other comprehensive income
FVTPL	Fair value through profit or loss
GDP	Gross domestic product
GDPR	EU General Data Protection Regulation
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
HVAC	Heating, ventilation and air conditioning
IAR	Integrated annual report
IAS	International Accounting Standards
IATF	International Automotive Task Force
IBC	Inside back cover
ICE	Internal combustion engine
IFC	Inside front cover
IFRS	International Financial Reporting Standards
IIA	Institute of Internal Auditors South Africa
IMDS	International Material Data System
IMF	International monetary fund
IP	Intellectual property
IRBA	Independent Regulatory Board for Auditors

ISO	The International Organisation for Standardization
IT	Information Technology
JIBAR	Johannesburg Interbank Average Rate
JSE	Johannesburg Stock Exchange
KPI	Key Performance Indicator
kWh	Kilowatt hours
LCV	Light commercial vehicle
LME	London Metal Exchange
LTI	Lost time injury
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
NCI	Non-controlling interest
NEV	New energy vehicle
OE	Original Equipment
OEM	Original Equipment Manufacturer
OHSAS	Occupational Health and Safety Assessment Series
PBIT	Profit before interest and tax
PDI	Previously disadvantaged individuals
PHW	Person-hours worked
POPIA	Protection of Personal Information Act
PPE	Personal protective equipment
RCF	Revolving Credit Facility
ROE	Return on equity
ROIC	Return on invested capital
SABMA	South African Battery Manufacturers Association
SABS	South African Bureau of Standards
SAICA	South African Institute of Chartered Accountants
SANS	South African National Accreditation System
SED	Socio-economic development
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
STEM	Science, technology, engineering, maths
STIP	Short-term incentive plan
TCFD	Taskforce for Climate-related Financial Disclosure
TL	Turkish Lira
TSR	Total shareholders return
TWIMS	Toyota Wessels Institute for Manufacturing Studies
UIF	Unemployment Insurance Fund
UWC	University of the Western Cape
VCA	Vehicle Certification Agency
VCT	Voluntary counselling and testing
WACC	Weighted average cost of capital

SUPPLEMENTARY SCHEDULES (continued)

APPENDIX I: ACCREDITATION

Quality accreditation

Subsidiaries	Environmental ISO 14001	Health and Safety OHSAS 18001/ ISO 45001	Quality (non-quality auto) ISO 9001	Quality (auto) ISO/IATF 16949	Energy management ISO 50001	Lab testing ISO 17025	Quality (OEM) Q1 Ford	Quality (OEM) QSB Isuzu	Quality (OEM) Formal Q	Quality (OEM) VCA	Test (auto and industrial) SABS SANS
ABM	✓	N/A	✓	Non-compliant	N/A	N/A	N/A	N/A	N/A	N/A	N/A
ATE	✓	✓	✓	N/A	✓	N/A	N/A	N/A	N/A	N/A	✓
Automould	✓	✓	✓	✓	✓	N/A	In progress	N/A	✓	N/A	N/A
FNB	✓	✓	✓	✓	✓	N/A	✓	✓	✓	N/A	✓
Hesto	✓	✓	N/A	✓	✓	N/A	In progress	✓	N/A	N/A	N/A
Lumotech	✓	✓	✓	✓	✓	N/A	✓	N/A	✓	✓	N/A
Mutlu Akü	✓	✓	✓	✓	✓	N/A	✓	N/A	N/A	N/A	
Rombat	✓	✓	✓	✓	✓	N/A	✓	N/A	N/A	N/A	N/A
Smiths Manufacturing	✓	✓	✓	✓	✓	N/A	N/A	✓	N/A	N/A	N/A
Supreme Spring	✓	✓	✓	✓	✓	N/A	✓	✓	N/A	N/A	N/A
Tenneco	✓	✓	✓	✓	✓	N/A	✓	✓	✓	N/A	N/A
Unitrade	✓	✓	✓	✓	✓	✓	N/A	N/A	N/A	N/A	✓
Valeo	✓	✓	✓	✓	✓	N/A	✓	Non-compliant	✓	Non-compliant	Non-compliant

APPENDIX II: SUSTAINABILITY DATA TABLE

		FY2022	FY2021	FY2020	FY2019	FY2018
Labour						
Total number of permanent employees	Number	9 734	9 039	7 399	7 645	7 439
Fixed term contract employees (<90 days)	Number	1 338	402	121	66	66
Fixed term contract employees (>90 days)		4 390	873	1077	580	580
Total number of contractors	Number	1 288	1 859	1 289	998	1 074
Total employees (including contractors)	Number	16 750	12 173	9 886	9 287	9 301
Percentage of employees who are deemed “HDSA” (South Africa only)	%	96.3%	93.2%	91.0%	92.0%	90.7%
Percentage of employees who are women	%	47.9%	38.5%	34.4%	33.5%	32.4%
Total number of disabled employees	Number	165	155	155	177	–
Percentage of employees who are permanent	%	63.0%	87.6%	86.1%	92.2%	90.4%
Percentage of employees who belong to a trade union	%	41.0%	53.4%	62.7%	71.7%	70.4%
Total number of employee terminations	Number	2 330	1 251	1 275	1 810	2 059
Employee turnover rate	%	8.0%	12.1%	8.6%	9.7%	8.9%
Total number of person hours worked – all employees and contractors	Number	26 236 683	20 744 873	16 745 357	18 890 351	18 572 407
Total number of person days lost due to absenteeism	Number	59 566	73 585	79 723	71 134	76 074
Absenteeism rate	%	1.9%	3.0%	4.2%	3.2%	3.6%
Total number of person days lost due to industrial action	Number	8 870	366	2 547	52	36 502
Industrial action rate	%	0.1%	0.01%	0.1%	0.0%	1.7%
Total number of employees trained	Number	16 374	10 578	8 951	10 630	8 867
Total number of employees with disabilities trained for skills, including internal and external training interventions	Number	N/R	N/R	N/R	N/R	N/R
Total number of training interventions	Number	19 650	15 454	14 333	26 807	26 632
Rand value of employee training spend	R (million)	31.4	36.8	33.5	34.7	28.2
Rand value of research and development spend	R (million)	28	25	26	28	35
Average Compensation per Male Employee	R (Thousands)	334 786	N/R	N/R	N/R	N/R
Average Compensation per Female Employee	R (Thousands)	207 248	N/R	N/R	N/R	N/R
Ratio of Male: Female Average Compensation (Gender Pay Gap Ratio)	Number	0.62	N/R	N/R	N/R	N/R
Health and Safety (all employees and contractors)						
Total number of lost time injuries	Number	26	30	51	73	107
Total number of medical treatment cases	Number	75	57	74	89	156
Total number of first aid cases	Number	443	545	547	549	771
Total number of recordable injuries	Number	101	87	125	162	263
Fatal injury frequency rate	Rate	0	0	0	0	0
Lost time injury frequency rate	Rate	0.20	0.29	0.61	0.77	1.15
Total recordable injury frequency rate	Rate	0.77	0.86	1.49	1.01	2.83
Total injury frequency rate	Rate	4.15	6.11	8.03	7.53	11.13
Total number of employees and contractors receiving VCT for HIV/Aids (i.e. counselled)	Number	352	135	666	670	540
Total number of employees and contractors tested for HIV/Aids	Number	816	331	502	1 119	882

SUPPLEMENTARY SCHEDULES (continued)

APPENDIX II: SUSTAINABILITY DATA TABLE (continued)

		FY2022	FY2021	FY2020	FY2019	FY2018
Environmental						
Number of environmental incidents	Number	0	0	N/R	N/R	N/R
Total number of environmental complaints	Number	0	N/R	N/R	N/R	N/R
Rand value of spend of spend on climate change mitigation	Number	2 274 035	231 187	269 545	7 080 420	720 481
Carbon footprint						
– Scope 1	tCO_2e	52 666	50 467	43 944	47 031	44 800
– Scope 2	tCO_2e	163 146	166 687	146 062	173 311	153 767
– Scope 3	tCO_2e	398 445	395 462	306 549	421 099	423 946
– Total	tCO_2e	614 258	612 616	496 554	641 441	622 513
Energy						
Total electricity consumption – non-renewable	MWh	222 336	228 458	197 058	217 121	212 156
Total electricity consumption – renewable	MWh	98	N/R	N/R	N/R	N/R
Total petrol consumption	Litres	301 971	455 767	202 303	279 185	270 015
Total diesel consumption	Litres	1 188 821	1 101 329	594 736	726 353	757 849
Total direct energy consumption from non-renewable fuels burned	Gj	798 515	58 396	N/R	N/R	N/R
Total direct energy consumption from renewable fuels burned	Gj	0	N/R	N/R	N/R	N/R
Rand value of investments in projects to improve Energy Efficiency	Number	1 022 419	N/R	N/R	N/R	N/R
Water						
Total water consumption	m^3	565 296	524 608	596 577	624 332	650 727
Total volume of water discharged	m^3	165 159	202 764	192 097	262 253	194 061
Rand value of investments in projects to improve Water Efficiency	Number	1 251 616	N/R	N/R	N/R	N/R
Non-hazardous waste						
Total volume of non-hazardous waste sent to landfill	kgs	6 376 267	6 138 703	4 780 679	6 203 292	6 254 820
Total volume of paper recycled	kgs	22 218	60 185	62 738	73 100	386 865
Total volume of cardboard recycled	kgs	1 620 295	1 667 924	1 185 750	1 707 760	1 552 227
Total volume of plastic recycled (internal and external)	kgs	4 415 010	5 005 089	40 963 231	4 748 610	3 780 586
Total volume of glass recycled	kgs	70	218	1 580	105	870
Total volume of metal recycled (including tin cans) (internal and external)	kgs	2 212 203	1 432 558	1 480 843	2 663 296	1 572 258
Total volume of biodegradable wet waste recycled	kgs	659 356	775 890	545 500	720 928	525 110
Total volume of other waste recycled (e-waste, wood, polystyrene, packaging foil etc.)	kgs	3 102 068	60 746	978 716	1 117 875	1 177 002
Total volume of non-hazardous waste recycled	kgs	12 031 219	10 142 440	8 391 147	11 031 674	8 994 897

** N/R – Not reported in prior years*

APPENDIX II: SUSTAINABILITY DATA TABLE (continued)

		FY2022	FY2021	FY2020	FY2019	FY2018
Hazardous waste						
Total volume of hazardous waste recycled	kgs	21 484 462	19 577 119	3 328 673	2 539 823	10 742 302
Total volume of hazardous waste sent to appropriate disposal sites	kgs	21 085 679	20 603 795	17 640 107	22 086 842	20 362 268
Total volume of lead recycled	Tonnes	±68 300	±62 100	±65 700	±67 300	±64 400
Total volume of oils recycled	kgs	55 384	52 837	36 487	27 847	52 424
CSI/SED expenditures						
Rand Value of Corporate Social Investment (CSI)/ Socioeconomic Development (SED) expenditures	R (million)	18.6	20.6	13.8	18.9	11.2
Rand Value of CSI/SED spend on education	R (million)	3.2	1.1	1.5	2.8	1.6
Rand Value of CSI/SED spend on skills development, including Adult Basic Education & Training (ABET)	R (million)	1.5	2.8	0.9	1.6	1.0
Rand Value of CSI/SED spend on health, including HIV/AIDS	R (million)	6.8	4.6	4.5	4.0	3.8
Rand Value of CSI/SED spend on basic needs and social development, including nutrition and/or feeding programmes	R (million)	2.5	2.3	2.9	2.3	2.0
Rand Value of CSI/SED spend on infrastructure development	R (million)	0.2	0.3	0.4	0.0	0.1
Rand Value of CSI/SED spend on arts, sports and culture	R (million)	1.1	1.6	1.0	2.2	1.2
Rand Value of CSI/SED spend on other	R (million)	2.0	5.1	2.4	1.3	1.1
Rand Value of CSI/SED spend on environmental projects	R (million)	0.0	0.5	0.0	1.7	0.0
Rand Value of CSI/SED spend on job creation/ small business support	R (million)	1.4	2.3	0.2	1.3	0.3
Enterprise development (support for small business development)						
Rand value of enterprise development spend	R (million)	13.9	13.5	17.0	16.6	14.2
Preferential procurement (South African operations only)						
Rand value of total discretionary procurement spend	R (million)	3 674	3 355	2 665	2 786.4	2 498.9
Rand value of HDSA procurement spend	R (million)	1 999	1 959	1 677	1 694	1 213.3
Preferential procurement spend rate	%	54.4%	58.4%	62.9%	65.4%	48.6%

SUPPLEMENTARY SCHEDULES (continued)

APPENDIX III: HUMAN CAPITAL

Total headcount*	Male	Female	Total
South Africa			
Permanent	4 611	3 332	7 943
Temporary	1 431	3 878	5 309
Contractors	465	823	1 288
Total	**7 240**	**7 300**	**14 540**
Romania			
Permanent	568	82	650
Temporary	68	17	85
Contractors			0
Total	**636**	**99**	**735**
Türkiye			
Permanent	1 057	73	1 130
Temporary	315	24	339
Contractors			0
Total	**1 372**	**97**	**1 469**
UK			
Permanent	10	1	11
Temporary	1		1
Contractors	–		0
Total	11	1	12
Group (excluding contractors)	8 794	6 674	15 462
Group including independent contractors	9 259	7 497	16 750

** Metair subsidiaries do not make use of labour brokers.*

CONTENTS

ANNUAL FINANCIAL STATEMENTS

SHAREHOLDER INFORMATION

Level of assurance

These financial statements have been audited in compliance with the applicable requirements of the Companies Act of South Africa, No. 71 of 2008 (Companies Act)

Preparer

The financial statements were prepared under the supervision of Mr S Douwenga (finance director) B Comm (Hons), CA(SA)

Published

29 March 2023

CERTIFICATE BY THE COMPANY SECRETARY

In my capacity as company secretary, I hereby confirm, in terms of section 33(1) of the Companies Act, that for the year ended 31 December 2022, 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 the Companies Act and that all such returns are true, correct and up to date.

SM Vermaak

29 March 2023

APPROVAL OF FINANCIAL STATEMENTS

The group financial statements and the financial statements of the company for the year ended 31 December 2022, set out on pages 113 to 198, were approved by the board of directors and signed on its behalf by:

TN Mgoduso
Chairperson

R Haffejee
CEO

Johannesburg

29 March 2023

DIRECTORS' RESPONSIBILITIES

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 or the company or the group) 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 auditors that the system of internal controls provides reasonable assurance that the financial records may be relied upon 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 (ZAR) 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 2022 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.

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, Ernst and Young Inc., who were given unrestricted access to all financial records and related data, including minutes of all meetings of shareholders, the board of directors and committees of the board. The directors believe that all representations made to the independent auditors during their audit are valid and appropriate.

The audit report of Ernst and Young Inc. is presented on page 115.

DIRECTORS' RESPONSIBILITY ON FINANCIAL CONTROLS

The directors, whose names are stated below, hereby confirm that –

(a) the annual financial statements set out on pages 114 to 198, fairly present in all material respects the financial position, financial performance and cash flows of the company in terms of IFRS;

(b) to the best of our knowledge and belief, no facts have been omitted or untrue statements made that would make the annual financial statements false or misleading;

(c) internal financial controls have been put in place to ensure that material information relating to the company and its consolidated subsidiaries have been provided to effectively prepare the financial statements of the company; and

(d) the internal financial controls are adequate and effective and can be relied upon in compiling the annual financial statements, having fulfilled our role and function as executive directors with primary responsibility for implementation and execution of controls.

(e) where we are not satisfied, we have disclosed to the Audit and Risk Committee and the auditors any deficiencies in design and operational effectiveness of the internal financial controls and have remediated the deficiencies; and

(f) we are not aware of any fraud involving directors.

R Haffejee
CEO

S Douwenga
CFO

Johannesburg
29 March 2023

DIRECTORS' REPORT

The directors have pleasure in submitting their report for the year ended 31 December 2022.

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 120 to 198 set out fully the financial position, results of operations and cash flows of the group and company for the financial year.

FINANCIAL RESULTS

Group attributable loss for the year amounted to R40 million (2021: profit of R675 million).

The directors are satisfied that the group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the directors continue to adapt the going concern basis in preparing the financial statements.

DIVIDENDS

The following dividends were declared for ordinary shares:

31 December 2021
A dividend of 90 cents per share, declared on 16 March 2022 in respect of the year ended 31 December 2021.

31 December 2022
No dividend is declared in respect of the year ended 31 December 2022.

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. 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 (note 7)	618 386

The main changes to the intangible assets of the group were as follows:

	R'000
Additions (note 8)	30 809

DIRECTORS

The composition of the board of directors is set out on pages 8 to 9 of the integrated annual report.
R Haffejee (appointed February 2021 and resigned with effect from 31 March 2023)
S Douwenga (appointed March 2014)
TN Mgoduso (appointed March 2016)
B Mawasha (appointed March 2018)
CMD Flemming (appointed March 2019 and resigned 15 February 2023)
S Sithole (appointed as alternate director August 2022)
MN Muell (appointed May 2019)
NL Mkhondo (appointed June 2019)
B Mathews (appointed January 2021)
A Sithebe (appointed January 2021)
P Giliam (appointed May 2021)
A Jogia (appointed March 2023 on an interim basis)

SECRETARY

SM Vermaak

Business address
Oxford and Glenhove Building, 114 Oxford Road, Suite 7, Houghton Estate, Johannesburg, 2198

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 197 and note 9 to the financial statements.

HOLDING COMPANY

The company has no holding company.

AUDITORS

Ernst & Young Inc. was the group auditor in accordance with section 90 of the Companies Act and newly appointed for the 2022 financial year.

SPECIAL RESOLUTIONS AND ANNUAL GENERAL MEETING ('AGM')

Special resolutions were passed at the previous AGM held on 5 May 2022 in regard to:

- Approval of non-executive directors' remuneration for the period 1 January 2022 to 31 December 2022;
- General authority to provide direct or indirect financial assistance to all related and inter-related entities in terms of section 44 and 45 of the Companies Act; and
- General authority to acquire (repurchase) shares.

An AGM will be held on Thursday, 4 May 2023. Refer to the notice of the AGM when issued for further details of the ordinary and special resolutions for consideration at the meeting.

POST-BALANCE SHEET EVENTS

The shareholders of Hesto Harnesses (Pty) Ltd ('Hesto') have resolved to provide further financial guarantees, on behalf of lenders, for further loans granted to Hesto. The group's proportionate share, is R75 million.

With regards to the earthquake in Türkiye, none of our facilities were directly affected and there were no injuries to our staff. Some of Mutlu Akü's aftermarket dealers were effected but the impact is not significant when compared to total battery volumes.

Other than events disclosed within the financial statements, there were no other significant post-balance sheet events.

APPROVAL OF FINANCIAL STATEMENTS

The directors have approved the financial statements on pages 120 to 198 which are signed on their behalf by:

TN Mgoduso
Chairperson

R Haffejee
CEO

Johannesburg
29 March 2023

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF METAIR INVESTMENTS LIMITED

Building a better working world

EY
102 Rivonia Road
Sandton
Private Bag X14
Sandton
2146

Ernst & Young Incorporated
Co. Reg. No. 2005/002308/21
Tel: +27 (0) 11 772 3000
Fax: +27 (0) 11 772 4000
Docex 123 Randburg
ey.com

Independent Auditor's Report

To the Shareholders of Metair Investments Limited

Report on the Audit of the Consolidated and Separate Financial Statements

Opinion

We have audited the consolidated and separate financial statements of Metair Investments Limited and its subsidiaries ('the group') and company set out on pages 120 to 198, which comprise of the consolidated and separate statements of financial position as at 31 December 2022, and the consolidated and separate statements of profit or loss and other comprehensive income, the consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the group and company as at 31 December 2022, and its consolidated and separate financial performance and 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.

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 are independent of the group and company in accordance with the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements of the group and company and in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits of the group and company and in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, 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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated and separate financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated and separate financial statements.

INDEPENDENT AUDITOR'S REPORT (continued)

The Key Audit Matters applies to the audit of the consolidated financial statements:

Key Audit Matter	How the matter was addressed in the audit
Mutlu Hyperinflation Adjustments During the current financial year under audit, Turkey was designated as a hyperinflationary economy. As disclosed under the accounting policies "Türkiye Hyperinflation Accounting" and Note 28 for the year ended 31 December 2022, the adjustment for Hyperinflation is a: • R1.5 billion gain relating to prior periods and foreign currency translations (FCTR) adjustments through OCI (SOCI); and • net monetary gain of R398 million arising in the current year (SOCI). This adjustment is determined at a Turkish level and for the first-time applied in the current period. The first-time adoption of IAS 29 *Financial Reporting in Hyperinflationary economies* and the quantum of the hyperinflation adjustments mentioned above led to significant management involvement at both a country and head office level. This was necessitated due to the need to understand and apply the requirements of IAS 29. Due to the above matters, significant auditor attention was required to understand and audit the adjustments, and we have therefore designated the hyperinflationary adjustments as a key audit matter.	**We performed the following procedures, amongst others:** We obtained an understanding of the process applied by management to determine their hyperinflationary adjustments. We assessed the prior period impact in terms of the principles of IAS 29 as well as the monetary gain or loss recognised separately in profit and loss in the current period. We assessed and analysed management's calculation and key considerations which supported the hyperinflationary adjustment performed by management: • We evaluated the completeness and accuracy of the data by comparing to historical audited financial information and management's calculations. • We assessed the distinction between monetary and non – monetary assets and liabilities in terms of IAS 29 by evaluating the original assessment performed by management. • We agreed the indexes used in the hyperinflation calculation management performed to the indexes obtained from the Turkish statistical Institute. • We evaluated the accuracy of consolidation of hyperinflationary results as part of the consolidation process in terms of IAS 29. We assessed the appropriateness of the disclosure in terms of the requirements of IAS 29.
Goodwill and indefinite life intangible assets impairment assessment The book value of goodwill and indefinite life intangible assets, amounts to R526 million and R308 million respectively as recorded in the consolidated financial statements. At least once a year and in case of a triggering event per IAS 36 *Impairment of Assets*, the Metair Group performs an impairment assessment of the recorded goodwill and indefinite	**We performed the following procedures, amongst others:** We assessed the appropriateness of the valuation method applied in terms of the requirements of IAS 36 *Impairment of Assets*. We performed the below procedures on the key assumptions which included the discount rates, growth rates, working capital requirements and capital expenditure: • We assessed the historical accuracy of management's

Key Audit Matter	How the matter was addressed in the audit
life intangible assets. As disclosed in Notes 8 and 24 the Group estimates the value in use by applying a discounted cash flow model for each appropriate cash generating units. This is complex as input factors include significant judgement around the expected future cash flows due to the current economic climate (hyperinflation for Turkey) and judgement about the future market environment. In determining the recoverable amount the following key assumptions are considered: • Discount rate • Growth rates • Working capital requirements • Capital expenditure Due to the complexity and sensitivity around the various assumptions and scrutiny on the current economic climate and the market environment, we have designated the Goodwill and indefinite life intangible assets impairment assessment as a key audit matter.	forecasts. • We agreed the current year and expected future cash flows used in the calculation to historical financial information and the strategic business planning approved by management respectively. • With the assistance of our valuation specialists, we evaluated the growth rates with external market data given the general and sector-specific market expectations. • With the involvement of our valuation specialists, we assessed the reasonability of the discount rate through benchmarking to independent sources as well as industry specific requirements. • We evaluated the reasonability of the working capital and capital expenditure by considering the input required to arrive at the planned outputs of the strategic business plan. • We evaluated the mathematical accuracy of the cash flow forecasts provided by management as well as the net asset value and headroom calculated. We performed our own sensitivity analysis in order to assess whether the tested book values are still sufficiently covered by the recoverable amounts in case of possible changes in the key assumptions within a realistic range. We assessed the appropriateness of the disclosure in terms of the requirements of IAS 36.

Other matter

The consolidated and separate financial statements of Metair Investments Limited for the year ended 31 December 2021 were audited by another auditor who expressed an unmodified opinion on those statements on 16 March 2022.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the 207-page document titled "Metair Investment Limited Integrated Annual Report 2022", which includes the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate 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.

INDEPENDENT AUDITOR'S REPORT (continued)

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information 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.

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 on the other information obtained prior to the date of this auditor's report, 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 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 or 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 and 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 and 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 the 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 and separate 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, actions taken to eliminate threats or safeguards applied.

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 Ernst & Young Inc. has been the auditor of Metair Investments Limited for 1 year.

Ernst & Young Inc.

Ernst & Young Inc.
Director - Dawie Venter
Registered Auditor

29 March 2023

102 Rivonia Road
Sandton
2146

BALANCE SHEETS

AS AT 31 DECEMBER 2022

		GROUP		COMPANY	
	Notes	2022 R'000	2021 R'000	2022 R'000	2021 R'000
ASSETS					
Non-current assets		**5 340 857**	3 539 201	**631 957**	2 232 431
Property, plant and equipment	7	**3 770 774**	2 636 978		
Intangible assets	8	**1 039 850**	283 793		
Interest in subsidiaries	9			**584 693**	576 383
Loans to subsidiaries	9				1 608 784
Loans to associates	25	**192 574**			
Investment in associates	10	**301 060**	613 056	**47 264**	47 264
Deferred taxation	15	**36 599**	5 374		
Current assets		**7 491 543**	5 536 218	**1 791 946**	3 516
Inventory	11	**2 688 876**	1 959 253		
Trade and other receivables	12	**2 874 995**	1 978 447	**684**	
Contract assets	1.2	**620 069**	511 199		
Taxation		**7 437**	2 552		
Short-term loans to subsidiaries	9			**1 787 871**	
Derivative financial assets	19.5	**1 558**	6 693		
Cash and cash equivalents	13	**1 298 608**	1 078 074	**3 391**	3 516
Total assets		**12 832 400**	9 075 419	**2 423 903**	2 235 947
EQUITY AND LIABILITIES					
Capital and reserves					
Stated capital	26	**1 497 931**	1 497 931	**1 497 931**	1 497 931
Treasury shares	26	**(106 974)**	(118 153)		
Share-based payment reserve	27.1	**57 897**	202 464	**90 999**	82 688
Foreign currency translation reserve	27.2	**(1 446 061)**	(2 966 589)		
Equity accounted earnings	27.3	**114 372**	404 886		
Changes in ownership reserve	27.4	**(22 260)**	(21 197)		
Retained earnings	27.5	**4 972 604**	4 759 200	**398 286**	350 245
Ordinary shareholders equity		**5 067 509**	3 758 542	**1 987 216**	1 930 864
Non-controlling interests	27.6	**129 986**	115 812		
Total equity		**5 197 495**	3 874 354	**1 987 216**	1 930 864
Non-current liabilities		**912 323**	2 241 629	**16 700**	27 546
Borrowings and financial liabilities	14	**350 180**	1 849 263	**16 700**	27 546
Post-employment benefits	22	**93 305**	73 263		
Deferred taxation	15	**333 054**	173 614		
Deferred grant income	16	**88 991**	104 681		
Provisions for liabilities and charges	17	**46 793**	40 808		
Current liabilities		**6 722 582**	2 959 436	**419 987**	277 537
Trade and other payables (including deferred grant income)	16	**2 995 674**	2 155 753	**1 593**	822
Contract liabilities	1.2	**11 775**	49 952		
Borrowings and financial liabilities	14	**3 234 734**	477 642	**10 847**	9 937
Taxation		**43 754**	60 574		
Provisions for liabilities and charges	17	**110 297**	98 205		
Short-term loans from subsidiaries	9			**407 547**	266 778
Derivative financial liabilities	19.5	**8 050**	1 131		
Bank overdrafts	13	**318 298**	116 179		
Total liabilities		**7 634 905**	5 201 065	**436 687**	305 083
Total equity and liabilities		**12 832 400**	9 075 419	**2 423 903**	2 235 947

INCOME STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	GROUP 2022 R'000	GROUP 2021 R'000	COMPANY 2022 R'000	COMPANY 2021 R'000
Revenue	1	**13 905 467**	12 621 070		
Cost of sales		**(12 667 166)**	(10 421 551)		
Gross profit		**1 238 301**	2 199 519		
Other operating income and dividend revenue	3	**537 323**	204 463	**245 637**	158 874
Distribution expenses		**(450 095)**	(395 694)		
Administrative and other operating expenses		**(867 097)**	(826 028)	**(7 086)**	(5 979)
Impairment (loss)/gain on financial assets	9,12,25	**(5 724)**	(23 221)		47 861
Operating profit*	3	**452 708**	1 159 039	**238 551**	200 756
Interest income	2	**33 981**	32 425	**11**	
Interest expense	2	**(410 747)**	(177 464)	**(3 195)**	
Net monetary gain arising from hyperinflation in Türkiye	28	**398 066**			
Share of results and impairment of associates	10	**(239 403)**	(51 878)		
Profit before taxation		**234 605**	962 122	**235 367**	200 756
Taxation	4	**(238 517)**	(269 324)		
(Loss)/profit for the year		**(3 912)**	692 798	**235 367**	200 756
Attributable to:					
Equity holders of the company		**(40 385)**	674 791	**235 367**	200 756
Non-controlling interests		**36 473**	18 007		
		(3 912)	692 798	**235 367**	200 756
(Loss)/earnings per share					
Basic (loss)/earnings per share (cents)	5	**(21)**	350		
Diluted (loss)/earnings per share (cents)	5	**(20)**	346		

** Operating profit before share of results and impairment of associates*

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022

		GROUP		COMPANY	
		2022	2021	2022	2021
	Notes	R'000	R'000	R'000	R'000
(Loss)/profit for the year		(3 912)	692 798	235 367	200 756
Other comprehensive loss:					
Items that will not be reclassified to profit or loss:					
- Remeasurement loss on defined benefit plans	22	(26 565)	(4 760)		
- Taxation effect	15	4 935	950		
		(21 630)	(3 810)		
Items that may be reclassified to profit or loss:					
- Net exchange differences on translation of foreign operations including the effect of hyperinflation*		1 520 538	(897 191)		
Other comprehensive income/(loss) for the year net of taxation		1 498 908	(901 001)		
Attributable to:					
Equity holders of the company		1 498 322	(900 783)		
- Remeasurement loss on defined benefit plans		(22 206)	(3 655)		
- Net exchange differences on translation of foreign operations including the effect of hyperinflation		1 520 528	(897 128)		
Non-controlling interests	27.6	586	(218)		
- Remeasurement gain/(loss) on defined benefit plans		576	(155)		
- Net exchange differences on translation of foreign operations		10	(63)		
Total comprehensive income/(loss) for the year		1 494 996	(208 203)	235 367	200 756
Attributable to:					
Equity holders of the company		1 457 937	(225 992)	235 367	200 756
Non-controlling interests	27.6	37 059	17 789		

* Foreign currency translation ('FCTR') movements consist predominantly of exchange losses arising from Mutlu when converting Turkish Lira earnings to Rands, and the impact of applying IAS 29 for hyperinflation consequences in Türkiye. FCTR arises on consolidation, is unrealised and has no tax consequences.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	GROUP 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 2022								
Balance as at 1 January 2022	26, 27	1 497 931	(118 153)	(2 380 436)	4 759 200	3 758 542	115 812	3 874 354
Net (loss)/profit for the year	27				(40 385)	(40 385)	36 473	(3 912)
Other comprehensive loss	27			1 520 528	(22 206)	1 498 322	586	1 498 908
Total comprehensive loss for the year	27			1 520 528	(62 591)	1 457 937	37 059	1 494 996
Employee share option scheme	27.1			22 971		22 971		22 971
Vesting of share-based payment obligation	26, 27.1		11 179	(12 846)		(1 667)		(1 667)
Transfer of net vesting impact to retained earnings	27.1, 27.5			(154 692)	159 704	5 012	(5 012)	
Transfer of associate loss and dividend	27.3			(290 514)	290 514			
Dividend*	27.5				(174 223)	(174 223)	(17 873)	(192 096)
Foreign currency translation, including the effect of hyperinflation	27.4			(1 063)		(1 063)		(1 063)
Balance as at 31 December 2022		**1 497 931**	**(106 974)**	**(1 296 052)**	**4 972 604**	**5 067 509**	**129 986**	**5 197 495**
Year ended 31 December 2021								
Balance as at 1 January 2021	26, 27	1 497 931	(128 126)	(1 449 248)	4 185 418	4 105 975	108 863	4 214 838
Net profit for the year	27				674 791	674 791	18 007	692 798
Other comprehensive loss	27			(897 128)	(3 655)	(900 783)	(218)	(901 001)
Total comprehensive loss for the year	27			(897 128)	671 136	(225 992)	17 789	(208 203)
Employee share option scheme	27.1			24 377		24 377		24 377
Vesting of share-based payment obligation	26, 27.1		9 973	(11 271)		(1 298)		(1 298)
Transfer of net vesting impact to retained earnings	27.1, 27.5			11 271	(11 271)			
Transfer of associate loss and dividend	27.3			(58 437)	58 437			
Dividend**	27.5				(144 520)	(144 520)	(10 840)	(155 360)
Balance as at 31 December 2021		1 497 931	(118 153)	(2 380 436)	4 759 200	3 758 542	115 812	3 874 354

* An ordinary dividend of R0.90 per share declared (by the company) in respect of the year ended 31 December 2021.
R17.9 million refers to Smiths Manufacturing (Pty) Ltd (Smiths Manufacturing) and Rombat SA dividends paid to minority shareholders.

** An ordinary dividend of R0.75 per share declared (by the company) in respect of the year ended 31 December 2020.
R10.8 million refers to Smiths Manufacturing (Pty) Ltd (Smiths Manufacturing) and Rombat SA dividends paid to minority shareholders.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	COMPANY 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 2022							
Balance as at 1 January 2022	26, 27	**1 497 931**		**82 688**	**350 245**	**1 930 864**	**1 930 864**
Net profit for the year	27.5				**235 367**	**235 367**	**235 367**
Total comprehensive income for the year					**235 367**	**235 367**	**235 367**
Employee share option scheme	27.1			**18 694**		**18 694**	**18 694**
Acquisition of treasury shares from BVI	26		**(18 622)**			**(18 622)**	**(18 622)**
Exercise of share options	27.1		**18 622**	**(10 383)**	**(8 239)**		
Dividend*	27.5				**(179 087)**	**(179 087)**	**(179 087)**
Balance as at 31 December 2022		**1 497 931**		**90 999**	**398 286**	**1 987 216**	**1 987 216**
Year ended 31 December 2021							
Balance as at 1 January 2021	26, 27	1 497 931		77 198	301 375	1 876 504	1 876 504
Net loss for the year	27.5				200 756	200 756	200 756
Total comprehensive loss for the year	27				200 756	200 756	200 756
Employee share option scheme	27.1			18 610		18 610	18 610
Acquisition of treasury shares from BVI	26		(15 767)			(15 767)	(15 767)
Exercise of share options	27.1		15 767	(13 120)	(2 647)		
Dividend**	27.5				(149 239)	(149 239)	(149 239)
Balance as at 31 December 2021		1 497 931		82 688	350 245	1 930 864	1 930 864

* An ordinary dividend of R0.90 per share declared in respect of the year ended 31 December 2021.

** An ordinary dividend of R0.75 per share declared in respect of the year ended 31 December 2020.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022

		GROUP		COMPANY	
	Notes	2022 R'000	2021 R'000	2022 R'000	2021 R'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash generated from/(utilised in) operations	18.1	151 196	648 930	172 089	143 245
Interest paid	18.4	(391 297)	(183 389)		
Taxation paid	18.2	(269 100)	(251 357)		
Dividends paid	18.3	(192 096)	(155 360)	(179 087)	(149 239)
Dividends from associates	10	61 551	6 724	45 180	
Net cash (outflow)/inflow from operating activities		(639 746)	65 548	38 182	(5 994)
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisition of property, plant and equipment (excludes leased assets)	7	(424 715)	(439 685)		
Acquisition of intangible assets	8	(30 809)	(10 958)		
Proceeds on disposal of associate	10	8 433			
Advances made to subsidiaries	18.5			(179 087)	(149 240)
Proceeds from advances made to subsidiaries	18.5				111 783
Loans to related party	25	(197 674)			
Interest received	2	33 981	32 425	11	
Proceeds on disposal of property, plant and equipment	3, 7	10 609	2 601		
Net cash outflow from investing activities		(600 175)	(415 617)	(179 076)	(37 457)
CASH FLOWS FROM FINANCING ACTIVITIES					
Revolving credit facility drawdown	18.6	523 900	65 000		
Revolving credit facility repaid	18.6		(264 100)		
Mutlu and Rombat borrowings repaid	18.6	(936 087)	(177 631)		
Mutlu and Rombat borrowings raised	18.6	1 768 888	410 806		
Lease payments	18.6	(35 036)	(43 096)		
Advances received from subsidiaries	18.5			140 769	44 147
Utilisation of treasury shares - CGT (gain)/loss	27.1	(1 667)	(1 298)		
Net cash inflow/(outflow) from financing activities		1 319 998	(10 319)	140 769	44 147
Net increase/(decrease) in cash and cash equivalents		80 077	(360 388)	(125)	696
Cash and cash equivalents at the beginning of the year		961 895	1 565 123	3 516	2 820
Exchange loss and hyperinflation effect on cash and cash equivalents		(61 662)	(242 840)		
Cash and cash equivalents at end of the year	13	980 310	961 895	3 391	3 516

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

1. SEGMENT REPORT AND REVENUE	GROUP					
	2022			2021		
	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	5 221 134	33	133 368	4 701 913	33	593 487
Direct exports	2 799 694	18	97 785	2 318 071	16	339 871
	8 020 828	51	231 153	7 019 984	49	933 358
Industrial						
Local	592 277	4	(37 151)	511 021	4	(44 150)
Direct exports	5 975		695	19 382		(2 145)
	598 252	4	(36 456)	530 403	4	(46 295)
Total energy storage	8 619 080	55	194 697	7 550 387	53	887 063
Automotive components						
Local						
Original equipment	6 401 488	41	(43 242)	6 174 325	43	183 971
Aftermarket	591 432	4	79 245	470 610	3	66 284
Non-auto	13 298		(1 259)	10 263		(358)
	7 006 218	45	34 744	6 655 198	46	249 897
Direct exports						
Original equipment	2 141		1 279	3 203		1 133
Aftermarket	48 702		8 548	54 009		6 367
	50 843		9 827	57 212	1	7 500
Total automotive components	7 057 061	45	44 571	6 712 410	47	257 397
Total segment results	15 676 141		239 268	14 262 797		1 144 460
Managed associate*	(1 770 674)		348 623	(1 641 727)		95 277
Amortisation and depreciation arising from business combinations acquired			(36 904)			(17 084)
Other reconciling items**			(98 279)			(63 614)
Total group results	13 905 467		452 708	12 621 070		1 159 039
Share of results and impairment of associates			(239 403)			(51 878)
Net finance costs			(376 766)			(145 039)
Net monetary gain arising from hyperinflation in Türkiye			398 066			
Profit before taxation			234 605			962 122
Included in the above:						
Depreciation and amortisation			(372 951)			(301 996)
- Energy storage***			(248 861)			(197 361)
- Automotive components****			(124 090)			(104 635)
Impairment reversal/(charges)*****						
- Energy storage			4 247			(10 903)

* The results of Hesto Harnesses Pty (Ltd) ('Hesto') have been included in the segment review at 100%. Metair has a 74.9% equity interest but is responsible for the operational management and treated as a group company.

** Other reconciling items relate to Metair head office and corporate costs.

*** Allocated to automotive R231.6 million (2021: R183.5 million) and industrial R17.3 million (2021: R13.9 million).

**** Allocated to original equipment R112.6 million (2021: R96.3 million) and aftermarket and non-auto R11.1 million (2021: R8.3 million).

***** The industrial division of First National Battery migrated towards a trading business model, offering a greater portfolio of products and solutions to its customers. FNBs industrial division stopped its manufacturing activities, resulting in an impairment in the prior 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 Türkiye 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. In order to determine operating and reportable segments, management examines the group's performance from a product, market and sales channel perspective. 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 the automotive components business units. The reportable segments of these business verticals 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 both local and export markets. First National Battery (South Africa), Mutlu (Türkiye), 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 relate to products sold in the telecoms, utility, mining, retail and materials/product handling sectors and are mainly sold in sub-Saharan Africa and Türkiye.

Automotive components vertical, including exports – original equipment ('OE'), aftermarket and non-automotive

The traditional automotive components 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 for OEM customers. Supply is linked to a particular vehicle model as the group benefits from long industry product life cycles. 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 products 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 businesses of Smiths Manufacturing, Automould and Auto Plastics, Supreme Spring and ATE, Lumotech, Unitrade and Hesto form the automotive components business vertical.

Basis of measurement

The executive directors assess 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 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 ANNUAL FINANCIAL STATEMENTS
(continued)

1. SEGMENT REPORT AND REVENUE (continued)

1.1 SEGMENT REVIEW (continued)

Entity-wide information

Major customers

29% (2021: 33%) of total group revenue arises from sales to a single external major customer of the group. 27% (2021: 30%) specifically arises in the local OE segments of the automotive components vertical.

Geographical information

The group is domiciled in South Africa. The result of its revenue from South African operations (including Hesto) is R9 070 million (2021: R8 664 million) and from Europe and the Middle East ('EME'), R6 606 million (2021: R5 599 million). EME domiciled operations predominantly consists of Romania and Türkiye.

Non-current assets

Non-current assets (excluding deferred tax assets) amounted to R5 304 million (2021: R3 534 million) of which foreign operations amounted to R3 232 million (2021: R1 767 million). Goodwill of R 526 million (2021: R 96 million) is fully allocated to the energy storage vertical and arose from 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.

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) provides further information about the group's products, markets and revenue streams.

	GROUP	
	2022 R'000	2021 R'000
Revenue from contracts with customers	13 905 467	12 621 070

B. Disaggregation of revenue

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 markets (domiciled sales), major products and service lines as well as the timing of revenue. The tables also include a reconciliation of the disaggregated revenue with the group's segment revenue.

	GROUP					
	2022			2021		
TOTAL GROUP	Revenue as reported R'000	Managed associate R'000	Total segment revenue R'000	Revenue as reported R'000	Managed associate R'000	Total segment revenue R'000
Primary geographical markets						
South Africa	7 299 507	1 770 674	9 070 181	7 022 371	1 641 727	8 664 098
Türkiye and UK	4 913 635		4 913 635	3 934 430		3 934 430
Romania	1 692 325		1 692 325	1 664 269		1 664 269
	13 905 467	1 770 674	15 676 141	12 621 070	1 641 727	14 262 797
Major product and service lines						
Automotive batteries	8 020 828		8 020 828	7 019 984		7 019 984
Automotive components and car parts	4 953 420	1 770 674	6 724 094	4 761 451	1 641 727	6 403 178
Automotive customer tooling	319 669		319 669	298 970		298 970
Industrial and non-automotive products	611 550		611 550	540 665		540 665
	13 905 467	1 770 674	15 676 141	12 621 070	1 641 727	14 262 797
Timing of revenue recognition						
Products transferred at a point in time	8 846 805	40 674	8 887 479	7 757 053	7 546	7 764 599
Products and services transferred over time	5 058 662	1 730 000	6 788 662	4 864 017	1 634 181	6 498 198
	13 905 467	1 770 674	15 676 141	12 621 070	1 641 727	14 262 797

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 VERTICAL	**Total revenue R'000**	**Local R'000**	**Direct export R'000**	**Local R'000**	**Direct export R'000**
2022					
Primary geographical markets					
South Africa	**2 013 120**	**1 397 184**	**220 488**	**389 473**	**5 975**
Türkiye and UK	**4 913 635**	**3 152 627**	**1 558 204**	**202 804**	
Romania	**1 692 325**	**671 323**	**1 021 002**		
	8 619 080	**5 221 134**	**2 799 694**	**592 277**	**5 975**
Major product and service lines					
Automotive batteries	**8 020 828**	**5 221 134**	**2 799 694**		
Industrial batteries	**598 252**			**592 277**	**5 975**
	8 619 080	**5 221 134**	**2 799 694**	**592 277**	**5 975**
Timing of revenue recognition					
Products transferred at a point in time	**8 619 080**	**5 221 134**	**2 799 694**	**592 277**	**5 975**
2021					
Primary geographical markets					
South Africa	1 951 688	1 294 629	215 671	422 006	19 382
Türkiye and UK	3 934 430	2 762 853	1 082 562	89 015	
Romania	1 664 269	644 431	1 019 838		
	7 550 387	4 701 913	2 318 071	511 021	19 382
Major product and service lines					
Automotive batteries	7 019 984	4 701 913	2 318 071		
Industrial batteries	530 403			511 021	19 382
	7 550 387	4 701 913	2 318 071	511 021	19 382
Timing of revenue recognition					
Products transferred at a point in time	7 550 387	4 701 913	2 318 071	511 021	19 382

NOTES TO THE ANNUAL 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 VERTICAL	Total revenue R'000	Original equipment R'000	Aftermarket and non-auto R'000	Original equipment R'000	Aftermarket R'000
2022					
Primary geographical markets					
South Africa	**5 286 387**	**4 671 487**	**564 057**	**2 141**	**48 702**
	5 286 387	**4 671 487**	**564 057**	**2 141**	**48 702**
Major product and service lines					
Automotive components and parts	**4 953 420**	**4 351 818**	**550 759**	**2 141**	**48 702**
Customer tooling services	**319 669**	**319 669**			
Non-automotive products	**13 298**		**13 298**		
	5 286 387	**4 671 487**	**564 057**	**2 141**	**48 702**
Timing of revenue recognition					
Products transferred at a point in time	**227 725**	**13 477**	**196 515**		**17 733**
Products and services transferred over time	**5 058 662**	**4 658 010**	**367 542**	**2 141**	**30 969**
	5 286 387	**4 671 487**	**564 057**	**2 141**	**48 702**
2021					
Primary geographical markets					
South Africa	5 070 683	4 540 144	473 327	3 203	54 009
	5 070 683	4 540 144	473 327	3 203	54 009
Major product and service lines					
Automotive components and parts	4 761 451	4 241 175	463 064	3 203	54 009
Customer tooling services	298 968	298 968			
Non-automotive products	10 263		10 263		
	5 070 682	4 540 143	473 327	3 203	54 009
Timing of revenue recognition					
Products transferred at a point in time	206 665	9 267	181 988		15 410
Products and services transferred over time	4 864 017	4 530 876	291 339	3 203	38 599
	5 070 682	4 540 143	473 327	3 203	54 009

C. Contract balances

The following section provides information about receivables, contract assets and contract liabilities:

	GROUP	
	31 Dec 2022 R'000	31 Dec 2021 R'000
Receivables, which are included in 'trade and other receivables' (note 12)	**1 934 496**	1 481 195
Contract assets*	**620 069**	511 199
Contract liabilities	**11 775**	49 952

* Any unconditional rights to consideration are 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 to the customer. Expected credit losses on contract assets are immaterial.

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 and committed to date on automotive components and tooling, but not billed at the reporting date. These contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the goods have been delivered and invoiced, and accepted by the customer. The associated finished goods, work in progress and materials have been de-recognised within cost of sales.

Contract liabilities primarily relate to advances received from customers for tooling and is invoiced as per specific contractual arrangements.

Rebates and discounts payable for R43.6 million (2021: R14 million), as well as refund liabilities for R14.3 million (2021: R12.7 million) 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			
	2022		2021	
	Contract assets R'000	Contract liabilities R'000	Contract assets R'000	Contract liabilities R'000
Opening balances at 1 January	511 199	(49 952)	382 278	(118 496)
Tooling activities concluded	(3 411)	40 372	(640)	73 115
Increases due to cash received excluding amounts recognised as revenue during the period		(2 195)	2 970	(4 571)
Transfers from contract assets to receivables (manufactured goods now invoiced)	(507 788)		(381 638)	
Work completed but not yet invoiced during the year	620 069		508 229	
Closing balances at 31 December	620 069	(11 775)	511 199	(49 952)

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.

C.2 Revenue recognised in relation to previous periods

Revenue of R12.7 million (2021: R12.1 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 (payables - note 16) and right to recover goods (inventory - note 11) are recognised.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
(continued)

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, do not 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.

As a result of the battery distributor arrangement (refer C.2 above), revenue of R14.3 million (2021: R12.7 million) has been deferred or constrained until 2023.

C.4 Contract costs

Incremental costs incurred to satisfy new contracts or obligation are assessed for capitalisation under IFRS 15. The group also incurs training costs from time to time. Although they represent fulfilment costs to satisfy a customer contract, is recoverable and specific, these costs are not allowed to be capitalised per IFRS. Costs to fulfil contracts in progress form part of inventory. The group did not incur any nomination fee expenses during the year.

D. Performance obligations and summary of revenue recognition policies

The following tables highlight 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, customers control all work in progress as their parts are being built. Revenue is recognised progressively (over time) and includes parts to be delivered (on hand), but entitled to be invoiced. For finished goods, revenue is recognised based on an 'entitled to invoice' method as selling price is known and fixed until annual pricing reviews. 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 (upon 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 gross 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)	Lifetime 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 (point in time). 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 customer's 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 ANNUAL FINANCIAL STATEMENTS
(continued)

		GROUP		COMPANY	
		2022 R'000	2021 R'000	2022 R'000	2021 R'000
2.	**NET FINANCE COSTS**				
	Interest income				
	On bank deposits	23 126	32 166	11	
	Related party loans	10 424			
	Other	431	259		
		33 981	32 425	11	
	Interest expense				
	Bank borrowings and overdraft	(317 582)	(115 683)		
	Leases and instalment sale arrangements	(26 534)	(10 113)		
	Dividend on redeemable preference shares	(47 466)	(41 658)		
	Defined employee benefits schemes and other	(19 165)	(10 010)	(3 195)	
		(410 747)	(177 464)	(3 195)	
	Net finance expense	(376 766)	(145 039)	(3 184)	
3.	**OPERATING PROFIT**				
	Operating profit is stated after taking into account the following:				
	Other operating income and dividend revenue				
	Dividend revenue from subsidiaries (unlisted)			179 087	149 239
	Dividend revenue from associates (unlisted)			45 180	
	Distributions from subsidiaries			8 239	2 647
	Management fees received - external	6 774	7 760		
	Government grants	141 841	104 081		
	Bad debts recovered	10	561		
	Rent received	111	266		
	Derivatives at fair value through profit or loss:				
	- Fair value (loss)/profit - FECs	(19 408)	17 741		
	Amortisation of financial guarantee obligation	13 131	6 988	13 131	6 988
	Insurance claims on business interruption*	376 720	50 882		
	Sundry income	23 244	16 184		
		542 423	204 463	245 637	158 874
	Expenses by nature				
	Auditors' remuneration:				
	- Audit fees and disbursements	11 978	9 952	1 431	1 120
	- Non-audit assurance services	619	1 028		
	- Non-audit non-assurance services	606	1 158		
	Depreciation and amortisation (notes 7 and 8)	372 951	301 996		
	(Reversal of impairment)/impairment of property, plant and equipment	(4 247)	10 903		
	Loss/(profit) on disposal of property, plant and equipment	970	(210)		
	Lease charges (note 7)	29 579	22 828		
	Impairment loss/(gain) on financial assets (notes 9, 12 and 25)	5 724	23 221		(47 861)
	Managerial, technical service and professional fees	109 152	59 347		
	Foreign exchange (gains)/losses	(22 969)	71 410		
	Sales and marketing	75 535	57 513		
	Transport and distribution costs	312 345	293 154		
	Raw materials, consumables used and production overheads	10 656 136	8 604 187		
	Insurance premiums	28 602	20 978		
	Research and development expenses	16 607	13 583		
	Employee benefit expense	2 331 185	2 100 562	3 908	3 916
	Administrative and other expenses	65 309	74 882	1 747	943
	Total cost of sales, distribution expenses, administrative and other operating expenses	13 990 082	11 666 492	7 086	(41 882)

** The insurance income relates to claims for loss of profits as a result of the KwaZulu-Natal floods and impact on vehicle production at the groups major customer. Claims have been settled. All claims in the prior year related to COVID 19 related business interruption relief.*

		GROUP		COMPANY	
		2022 R'000	2021 R'000	2022 R'000	2021 R'000
3.	**OPERATING PROFIT (continued)**				
	Employee benefit expense				
	Wages, salaries and directors fees	2 042 931	1 832 061	3 908	3 916
	Share-based payment expenses	18 694	18 610		
	Termination benefits	12 360	13 238		
	Social security costs	150 240	136 242		
	Pension costs - defined contribution plans (note 22.3)	99 785	92 747		
	Post-employment medical aid benefits (note 22.1)	4 770	4 276		
	Other post-employment defined benefits (note 22.2)	2 405	3 388		
		2 331 185	2 100 562	3 908	3 916
	Number of persons employed by the group at the end of the year				
	Hourly	4 234	3 845		
	Monthly	2 233	2 217		
		6 467	6 062		
	Directors' emoluments				
	Executive directors				
	Salaries and allowances	18 607	13 435	18 607	13 435
	Other benefits	2 493	2 642	2 493	2 642
		21 100	16 077	21 100	16 077
	Paid by subsidiary companies			(21 100)	(16 077)
	Non-executive directors	8 139	7 594	3 594	3 573
	Fees	8 139	7 594	8 139	7 594
	Paid by subsidiary companies			(4 545)	(4 021)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
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3. OPERATING PROFIT (continued)

Directors' emoluments (continued)

	COMPANY			
	2022		2021	
	R Haffejee R'000	S Douwenga R'000	R Haffejee R'000	S Douwenga R'000
Executive directors				
Salaries and allowances	6 574	5 253	5 688	5 024
Performance bonuses	3 867	2 913		1 823
Sign-on bonus			900	
Pension and provident fund contributions	313	245	273	237
Company contributions	61	95	49	81
Gain on the exercise of share options		1 779		2 002
	10 815	10 285	6 910	9 167
Paid by subsidiary companies	(10 815)	(10 285)	(6 910)	(9 167)

	COMPANY					
	2022			2021		
	Net R'000	Fees R'000	Paid by subsidiary companies R'000	Net R'000	Fees R'000	Paid by subsidiary companies R'000
Non-executive directors						
SG Pretorius				238	335	(97)
CMD Flemming	751	1 050	(299)	595	769	(174)
TN Mgoduso	375	1 126	(751)	358	885	(527)
B Mawasha	375	1 250	(875)	358	1 201	(843)
S Sithole	218	354	(136)	358	704	(346)
MN Muell	375	1 030	(655)	357	1 095	(738)
NL Mkhondo	375	814	(439)	357	632	(275)
B Mathews	375	1 086	(711)	357	755	(398)
P Giliam	375	691	(316)	238	471	(233)
AK Sithebe	375	738	(363)	357	747	(390)
	3 594	8 139	(4 545)	3 573	7 594	(4 021)

Information regarding share awards/share options granted to executive directors of Metair can be found in note 26.1.

	GROUP		COMPANY	
	2022 R'000	**2021 R'000**	**2022 R'000**	**2021 R'000**
4. TAXATION				
Normal taxation				
Current:				
- Current year	**220 998**	283 912		
- Prior year reallocation	**1 357**	1 877		
Deferred:				
- Current year	**1 188**	(9 434)		
- Prior year reallocation	**(1 296)**	(2 536)		
- Rate change	**(1 595)**	(5 489)		
Dividend withholding taxes	**17 865**	994		
	238 517	269 324		
	%	%	**%**	%
Reconciliation of taxation rate:				
Standard rate - South Africa	**28.0**	28.0	**28.0**	28.0
Effect of change in taxation rate	**(0.7)**	(0.6)		
Associates' results net of taxation	**27.3**	1.5		
Associates' impairment	**1.2**			
Prior year reallocation	**0.0**	(0.1)		
- Current	**0.6**	0.2		
- Deferred	**(0.6)**	(0.3)		
Non-deductible expenses	**22.6**	3.2	**1.2**	0.9
- Non-deductible expenses for preference dividends	**5.7**	1.2		
- Non-deductible expenses for interest and fees	**1.8**	0.6		
- Non-deductible expenses on corporate and legal costs	**7.3**	0.6	**1.2**	0.9
- Non-deductible expenses	**7.8**	0.8		
Foreign dividend withholding/other taxes	**7.6**	0.1		(7.3)
Taxation losses for which no deferred taxation asset was recognised	**2.8**	0.2		
Utilisation of previously unrecognised tax losses	**(3.4)**	(0.1)		
Exempt income	**(1.2)**		**(29.2)**	(21.6)
Research and development tax credits	**(2.5)**	(0.4)		
Learnership allowances	**(1.9)**	(0.4)		
Investment tax credit - Türkiye (Mutlu)		(0.8)		
Tax effect of hyperinflation in Türkiye	**26.7**			
Foreign tax rate difference	**(4.8)**	(2.6)		
Effective rate	**101.7**	28.0		

Mutlu and Rombat corporate income tax ('CIT') rates are 23% (2021: 25%) and 16% (2021: 16%) respectively. Mutlu CIT reverted back to 20% with effect from 1 January 2023. In South Africa, the CIT rate applicable is 28% and will reduce to 27% with effect for tax years commencing on or after 1 April 2023.

Estimated assessed tax losses available to group amounted to R460 million (2021: R255 million) and can be carried forward (set off) against future taxable income. The group did not recognise deferred tax assets of R52 million (2021: R42 million), related to a portion of tax losses, as the utilisation for set off is not probable. In addition the utilisation of assessed losses carried over from prior years will be limited to 80% of taxable income. The amendment will be effective for companies with years of assessment ending on or after 31 March 2023.

Dividend withholding tax is payable at a rate of 20% (2021: 20%) on dividends distributed to individual shareholders in SA and is paid over to authorities on behalf of shareholders of the company.

On 12 March 2023, the Turkish government imposed an additional once off corporate income tax (earthquake tax). The aim is to limit certain corporate income tax payers exemptions and deductions, at a rate of 10% over previous exemptions and deductions. The legislation rules are not finalized, and the proposed additional taxes are not estimated to be significant, based on information available.

The tax effects relating to items of other comprehensive income are disclosed in notes 15 and 27.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
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		GROUP 2022	GROUP 2021
5.	**(LOSS)/EARNINGS PER SHARE**		
	Basic (loss)/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.	(21)	350
	Headline (loss)/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 1/2021, divided by the weighted average number of shares in issue during the year excluding treasury shares.	(17)	354
	Diluted (loss)/earnings per share		
	Diluted (loss)/earnings per share (cents)	(21)	346
	Diluted headline (loss)/earnings per share (cents)	(17)	350

For the diluted (loss)/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. The scheme is anti-dilutive for the year ending 31 December 2022, as the group has recognised a loss for the year.

Reconciliation between basic and headline earnings (and cents per share)	GROUP 2022 R'000	Earnings per share 2022 cents	2021 R'000	Earnings per share 2021 cents
Net (loss)/profit attributable to ordinary shareholders	(40 385)	(20.9)	674 791	350.1
Loss/(profit) on disposal of property, plant and equipment	722	0.4	(144)	(0.1)
Gross amount	970		(210)	
Taxation effect	(248)		66	
(Reversal of impairment)/impairment of property, plant and equipment	(3 057)	(1.6)	7 850	4.1
Gross amount	(4 246)		10 903	
Taxation effect	1 189		(3 053)	
Impairment of associate	10 440	5.4		
Gross amount	10 440			
Headline (loss)/earnings	(32 280)	(16.7)	682 497	354.1
Weighted average number of shares in issue ('000)	193 483		192 715	
Diluted (loss)/earnings per share				
Net (loss)/profit attributable to ordinary shareholders	(40 385)		674 791	346.2
Number of shares used for diluted earnings per share calculation ('000)	197 161		194 889	
Diluted headline (loss)/earnings per share				
Headline (loss)/earnings	(32 280)		682 497	350.2
Number of shares used for diluted earnings per share calculation ('000)	197 161		194 889	
Weighted average number of shares in issue ('000)	(193 483)		(192 715)	
Adjustment for dilutive share options ('000)	3 678		2 174	

		GROUP		COMPANY	
		2022 R'000	2021 R'000	2022 R'000	2021 R'000
6.	**DIVIDENDS** A dividend of 90 cents per share was declared on 16 March 2022 in respect of the 2021 financial year and paid on 11 April 2022 (2021: A dividend of 75 cents per share was declared on 17 March 2021 in respect of the 2020 financial year and paid on 19 April 2021).	174 223	144 520	179 087	149 239

		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**					
	2022					
	At cost	**1 488 793**	**4 411 387**	**275 719**	**161 563**	**6 337 462**
	Less: Accumulated depreciation and impairment	**(197 196)**	**(2 124 923)**	**(146 432)**	**(98 137)**	**(2 566 688)**
		1 291 597	**2 286 464**	**129 287**	**63 426**	**3 770 774**
	2021					
	At cost	804 791	3 553 672	181 554	152 228	4 692 245
	Less: Accumulated depreciation and impairment	(148 946)	(1 710 402)	(111 915)	(84 004)	(2 055 267)
		655 845	1 843 270	69 639	68 224	2 636 978
	Reconciliation of movement:					
	Year ended 31 December 2022					
	Opening net book value	**655 845**	**1 843 270**	**69 639**	**68 224**	**2 636 978**
	Transfers*	**38 826**	**(53 303)**	**14 477**		
	Additions	**17 438**	**533 076**	**40 187**	**27 685**	**618 386**
	Disposals	**(6 835)**	**(2 490)**	**(31)**	**(2 223)**	**(11 579)**
	Depreciation	**(20 643)**	**(251 522)**	**(29 227)**	**(30 375)**	**(331 767)**
	Reversal of impairment		**4 247**			**4 247**
	Foreign currency translation, including the effect of hyperinflation (refer to note 28)	**606 966**	**213 186**	**34 242**	**115**	**854 509**
	Closing net book value	**1 291 597**	**2 286 464**	**129 287**	**63 426**	**3 770 774**
	Year ended 31 December 2021					
	Opening net book value	810 843	1 653 731	74 513	79 110	2 618 197
	Transfers*	14 349	(21 004)	7 183	(528)	
	Additions	1 574	531 106	31 008	24 435	588 123
	Disposals	(879)	(656)	(800)	(56)	(2 391)
	Depreciation	(15 472)	(207 539)	(19 141)	(32 861)	(275 013)
	Impairment		(10 903)			(10 903)
	Foreign currency translation	(154 570)	(101 465)	(23 124)	(1 876)	(281 035)
	Closing net book value	655 845	1 843 270	69 639	68 224	2 636 978

* Transfers mainly relate to assets under construction, now completed and re-allocated.

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 R88.6 million (2021: R98.3 million) are encumbered as security by Rombat for bank overdraft facilities provided to Rombat.

Capital expenditure of R618 million (2021: R588 million), consists of instalment sale and leases liabilities for R131 million (2021: R148 million).

Depreciation expenses are included within cost of sales of R262.5 million (2021: R225.5 million); distribution costs of R11.3 million (2021: R8.4 million); and administrative expenses of R58 million (2021: R41.1 million) in the income statement.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
(continued)

7. PROPERTY, PLANT AND EQUIPMENT (continued)

Assets under construction are included as follows:

	GROUP	
	2022 R'000	**2021 R'000**
Land and buildings	**7 352**	20 101
Plant, machinery and equipment	**633 914**	584 416

Assets under construction includes work in progress costs for R217 million (2021: R207 million) relating to acquisition, construction and commissioning of the group's Lithium-Ion ('Li-ion') line and is to be fully commissioned. The group also acquires assets under instalment sale agreements ('HPs'). The net book values of these assets amounted to R280.6 million (2021: R157.3 million) at balance sheet date.

Right of use assets, related to leases, are included as follows:

	GROUP	
	31 Dec 2022 R'000	**31 Dec 2021 R'000**
Land and buildings (Property)	**38 098**	39 955
Machinery, forklifts and factory equipment	**19 078**	20 952
Vehicles	**6 250**	7 317
	63 426	68 224

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 amounted to R63.4 million (2021: R68.2 million) at balance sheet date. Lease liabilities are included within borrowings (refer to note 14).

Lease rentals amounting to R10.4 million (2021: R6.5 million) relating to property and R19.1 million (2021: R16.3 million) relating to equipment are included in the income statement. These leases are short term and/or leases of low value items and are not capitalised. Equipment comprises mainly of IT and administrative equipment.

The amounts recognised in profit and loss in respect of the group's leases are as follows:

	GROUP	
	2022 R'000	**2021 R'000**
Interest on lease liabilities (included in finance costs)	**5 350**	6 107
Expenses relating to short term leases	**26 059**	19 085
Expenses relating to leases of low value assets that are not short term leases	**3 520**	3 743
Depreciation charges on right of use assets:		
- Property	**17 755**	15 358
- Machinery, forklifts and equipment	**9 362**	10 810
- Vehicles	**3 258**	6 693

The total cash outflow for leases was R64.6 million (2021: R65.9 million).

7. PROPERTY, PLANT AND EQUIPMENT (continued)

Summary of 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 standard in nature and generally does not contain extension or termination options. The lease arrangements generally do not contain any covenants or restrictions, 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 Li-ion facility. ATE has entered into a 5 year agreement to lease property in Benoni, South Africa, from which it operates. Annual rentals amounted to R8 953 608 (2021: R8 290 380), with escalations of 8% per annum. No covenants are imposed on the lease.

Rombat leases property in Bucharest, Romania, from which it carries out its Li-Ion cell manufacturing. Operations commenced in November 2019 and the lease term is for 5 years. Annual lease rentals are EUR276 000 (2021: EUR276 000) and there are no escalations. No covenants are imposed on the lease.

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 (capital obligation) 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							
2022							
At cost	**543 738**	**59 026**	**50 921**	**386 014**	**204 847**	**114 685**	**1 359 231**
Less: Accumulated amortisation and impairment	**(17 797)**	**(33 479)**	**(34 493)**	**(46 912)**	**(126 335)**	**(60 365)**	**(319 381)**
	525 941	**25 547**	**16 428**	**339 102**	**78 512**	**54 320**	**1 039 850**
2021							
At cost	113 948	49 489	41 597	111 126	58 639	72 314	447 113
Less: Accumulated amortisation and impairment	(17 797)	(30 413)	(28 473)	(15 903)	(34 274)	(36 460)	(163 320)
	96 151	19 076	13 124	95 223	24 365	35 854	283 793
Reconciliation of movement:							
Year ended 31 December 2022							
Opening net book value	**96 151**	**19 076**	**13 124**	**95 223**	**24 365**	**35 854**	**283 793**
Additions			**3 832**			**26 977**	**30 809**
Amortisation		**(2 873)**	**(4 887)**	**(4 874)**	**(13 270)**	**(15 280)**	**(41 184)**
Foreign currency translation including the effect of hyperinflation (refer note 28)	**429 790**	**9 344**	**4 359**	**248 753**	**67 417**	**6 769**	**766 432**
Closing net book value	**525 941**	**25 547**	**16 428**	**339 102**	**78 512**	**54 320**	**1 039 850**
Year ended 31 December 2021							
Opening net book value	201 695	24 628	18 209	157 676	46 511	55 082	503 801
Additions			314			10 644	10 958
Amortisation		(2 923)	(3 219)	(2 151)	(5 061)	(13 629)	(26 983)
Foreign currency translation	(105 544)	(2 629)	(2 180)	(60 302)	(17 085)	(16 243)	(203 983)
Closing net book value	96 151	19 076	13 124	95 223	24 365	35 854	283 793

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
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8. INTANGIBLE ASSETS (continued)

General

Goodwill, trademarks, brands and customer relationships are allocated to their respective underlying cash-generating units ('CGUs'). The respective businesses acquired are defined as the underlying CGUs which support the valuation of the goodwill, trademarks, brands and customer relationships. Significant trademarks and brands comprise of Mutlu, Povver, Celik and Rombat.

Brands are classified as indefinite useful life 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 is classified as indefinite useful life and is not amortised. The 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 Türkiye, its wide name-recognition and strong presence in the marketplace, management's intention to maintain advertising spend and to keep the brand indefinitely.

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. Amortisation on finite intangible assets of R23.8 million (2021: R12.7 million) is included within cost of sales and R17.4 million (2021: R14.3 million) within administration expenses in the income statement.

Goodwill and indefinite life intangible assets are allocated to the following CGUs:

	Opening net book value R'000	Hyperinflation opening balance restatement R'000	Hyperinflation current year impact R'000	Foreign Currency translation R'000	Closing net book value R'000
2022					
Goodwill					
- Rombat SA	**49 307**			**71**	**49 378**
- Mutlu group	**46 845**	**248 788**	**217 955**	**(37 025)**	**476 563**
Brands					
- Mutlu group	**81 814**	**125 075**	**120 576**	**(19 265)**	**308 200**
	177 966	**373 863**	**338 531**	**(56 219)**	**834 141**
2021					
Goodwill					
- Rombat SA	49 835			(528)	49 307
- Mutlu group	151 860			(105 016)	46 844
Brands					
- Mutlu group	136 455			(54 641)	81 814
	338 150			(160 185)	177 965

Additions to intangible assets comprise predominantly of capitalised battery development costs within the Energy storage vertical, licences and software.

Impairment tests on goodwill and indefinite life intangible assets

The group's goodwill and indefinite life intangible assets arising in Mutlu and Rombat (the CGUs), belong to the energy storage vertical. The recoverable amount has been determined based on value-in-use calculations using discounted cash flow models ('DCF'), representing cash flows in the domestic currency of the relevant CGU.

DCF models use cash flow projections based on the most recent financial budgets and five-year business plans approved by the board, which include assumptions on profit before interest and tax, depreciation, working capital and capital maintenance expenditure. Cash flows beyond the five-year period are extrapolated using estimated growth rates consistent with long-term industry growth forecasts (terminal value). The estimated future cash flows used are pre-tax.

We calculated the discount rate (weighted average cost of capital or 'WACC') by considering various aspects including the selection of peer companies, country risk premiums, normalised target capital structure, size adjustment and alpha or specific risk premiums as at 31 December 2022. Due to the hyper inflationary environment which Mutlu operates in, the domestic currency WACC is considered to be less reliable or more volatile than a stable rate such as a USD- denominated WACC. As such, a USD denominated WACC was applied to USD denominated forecast cash flows for impairment testing of Mutlu.

No impairments were 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 %
2022		
Compound annual battery volume growth rate*	**4.6**	**4.1**
Long-term growth rate**	**3.8**	**3.1**
Discount rate (WACC)***	**15.9**	**17.6**
Period (years)	**5.0**	**5.0**
2021		
Compound annual battery volume growth rate*	3.1	6.8
Long-term growth rate**	3.1	3.4
Discount rate (WACC)***	14.0	30.8
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. The increases in the WACC of both Mutlu and Rombat are primarily driven by an increase in risk free rates, betas and applicable alphas which are discussed further below.*

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 London Metals Exchange ('LME').
- A natural hedge exists for USD denominated Lead price which is partially off-set through export sales denominated in foreign currency.
- The majority of lead price increases are also passed into the aftermarket through selling price increases when required.
- 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 200 USD/tonne (2021: 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 Türkiye (Mutlu), we have used the 30-year United States ('US') government bond and applied a 'build-up approach', including adjusting for country risk premium. No inflation differential between the Turkish Lira and USD was applied in 2022 since a USD denominated discount rate was used (excluding the inflation differential). 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, a company specific risk premium ('CSRP'), forecasting risk (alpha) and a market or equity risk premium. 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 5.5% (2021: 5.4%) 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 stand-alone basis and is dependent on the general level of interest rates, default risk premiums, tax rates and gearing. A long-term target debt weighting (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 that follows 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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
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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:		
2022		
Discount rate % - applied	**15.9**	**17.6**
Discount rate % - threshold	**17.9**	**20.8**
Percentage points change (headroom)	**+2.0**	**+3.2**
Long-term growth rate % applied	**3.8**	**3.1**
Percentage points change (headroom)	**-3.3**	**-5.4**
2021		
Discount rate % - applied	14.0	30.8
Discount rate % - threshold	16.8	41.2
Percentage points change (headroom)	+2.8	+10.4
Long-term growth rate % applied	3.1	3.4
Percentage points change (headroom)	-6.8	-28.4

Changes to the compound annual volume growth rates are not significantly sensitive to recoverable amounts.

	COMPANY	
	2022 R'000	**2021 R'000**
9. INTEREST IN SUBSIDIARIES		
Unlisted		
Investments at cost	**493 695**	493 695
Share-based payment costs	**90 998**	82 688
	584 693	576 383
Advances to subsidiary companies, net of impairments	**1 787 871**	1 608 784
Current advances from subsidiary companies	**(407 547)**	(266 778)
	1 380 324	1 342 006
Total net investment interest	**1 965 017**	1 918 389

Advances to subsidiary companies are interest-free, unsecured, repayable on demand, to be settled in cash and presented net of impairment allowances. The gross carrying amount of loans advanced, which represent the maximum exposure to loss, is R1 982 084 316 (2021: R1 802 997 219).

The total expected credit loss provision amounted to R194 212 831 (2021: R194 212 831) (refer to note 19.2 B financial instruments - credit risk). 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 principal amount and classified at amortised cost.

	COMPANY	
Amounts owing by/(to) subsidiaries before	**2022 R'000**	**2021 R'000**
Inalex (Pty) Ltd	**1 814 634**	1 635 546
Automould (Pty) Ltd	**167 451**	167 451
Metair Management Services (Pty) Ltd	**(263 636)**	(24 833)
Business Venture Investments 1217 (Pty) Ltd	**(143 911)**	(241 945)
	1 574 538	1 536 219

The interest of Metair in the aggregate after tax income/(loss) of the subsidiaries was as follows:

	GROUP	
	2022 R'000	**2021 R'000**
Net income	**973 239**	1 110 447
Net losses	**(331 275)**	(18 350)

Details of subsidiaries of the group are disclosed on page 197. The group structure is available on page 6 of the integrated annual report.

9. INTEREST IN SUBSIDIARIES (continued)

All subsidiary undertakings are included in the consolidation. Total non-controlling interest is R130.0 million (2021: R115.8 million) of which R125.4 million (2021: R111.1 million) relates to 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 that 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.

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 (75% held) that has a non-controlling interest material to the group. The amounts disclosed are based on those included in the consolidated financial statements before inter-company eliminations.

	2022 R'000	2021 R'000
Summarised balance sheet		
Non-controlling interest %	25	25
Current		
Assets	731 064	638 596
Liabilities	(431 664)	(401 119)
Total net current assets	299 400	237 477
Non-current		
Assets	288 598	286 452
Liabilities	(81 015)	(90 647)
Total net non-current assets	207 583	195 805
Net assets	506 983	433 282
Summarised results		
Revenue	1 955 376	1 982 580
Other comprehensive loss	2 304	(620)
Profit attributable to non-controlling interest	36 393	17 668
Total comprehensive income allocated to non-controlling interest	36 969	17 513
Dividends paid to non-controlling interest	17 668	10 609
Accumulated non-controlling interest	125 379	111 094
Summarised cash flow		
Net cash inflow/(outflow) from operating activities	40 881	(128 844)
Net cash outflow from investing activities	(38 456)	(39 810)
Net cash outflow from financing activities	(3 262)	(2 577)

	GROUP		COMPANY	
	2022 R'000	2021 R'000	2022 R'000	2021 R'000
10. INVESTMENT IN ASSOCIATES				
Unlisted				
Investments at cost less impairment	169 086	194 706	47 264	47 264
Share of post-acquisition reserves included in equity accounted earnings	131 974	418 350		
Total carrying value	301 060	613 056	47 264	47 264
Reconciliation of movements:				
Balance at the beginning of the year	613 056	624 185	47 264	2 793
Disposal of associate	(8 433)			
Impairment of associate	(10 440)			
Share of equity accounted losses	(228 963)	(51 878)		
Dividends received	(61 551)	(6 724)		
Investment arising from initial recognition of financial guarantee liability		44 471		44 471
Foreign currency translation	(2 609)	3 002		
Investment in associates	301 060	613 056	47 264	47 264

Associates have share capital consisting of ordinary shares and subscribed capital held by the group. The principal place of business are identical to the country of their incorporation and the proportion of ownership is the same as voting rights held. The group's associates are private entities and operate in the automotive component industry, manufacturing automotive parts and batteries. Valeo Systems SA and Tenneco Automotive Holdings SA are held directly by the company.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
(continued)

10. INVESTMENT IN ASSOCIATES (continued)

In the prior year, the company issued a guarantee to Standard Bank of South Africa in respect of credit facilities granted to Hesto for R850 million. The maximum amount the company is exposed to is R636 million. The increase in investments of R44 million results from the initial recognition of the liability arising from the financial guarantee provided to Hesto in 2021. A limited letter of support for R3.6 million (2021: R3.6 million) was issued to Valeo for general overdraft facilities. Risk of defaults are considered remote.

Set out in the table below is a summary of associates which are included in group results using the equity accounting method.

Nature of investment in associates	Percentage holding (effective) %	Place of business/ country of incorporation	Group carrying amount R'000
2022			
Unlisted			
Hesto Harnesses (Pty) Ltd	**74.9**	**South Africa**	**14 984**
Valeo Systems SA (Pty) Ltd	**49.0**	**South Africa**	**18 223**
Tenneco Automotive Holdings SA (Pty) Ltd	**25.1**	**South Africa**	**57 950**
Associated Battery Manufacturers (East Africa) Limited ('ABM')	**25.0**	**Kenya**	**209 852**
Denso Sales South Africa (Pty) Ltd	**49.0**	**South Africa**	**51**
MOLL	**25.1**	**Germany**	
Vizirama 12 (Pty) Ltd	**33.0**	**South Africa**	
Eye2square Innovations (Pty) Ltd	**20.0**	**South Africa**	
			301 060
2021			
Unlisted			
Hesto Harnesses (Pty) Ltd	74.9	South Africa	250 028
Valeo Systems SA (Pty) Ltd	49.0	South Africa	53 435
Tenneco Automotive Holdings SA (Pty) Ltd	25.1	South Africa	90 159
Associated Battery Manufacturers (East Africa) Limited	25.0	Kenya	200 178
Prime Motors Industry Srl	35.0	Romania	18 394
MOLL	25.1	Germany	
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	862
			613 056

Although the group owns 74.9% of the majority voting rights in Hesto, the Shareholder's Agreement stipulates that unanimous consent is required for all decisions relating to the relevant activities of Hesto. In addition, the minority shareholder also has the ability, via a currently exercisable and substantive call option, to call the majority shareholding. Therefore, the group accounts for Hesto under the equity accounting method. Hesto's results are, however, included within the group's automotive business vertical (segment report).

Hesto manufactures and sells automotive wiring harnesses and related components in South Africa. Hesto is a specialist automotive component manufacturer which provides the group with additional OE product offerings as well being a local product differentiator. Hesto incurred a R314 million (2021: R78 million) loss after tax mainly due to the impact of global supply chain disruptions on the business, including significant air-freight and shipping charges to support customers, as well as project costs incurred on planned new customer models launches for the future.

The group's 35% investment in Romanian Li-ion battery maker, Prime, was impaired during the year and disposed for R8.4 million.

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.

10. INVESTMENT IN ASSOCIATES (continued)

Summarised financial information for associates

Set out below is the summarised financial information for the associates, which are accounted for using the equity method:

	2022		
	Hesto R'000	ABM R'000	Other associates R'000
Summarised income statements			
Revenue	1 770 674	1 696 882	1 533 762
(Loss)/profit after taxation	(313 811)	103 891	(14 196)
Total comprehensive (loss)/income	(313 811)	103 891	(13 716)
Attributable to group	(235 044)	25 973	(19 892)
Dividends received from associates		(13 210)	(48 341)
Post foreign earnings currency translation		(3 089)	480
Summarised balance sheets			
Current			
Assets	1 255 456	608 985	979 328
Liabilities	(1 625 731)	(217 157)	(462 446)
Non-current			
Assets	1 415 952	368 169	349 111
Liabilities	(1 085 046)	(98 106)	(480 202)
Net assets	(39 369)	661 891	385 791

	2021		
	Hesto R'000	ABM R'000	Other associates R'000
Summarised income statements			
Revenue	1 641 727	1 400 143	1 076 755
(Loss)/profit after taxation	(77 734)	86 364	(5 265)
Total comprehensive (loss)/income	(77 734)	86 364	(6 733)
Attributable to group	(58 222)	21 591	(15 247)
Dividends received from associates		(6 724)	
Post foreign earnings currency translation		3 222	(220)
Summarised balance sheets			
Current			
Assets	637 535	539 616	1 173 311
Liabilities	(587 171)	(89 633)	(614 547)
Non-current			
Assets	862 559	305 775	340 705
Liabilities	(638 481)	(127 190)	(289 696)
Net assets	274 442	628 568	609 773

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 March, however, the results presented are at 31 December and equity accounted up to this date.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
(continued)

10. INVESTMENT IN ASSOCIATES (continued)

Reconciliation of summarised financial information

Reconciliation of summarised financial information of associates is presented in the table below:

	2022		
	Hesto R'000	ABM R'000	Other associates R'000
Opening net assets 1 January	274 442	628 568	609 773
(Loss)/profit for the year	(313 811)	103 891	(14 196)
Dividends paid		(52 841)	(186 451)
Foreign currency translation and other movements		(17 727)	(23 335)
Closing net assets	(39 369)	661 891	385 791
Shareholding	74.9%	25.0%	Varying
Acquisition cost less accumulated impairment	1	121 821	2 793
Investment arising from initial recognition of financial guarantee liability	44 471		
Post equity accounted (losses)/profits	(29 488)	88 031	73 431
Carrying amount	14 984	209 852	76 224

	2021		
	Hesto R'000	ABM R'000	Other associates R'000
Opening net assets 1 January	352 176	540 264	616 506
(Loss)/profit for the year	(77 734)	86 364	(5 265)
Dividends paid		(26 895)	
Foreign currency translation and other movements		28 835	(1 468)
Closing net assets	274 442	628 568	609 773
Shareholding	74.9%	25.0%	Varying
Acquisition cost less accumulated impairment	1	121 821	28 413
Investment arising from initial recognition of financial guarantee liability	44 471		
Post equity accounted profits	205 556	78 357	134 437
Carrying amount	250 028	200 178	162 850

	GROUP		COMPANY	
	2022 R'000	2021 R'000	2022 R'000	2021 R'000
11. INVENTORY				
Raw material	1 158 796	940 185		
Work in progress	542 650	423 582		
Finished goods	977 681	588 048		
Right to recover returned goods	9 749	7 438		
	2 688 876	1 959 253		
Write-downs of inventories to net realisable value	29 684	54 963		
The cost of inventories expensed and included in cost of sales	10 486 321	9 067 378		
Inventory pledged by Rombat for bank overdrafts	7 567	6 208		

Certain inventory and work in progress, related to automotive components, are recognised as contract assets due to revenue being recognised over time. An asset for the right to recover returned goods is recognised for batteries sold under certain distributor arrangements.

		GROUP		COMPANY	
		2022 R'000	2021 R'000	2022 R'000	2021 R'000
12.	**TRADE AND OTHER RECEIVABLES**				
	Trade receivables	2 008 944	1 556 522		
	Less: Provision for impairment of trade receivables	(74 448)	(75 327)		
		1 934 496	1 481 195		
	Prepayments and deposits	164 823	88 936		
	Tooling receivables	262 437	160 448		
	Insurance proceeds and claims receivable	38 993			
	Grant claim receivable	3 605	4 566		
	VAT and customs receivable	126 619	74 395		
	Rebates and discounts receivable	100 062	79 450		
	Related party receivables (Hesto)	167 686	16 261		
	Other receivables	76 274	73 196	684	
		2 874 995	1 978 447	684	
	Gross trade receivables are analysed as follows:				
	Original equipment	689 783	550 421		
	Exports	318 159	339 216		
	Aftermarket	867 276	610 099		
	Non-automotive	133 726	56 786		
		2 008 944	1 556 522		

Higher export and aftermarket sales contributed to a higher trade receivable balance. The aging profile has improved and composition of export customers have declined, leading to a consistent ECL effective balance.

The quality of the group's debtors book and cash recovery has remained strong during the year. Actual bad debts were insignificant.

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

	GROUP	
	2022 R'000	2021 R'000
Rand	1 515 347	1 008 334
British Pound	28 065	35 191
Euro	185 921	140 579
US Dollar	139 196	194 265
Australian Dollar	1 362	
Romanian Lei	170 070	109 454
Turkish Lira	835 034	490 624
	2 874 995	1 978 447

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
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12. TRADE AND OTHER RECEIVABLES (continued)

The provision for impairment (loss allowance) can be reconciled as follows:

	Total R'000	Original equip-ment R'000	Export R'000	After-market R'000	Non-auto-motive R'000
2022					
At 1 January	**75 327**	**7 165**	**40 545**	**25 816**	**1 801**
Net remeasurement of loss allowance	**624**	**104**	**(9 479)**	**7 611**	**2 388**
Amounts written off	**(1 491)**			**(1 296)**	**(195)**
Currency adjustments	**(12)**		**44**	**(56)**	
As at 31 December	**74 448**	**7 269**	**31 110**	**32 075**	**3 994**
2021					
At 1 January	56 683	838	32 336	20 404	3 105
Net remeasurement of loss allowance	23 221	6 327	8 536	9 299	(941)
Amounts written off	(3 878)			(3 515)	(363)
Currency adjustments	(699)		(327)	(372)	
As at 31 December	75 327	7 165	40 545	25 816	1 801

We applied an overlay factor and increased the loss rates for our aftermarket customers, although actual current payment profiles have been generally within terms. Our OEM customers are considered low credit risk. 86% (2021: 87%) of the group's total debtors are within terms.

An ageing profile of trade receivables, from a market perspective, is presented below:

	Total R'000	Original equip-ment R'000	Export R'000	After-market R'000	Non-auto-motive R'000
2022					
Up to 3 months	**1 904 004**	**680 194**	**288 666**	**804 750**	**130 394**
3 to 6 months	**37 972**	**2 379**	**617**	**33 163**	**1 813**
Over 6 months	**66 968**	**7 210**	**28 877**	**29 363**	**1 518**
	2 008 944	**689 783**	**318 160**	**867 276**	**133 725**
2021					
Up to 3 months	1 469 761	539 573	303 545	571 055	55 588
3 to 6 months	25 963	3 696	7 081	15 160	26
Over 6 months	60 798	7 151	28 591	23 884	1 172
	1 556 522	550 420	339 217	610 099	56 786

The other classes within trade and other receivables do not contain impaired assets and of insignificant credit risk. 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 is R533 million (2021: R458 million), which represents approximately 55% (2021: 66%) of total Mutlu debtors outstanding at year end. 92% of Mutlu export debtors secured through collateral. Mutlu has a low history of customer defaults and the collateral has been taken into account in determining the loss allowance under IFRS 9.

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 R69.3 million (2021: R134.6 million), relating to Rombat, have been pledged as security for bank overdraft facilities granted to Rombat.

		GROUP		COMPANY	
		2022 R'000	2021 R'000	2022 R'000	2021 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	1 298 608	1 078 074	3 391	3 516
	Bank overdrafts	(318 298)	(116 179)		
		980 310	961 895	3 391	3 516
	The following bank rates applied at year-end:				
	Interest rate on South African short-term bank deposits	3.9%	4.3%		
	Interest rate on Turkish short-term bank deposits	24.0%	21.2%		
	Interest rate on European short-term bank deposits	0.3%	0.8%		
	Interest rate on South African bank overdrafts	9.3%	8.2%		
	Interest rate on European bank overdrafts	4.2%	1.8%		

Rombat has pledged as security property, plant and equipment of R88.6 million (2021: R98.3 million), inventory of R7.6 million (2021: R6.2 million) and trade receivables of R69.3 million (2021: R134.6 million) for bank overdraft facilities granted.

		GROUP		COMPANY	
		2022 R'000	2021 R'000	2022 R'000	2021 R'000
14.	**BORROWINGS AND FINANCIAL LIABILITIES**				
	Redeemable preference shares	840 000	840 000		
	Bank borrowings	2 352 750	1 243 011		
	Instalment sale liabilities	298 349	136 461		
	Lease liabilities	66 268	69 950		
	Total borrowings	3 557 367	2 289 422		
	Financial liabilities	27 547	37 483	27 547	37 483
	Current portion included in current liabilities	(3 234 734)	(477 642)	(10 847)	(9 937)
	Non-current portion of borrowings and financial liabilities	350 180	1 849 263	16 700	27 546

Redeemable preference shares

Preference share funding consists of cumulative mandatorily redeemable no par value preference shares originally issued in 2014 for R1.4 billion. The remaining R840 million is due on 13 December 2024. The preference share funding is unsecured.

Dividends (interest) are paid on a semi-annual basis on 30 April and 31 October of each year. The facility carries a dividend rate of 72% of 3 month JIBAR plus 2.04% (margin), equating to 68% of prime at December 2022 (2021: 68% of the ruling South African prime rate), calculated on a nominal annual rate, compounded monthly.

Bank borrowings

Bank borrowings consists of revolving credit facilities ('RCFs') drawn down of R1 255 million (2021: R731 million) and term, call and other loans of R1 098 million (2021: R512 million)

South African Revolving Credit Facilities

Unsecured RCF facilities for R750 million (RCF 1) and R525 million (RCF 2) are provided by Absa Bank Limited, Investec Bank and Standard Bank of South Africa Limited. Drawdowns at balance sheet date amounted to R750 million (2021: R486 million) and R505 million (2021: R245 million) on RCF1 and RCF2 respectively.

RCF1 has a tenure of 5 years and matures on August 2026. Interest is charged at 2.25% over the ruling JIBAR rate, determined either on a one, three or six-month basis, as selected by the group (Interest period). The maturity of RCF 2 was extended to 23 April 2023 and currently in the process of being extended for a further 1 year until 2025. Interest is charged at 2.35% over JIBAR.

Interest on RCFs accrue 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. In the prior year drawdowns were classified as non-current because of the rolling repayment mechanism and expectation to fully settle at maturity. RCF funding is guaranteed by certain subsidiaries of the group.

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14. BORROWINGS (continued)

Bank borrowings (continued)

Term and call loans arise in Mutlu for R1 001 million (2021: R388 million) and Rombat for R96 million (2021: R124 million).

Mutlu - Turkish Lira (TL) borrowings:

Consists of various unsecured term, call and revolver loans totaling TL1 105 million (2021: TL330 million) and maturing at varying dates between February 2023 and November 2023. Interest comprises of a mixture of fixed and floating rates. TL627 million (R569 million) relates to short term call and revolver loans at floating rates ranging from 15.7% to 33.0% (2021: TL249 million at interest fixed interest rates ranging from 17% to 29% per annum). TL478 million (R433 million) relates to various term loans at fixed interest rates ranging from 10.4% to 23.7% per annum (2021: TL81 million at interest fixed interest rates ranging from 8.5% to 10.4% per annum).

Rombat - Euro borrowings:

Consists of a EUR5.3 million (2021: EUR6.9 million) fixed interest rate loan maturing in June 2026. Interest is charged at 1.4% per annum. The loan is secured over property, plant and equipment, amounting to EUR11.5 million (2021: EUR11.5 million). Capital repayments approximate EUR0.4 million (R6.9 million) per quarter (EUR1.5 million (R27.6 million) per annum).

Covenant compliance

The group's preference shares and South African RCF funding amounting to R2.1 billion are subject to covenant requirements. These requirements were breached in December 2022 and are therefore classified as current. After year end, the group's funders agreed to waive covenants for the measurement period ending 31 December 2022. Our funders have also resolved to temporary adjust future covenant thresholds. Refer to note 19.3 for further information on covenants and gearing.

	GROUP		COMPANY	
	2022 R'000	2021 R'000	2022 R'000	2021 R'000
Maturity of bank borrowings and preference shares				
Within 1 year	3 123 831	406 054		
Later than 1 year and not later than 2 years	27 567	166 268	16 700	
Later than 2 year and not later than 5 years	41 352	1 510 689		
	3 192 750	2 083 011	16 700	
The carrying amount of total borrowings are denominated in the following currencies:				
Rand	2 449 504	1 761 807		
Euro	105 558	137 516		
Turkish Lira	1 002 305	390 099		
	3 557 367	2 289 422		

The group had the following undrawn and available borrowing (including overdraft) facilities at year-end:
- RCF 1 of RNil million (2021: R264 million)
- RCF 2 of R20 million (2021: R280 million)
- Other South African facilities of R732 million (2021: R676 million)
- USD denominated facilities of USD53 million (2021: USD40 million)
- Turkish Lira denominated facilities of TL215 million (2021: TL137 million)
- Euro denominated facilities of EUR13 million (2021: EUR13 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. Assets are effectively purchased up front but the title of the asset passes automatically, once the full amount has been paid. Payment obligations are 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 R280.6 million (2021: R157.3 million).

Financial liabilities

Financial liabilities arise due to the financial guarantee provided by the Company on behalf of Hesto, an associate of the group (refer to note 10), for funding facilities advanced by Standard Bank. At initial recognition a financial guarantee is measured at fair value, using an interest rate differential method as set out in the accounting policies. A discount rate was applied taking time value of money, risk premium, and own credit risk into account and will amortise over the length of the guarantee period. The facilities provided to Hesto includes a 5-year term loan with a maturity date of June 2026 and a 3 year revolving credit facility with a maturity date of June 2024

		GROUP		COMPANY	
		2022 R'000	2021 R'000	2022 R'000	2021 R'000
14.	**BORROWINGS (continued)**				
	Instalment sale liabilities - minimum payments:				
	Within 1 year	92 659	40 814		
	Later than 1 year and not later than 5 years	284 243	123 207		
	Minimum instalments	376 902	164 021		
	Future finance charges	(78 553)	(27 560)		
	Present value of liabilities	298 349	136 461		
	The present value of all instalment sale liabilities may be analysed as follows:				
	Within 1 year	65 282	31 520		
	Later than 1 years and not later than 2 years	66 740	30 298		
	Later than 2 years and not later than 5 years	166 327	74 643		
	Present value of liabilities	298 349	136 461		
	Lease liabilities				
	Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default.				
	Gross lease liabilities - minimum lease payments:				
	Within 1 year	37 975	36 128		
	Later than 1 year and not later than 5 years	34 629	42 270		
	Minimum lease payments	72 604	78 398		
	Future finance charges on leases	(6 336)	(8 448)		
	Present value of lease liabilities	66 268	69 950		
	The present value of all lease liabilities may be analysed as follows:				
	Within 1 year	34 774	30 132		
	Later than 1 years and not later than 2 years	23 586	27 817		
	Later than 2 years and not later than 5 years	7 908	12 001		
		66 268	69 950		
	All borrowings are interest-bearing and the approximate annual interest rates at year-end are as follows:	%	%		
	Preference shares	5.7	4.7		
	Bank borrowings				
	- RCF 1	*JIBAR+2.25	*JIBAR+2.25		
	- RCF 2	*JIBAR+2.35	*JIBAR+2.35		
	- Call and term loans (TL borrowings)	10.4 - 23.7	8.5 - 10.4		
	- Revolvers (TL borrowings)	15.7 - 33.0	17 - 29		
	- Term loan (Euro borrowings)	1.4	1.4		
	Instalment sale liabilities	9.4 - 10.8	5.9 - 7.0		
	Lease liabilities	1.4 - 11.0	1.4 - 10.0		

* Johannesburg inter-bank agreed rate. As a result of global rate benchmark reforms, the South African Reserve Bank ('SARB') has indicated their intention to move away from JIBAR. The reform is still in progress and a suitable alternative for South Africa is only expected in a few years' time.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
(continued)

		GROUP		COMPANY	
		2022 R'000	2021 R'000	2022 R'000	2021 R'000
15.	**DEFERRED TAXATION**				
	Deferred taxation is calculated on all temporary differences under the liability method using a principal taxation rate of 27% (2021: 28%) for South Africa, 16% (2021: 16%) for Romania, 20% (2021: 25%) for Türkiye and 19% (2021: 19%) for the United Kingdom.				
	The following amounts are shown in the consolidated balance sheet:				
	Deferred taxation assets	(36 599)	(5 374)		
	Deferred taxation liabilities	333 054	173 614		
		296 455	168 240		
	The movement is as follows:				
	At the beginning of the year	168 240	237 343		
	Income statement (credit)/charge:				
	- Current year	1 188	(9 434)		
	- Prior year adjustment	(1 296)	(2 536)		
	- Rate change	(1 595)	(5 489)		
	Taxation credited to other comprehensive income:				
	- Actuarial losses	(4 935)	(950)		
	Taxation charged to equity:				
	- Share-based payments	(4 277)	(5 767)		
	Foreign currency translation, including the effect of hyperinflation	139 130	(44 927)		
	At the end of the year	296 455	168 240		
	Deferred taxation assets:				
	Deferred taxation asset to be recovered after more than 12 months	(135 113)	(105 143)		
	Deferred taxation asset to be recovered within 12 months	(70 906)	(78 689)		
		(206 019)	(183 832)		
	Deferred taxation liabilities:				
	Deferred taxation liability to be recovered after more than 12 months	465 582	271 187		
	Deferred taxation liability to be recovered within 12 months	36 892	80 885		
		502 474	352 072		
	Amounts aggregated:				
	Deferred taxation assets	(206 019)	(183 832)		
	Deferred taxation liabilities	502 474	352 072		
	Net deferred taxation liability	296 455	168 240		

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
2022				
Opening balance	**249 772**	**20 835**	**81 465**	**352 072**
Reallocations			**(23 563)**	**(23 563)**
Charged/(credited) to the income statement - Current year	**64 679**	**(8 068)**	**(17 286)**	**39 325**
Credited to the income statement - Prior year reallocation	**(2)**		**(119)**	**(121)**
Rate change	**(3 649)**		**(4 240)**	**(7 889)**
Credited to other comprehensive income			**94**	**94**
Foreign currency translation, including the effect of hyperinflation*	**52 028**	**65 359**	**25 169**	**142 556**
Closing balance	**362 828**	**78 126**	**61 520**	**502 474**
2021				
Opening balance	291 080	35 382	60 550	387 012
Reallocations			12 206	12 206
(Credited)/charged to the income statement - Current year	(9 483)	(5 005)	25 113	10 625
Credited to the income statement - Prior year reallocation	(243)		(1 442)	(1 685)
Rate change	(1 855)	2 130	(3 060)	(2 785)
Credited to other comprehensive income			(31)	(31)
Foreign currency translation	(29 727)	(11 672)	(11 871)	(53 270)
Closing balance	249 772	20 835	81 465	352 072

* Inclusive of tax incentive due to hyperinflation

Deferred taxation assets

	GROUP						
2022	Share-based payments R'000	Post-employment benefits R'000	Assessed losses set off R'000	Provision for doubtful debts R'000	Warranty claims R'000	Derivatives and other R'000	Total R'000
Opening balance	**(10 860)**	**(21 229)**	**(23 230)**	**(15 511)**	**(13 202)**	**(99 800)**	**(183 832)**
Reallocations						**23 563**	**23 563**
Charged/(credited) to the income statement:							
- Current year	**1 177**	**2 619**	**(46 049)**	**3 603**	**(1 187)**	**1 700**	**(38 137)**
- Prior year reallocation		**(32)**		**(17)**		**(1 126)**	**(1 175)**
Rate change	**95**	**357**	**2 282**	**109**	**438**	**3 013**	**6 294**
Credited to other comprehensive income		**(5 029)**					**(5 029)**
Deferred taxation on share-based payment reserve**	**(4 277)**						**(4 277)**
Foreign currency translation	**(26)**	**(2 146)**	**272**	**(7)**	**(578)**	**(941)**	**(3 426)**
Closing balance	**(13 891)**	**(25 460)**	**(66 725)**	**(11 823)**	**(14 529)**	**(73 591)**	**(206 019)**
2021							
Opening balance	(3 790)	(25 820)	(15 327)	(10 880)	(13 307)	(80 545)	(149 669)
Reallocations						(12 206)	(12 206)
(Credited)/charged to the income statement:							
- Current year	(1 308)	1 961	(7 541)	(4 780)	(892)	(7 499)	(20 059)
- Prior year reallocation		(30)		110		(931)	(851)
Rate change		(1 963)			(282)	(459)	(2 704)
Credited to other comprehensive income		(919)					(919)
Deferred taxation on share-based payment reserve**	(5 767)						(5 767)
Foreign currency translation	5	5 542	(362)	39	1 279	1 840	8 343
Closing balance	(10 860)	(21 229)	(23 230)	(15 511)	(13 202)	(99 800)	(183 832)

** The measurement of deductible expense on share-based payment reserve is based on the entity's share price at year end

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

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. Recognition is limited 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.

	GROUP		COMPANY	
	2022 R'000	2021 R'000	2022 R'000	2021 R'000
16. TRADE AND OTHER PAYABLES				
Trade creditors	2 066 078	1 468 584		
Accrual for leave pay	39 263	30 136		
Trade accruals, including utilities, technical and license fees	308 517	214 616	1 593	822
Tool-maker payables	253 564	196 398		
Deferred income on government grants	138 655	157 951		
Payroll and statutory accruals	132 853	101 560		
Royalties payable	36 173	27 471		
VAT and other indirect taxes	19 934	20 978		
Rebates and discounts payable	43 622	14 031		
Refund liabilities	14 324	12 706		
Audit fee accrual	6 851	7 427		
Preference shares and interest accruals	24 831	8 576		
	3 084 665	2 260 434	1 593	822
Non-current portion of deferred income on government grants included in non-current liabilities	(88 991)	(104 681)		
Current portion included in current liabilities	2 995 674	2 155 753	1 593	822
The carrying amounts of the group's trade and other payables are denominated in the following currencies:				
Rand	1 219 531	934 395	1 593	822
Yen	62 464	87 226		
US Dollar	793 283	609 205		
Euro	213 223	200 474		
British Pound	5 073	5 958		
Thai Baht	85 593	21 001		
Romanian Lei	169 620	174 596		
Turkish Lira	535 593	227 192		
Singapore Dollar		247		
Indian Rupee	285	140		
	3 084 665	2 260 434	1 593	822

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.

Other provisions

Other provisions comprise predominantly of scrap battery returns (recycling) and long service awards, amounting to R9.1 million (2021: R8.3 million) and R25.3 million (2021: R23.3 million), respectively. The balance of R22.8 million (2021: R15.5 million) consists of legal and other provisions.

	GROUP			
	Executive bonus R'000	Warranty claims R'000	Other R'000	Total R'000
2022				
Balance at the beginning of the year	**35 772**	**56 103**	**47 138**	**139 013**
- Additional provision	**36 961**	**50 892**	**45 560**	**133 413**
- Unused amounts reversed	**(4 982)**		**(2 067)**	**(7 049)**
Utilised during the year	**(31 253)**	**(40 732)**	**(30 173)**	**(102 158)**
Foreign currency translation, including the effect of hyperinflation	**(610)**	**(2 263)**	**(3 255)**	**(6 128)**
Balance at the end of the year	**35 888**	**64 000**	**57 203**	**157 091**
2021				
Balance at the beginning of the year	20 602	57 367	46 883	124 852
- Additional provision	34 090	45 909	22 516	102 515
- Unused amounts reversed		(144)	(781)	(925)
Utilised during the year	(17 344)	(41 302)	(16 752)	(75 398)
Foreign currency translation, including the effect of hyperinflation	(1 576)	(5 727)	(4 728)	(12 031)
Balance at the end of the year	35 772	56 103	47 138	139 013

Analysis of total provisions:	2022 R'000	2021 R'000
Non-current	**46 793**	40 808
Current	**110 297**	98 205
	157 090	139 013

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
(continued)

		GROUP		COMPANY	
		2022 R'000	2021 R'000	2022 R'000	2021 R'000
18.	**NOTES TO CASH FLOW STATEMENTS**				
18.1	**RECONCILIATION OF PROFIT BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS**				
	Profit/(loss) before taxation	234 605	962 122	235 367	200 756
	Adjustment for:				
	Depreciation and amortisation	372 951	301 996		
	Impairment (reversal)/charge	(4 247)	10 903		(47 861)
	Loss/(profit) on disposal of property, plant and equipment	970	(210)		
	Amortisation of financial guarantee	(13 131)	(6 988)	(13 131)	(6 988)
	Loss allowance on loan to associate	5 100			
	Financial assets at fair value through profit or loss	19 408	(17 741)		
	Foreign exchange losses/(gains) on operating activities	(22 969)	71 410		
	Share-based payment expenses	18 694	18 610	(8 239)	(2 647)
	Post-employment benefit - charge	10 086	13 256		
	Post-employment benefits - contributions paid	(8 013)	(14 328)		
	Equity accounted losses from investments/dividends from investments	239 403	51 878	(45 180)	
	Insurance claim receivable	(38 993)			
	Interest income	(33 981)	(32 425)	(11)	
	Interest expense	410 747	177 464	3 195	
	Net monetary gain arising from hyperinflation in Türkiye	(398 066)			
	Decrease in provisions and derivatives	19 859	(15 997)		
	Operating cash generated before working capital changes	812 423	1 519 950	172 001	143 260
	Working capital changes (excluding the effect of foreign exchange differences and including the effect of hyperinflation on consolidation):	(661 227)	(871 020)	88	(15)
	Changes in contract assets and liabilities	(147 047)	(197 464)		
	Increase in inventory	(473 079)	(677 848)		
	Increase in trade and other receivables	(719 981)	(582 812)	(684)	
	Increase/(decrease) in trade and other payables	678 880	587 104	772	(15)
	Cash generated from operations	151 196	648 930	172 089	143 245
18.2	**TAXATION PAID**				
	Taxation paid is reconciled to the amount disclosed in the income statement as follows:				
	Amounts payable at the beginning of the year	(58 022)	(35 712)		
	Income statement charge (note 4)	(240 220)	(286 783)		
	Currency and hyperinflation impact	(7 175)	13 116		
	Amounts unpaid at the end of the year	36 317	58 022		
		(269 100)	(251 357)		
18.3	**DIVIDENDS PAID**				
	To shareholders	(174 223)	(144 520)	(179 087)	(149 239)
	To non-controlling interests	(17 873)	(10 840)		
		(192 096)	(155 360)	(179 087)	(149 239)
18.4	**INTEREST PAID**				
	Interest expense (note 2)	(410 747)	(177 464)	(3 195)	
	Preference shares and interest accruals at the beginning of the year	(8 576)	(14 501)		
	Preference shares and interest accruals at the end of the year	24 831	8 576		
	Unwinding of interest of financial guarantee	3 195		3 195	
		(391 297)	(183 389)		
18.5	**ADVANCES RECEIVED FROM/(MADE TO) SUBSIDIARIES**				
	Advances received from subsidiaries			8 339	7 477
	Advances made to subsidiaries			(46 657)	(787)
				(38 318)	6 690

	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)				
18.6 RECONCILIATION OF MOVEMENTS IN BORROWINGS (REFER TO NOTE 14) TO CASH FLOWS ARISING FROM FINANCING ACTIVITIES				
2022				
Balance at the beginning of the year	**840 000**	**1 243 011**	**206 411**	**2 289 422**
Changes from financing cash flows:		**1 356 701**	**(35 036)**	**1 321 665**
Proceeds from RCF drawdowns		**523 900**		**523 900**
Mutlu borrowings repaid		**(936 087)**		**(936 087)**
Mutlu and Rombat borrowings raised		**1 768 888**		**1 768 888**
Lease repayments			**(35 036)**	**(35 036)**
New leases			**193 670**	**193 670**
Foreign currency translation including the effect of hyperinflation		**(246 962)**	**(428)**	**(247 390)**
Balance at the end of the year	**840 000**	**2 352 750**	**364 617**	**3 557 367**
2021				
Balance at the beginning of the year	840 000	1 427 833	102 480	2 370 313
Changes from financing cash flows:		34 075	(43 096)	(9 021)
Proceeds from RCF drawdowns		65 000		65 000
RCF repayments		(264 100)		(264 100)
Mutlu borrowings repaid		(177 631)		(177 631)
Mutlu and Rombat borrowings raised		410 806		410 806
Lease repayments			(43 096)	(43 096)
New leases			148 438	148 438
Foreign exchange rate adjustments		(218 897)	(1 411)	(220 308)
Balance at the end of the year	840 000	1 243 011	206 411	2 289 422

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

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
2022			
Derivative financial instruments		**1 558**	**1 558**
Trade and other receivables*	**2 375 079**		**2 375 079**
Cash and cash equivalents	**1 298 608**		**1 298 608**
Loans to associate	**192 574**		**192 574**
Total	**3 866 261**	**1 558**	**3 867 819**
2021			
Derivative financial instruments		6 693	6 693
Trade and other receivables*	1 696 638		1 696 638
Cash and cash equivalents	1 078 074		1 078 074
Total	2 774 712	6 693	2 781 405

Classification of financial liabilities included in balance sheet

	GROUP		
	Mandatorily at fair value through profit or loss R'000	Financial liabilities at amortised cost R'000	Total R'000
2022			
Borrowings and other financial liabilities		**3 584 914**	**3 584 914**
Derivative financial instruments	**8 050**		**8 050**
Bank overdraft		**318 298**	**318 298**
Trade and other payables**		**2 854 609**	**2 854 609**
Total	**8 050**	**6 757 821**	**6 765 871**
2021			
Borrowings and other financial liabilities		2 289 422	2 289 422
Derivative financial instruments	1 131		1 131
Bank overdraft		116 179	116 179
Trade and other payables**		2 029 942	2 029 942
Total	1 131	4 435 543	4 436 674

* 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.

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	Financial liabilities at amortised cost R'000	Total R'000
2022			
Short-term loans to subsidiaries	**1 787 871**		**1 787 871**
Trade and other receivables	**684**		**684**
Cash and cash equivalents	**3 391**		**3 391**
Short-term loans from subsidiaries		**(407 547)**	**(407 547)**
Trade and other payables		**(1 593)**	**(1 593)**
Other financial liabilities		**(27 547)**	**(27 547)**
Total	**1 791 946**	**(436 687)**	**1 355 259**
2021			
Short-term loans to subsidiaries	1 608 784		1 608 784
Cash and cash equivalents	3 516		3 516
Short-term loans from subsidiaries		(266 778)	(266 778)
Trade and other payables		(822)	(822)
Other financial liabilities		(37 483)	(37 483)
Total	1 612 300	(305 083)	1 307 217

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 principles 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.

A. Market risk

i. Foreign currency exchange rate risk

The group exports and imports goods and is therefore exposed to risk arising from various foreign currency exchange exposures, primarily with respect to the Euro, USD and Japanese Yen.

Management has set up policies to manage foreign currency exchange rate risk against the 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 (i.e., receiving hard currency) or through forward exchange contracts ('FECs'). At period end, the group values (mark to market) these FECs 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. The group's foreign exchange currency risk management policy is to 'cover' at least 50% of net foreign currency exposures (including orders for materials or firm commitments for capital expenditure, where possible).

The group makes use of professional foreign currency management specialists to assist in administering its foreign exchange exposures/contracts cover taken out by the group is summarised in note 19.5.

The company does not have any foreign currency exchange rate risk.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
(continued)

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			
	2022		2021		2022		2021	
	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	(16 761)	(284 092)	3 786	59 602	9 901	168 320	16 154	263 054
Euros	(2 384)	(43 118)	12 454	225 636	2 176	39 581	5 375	100 039
Japanese Yen	415 448	53 819	310 010	43 087	587 213	75 701	658 407	90 962
Great British Pound	791	16 118	4	25	77	1 564	135	2 908
Thai Baht	34 406	16 931	17 795	8 918	34 063	16 762	44 477	21 330
Singapore Dollars	1 389	293	655	142	1 662	342	2 411	516
Indian Rupee	228	227	21	247				
Total		(239 822)		337 657		302 270		478 809

	Profit higher/lower	
Foreign exchange sensitivity analysis	2022 R'000	2021 R'000
At 31 December 2022, 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	50 118	31 176
Euros	2 205	4 778
Japanese Yen	4 451	456
Great British Pound	149	6 237
Thai Baht	6 162	1 480

The following significant exchange rates against the Rand applied at year-end:

	Spot rate		Average rate	
	2022	2021	2022	2021
US Dollar	17.0	15.9	16.4	14.8
Euros	18.1	18.1	17.2	17.5
Japanese Yen (at inverted rate)	7.8	7.2	8.0	7.4
Great British Pound	20.4	21.5	20.2	20.3
Turkish Lira	0.9	1.2	1.0	1.7
Romanian Lei	3.7	3.6	3.5	3.6

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 bank 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 (refer to note 14).

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. Currently the group has not entered into any interest rate swaps or similar contracts, but will monitor the effectiveness of such derivatives as the need or risk requirements evolve.

Interest rates on bank overdrafts are disclosed in note 13. Bank overdraft facilities are reviewed annually and the terms are market-related. Interest rates and pricing profiles on borrowings, including maturity dates are disclosed in note 14.

At 31 December 2022, if the average interest rates on borrowings had changed by 1.0% point with all other variables held constant, group post-taxation profit for the year would have changed by R14.1 million (2021: R9.6 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 to 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 or similar 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 has two types of credit risk; operational and financial.

Operational credit risk relates to non-performance by customers in respect of trade receivables due to the group. 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.

Operational

The group supplies batteries and automotive parts predominantly to the automotive industry. Our debtor's book consists of OEM, aftermarket and export customers. As a supplier to international 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. Trade receivables comprise of 34% (2021: 35%) due from 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, there are a greater proportion of amounts receivable from small and medium-sized customers including the independent distributor networks, wholesale and retail customers within our energy storage business. The aftermarket profile mitigates against concentration risk to OEM customers.

Net trade receivables comprises of R1 474 million (2021: R1 120 million) from the energy storage business and R460 million (2021: R361 million) from the automotive component business. Further analysis of trade receivables and management's ageing profiles can be found in note 12.

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.

96% (2021: 95%) 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 tables that follow.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
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19. FINANCIAL INSTRUMENTS (continued)

19.2 FINANCIAL RISK MANAGEMENT (continued)

B. Credit risk (continued)

Trade receivables are presented net of the provision for impairments. Movements in the allowance for impairment of trade receivables can be found in note 12.

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 certain shared credit characteristics such as industry and markets, product types and sectors, trading history and existence of previous financial difficulties.

A forward looking 'expected credit loss' ('ECL') model is used to determine impairment losses and group entities adopt a provision matrix, as a practical expedient, to measure ECL on trade receivables ('the simplified approach'). 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.

The matrix is a calculation of an impairment loss based on a default loss rate percentage applied over the life of trade receivables. The provision matrix is developed to compute historically observed 'flow rates'. These are derived by computing the historical 'flow rate' of trade receivables, based on their ageing and arriving at an average loss rate. After determining our ageing buckets, we also identify the default bucket. The definition of 'default' is consistent with that used for our internal credit risk management. We have used an 'over 6 months' ageing bucket as a default event or credit impairment.

Where practically possible, we adjust average loss rates for current conditions and forward-looking estimates, provided these are necessary and reasonable supportable information is available without undue cost or effort. We closely monitor the economic environments of our customers and our risk management processes are considered appropriate. In Türkiye we obtain collateral for aftermarket and export customers. The scalar economic factors we considered included the state of the automotive industry and outlook, GDP forecasts, the geography and industry in which our customers operate, time taken to settle debts and past default experiences in certain segments.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there are no reasonable expectations 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. Actual bad debts for the year amounted to R1.5 million (2021: R3.9 million).

There has been no material change in the estimation techniques applied in determining the ECLs from the prior year. The following granular approach is applied in arriving at the loss rates:

Step 1: Disaggregation (segmentation) of debtor's book:
- Receivables are analysed by underlying markets and common credit characteristics being OEM, exports, aftermarket and non-auto.
- OEMs have low default risk and very limited or no historical write-offs. Exports and aftermarket may have a raised default risk due to the nature of customers (normally 'private' businesses) and have different route to markets compared to OEMs.

Step 2: Determine the period over which the data may be considered for determining the loss rates:
- Our analysis of data was performed over a period of between one to two years. Our debtors profile has been relatively consistent over the past 5 years.

Step 3: Determine the ageing buckets and identify the default buckets:
- We analysed the collection of invoices separately for OEMs, aftermarket, exports and non-auto.
- We determined when the debtors paid and sorted into 'buckets' based on the number of days from creation of invoice until collection of invoice.
- Default triggers determined at 6 months except for OEM customer at 3 months.

Step 4: Conclude on appropriate loss rates:
- We calculated the theoretic 'historical' credit loss 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.
- Basically, we determined what percentage of proportion of trade receivables reach a point of no collection or loss.
- 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, in particular supply chain disruptions experienced in the industry.
- We looked at past customer default history, specifically the 2008 global financial crisis and impact on the automotive industry.

Step 5: Calculate expected credit losses:
- We then applied the loss rates to the actual portfolio of debtors (ageing bucket in each segment), at balance sheet date, to arrive at the impairment (ECL).

19. FINANCIAL INSTRUMENTS (continued)

19.2 FINANCIAL RISK MANAGEMENT (continued)

B. Credit risk (continued)

From a group point of view our ECL matrix and provision can be summarised as follows:

	GROUP					
	2022			2021		
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	**689 783**	**1.05%**	**7 269**	**550 420**	**1.30%**	**7 165**
Up to 3 months	680 194	0.00%	111	539 573	0.00%	142
3 to 6 months	2 379	10.59%	252	3 696	11.88%	439
Over 6 months	7 210	95.78%	6 906	7 151	92.07%	6 584
Export	**318 160**	**9.78%**	**31 110**	**339 217**	**11.95%**	**40 545**
Up to 3 months	288 666	0.56%	1 616	303 545	1.67%	5 066
3 to 6 months	617	100.00%	617	7 081	97.27%	6 888
Over 6 months	28 877	100.00%	28 877	28 591	100.00%	28 591
Aftermarket	**867 276**	**3.70%**	**32 075**	**610 099**	**4.23%**	**25 816**
Up to 3 months	804 750	0.05%	400	571 055	0.05%	293
3 to 6 months	33 163	6.97%	2 312	15 160	10.81%	1 639
Over 6 months	29 363	100.00%	29 363	23 884	100.00%	23 884
Non-Auto	**133 725**	**2.99%**	**3 994**	**56 786**	**3.17%**	**1 801**
Up to 3 months	130 394	0.51%	663	55 588	1.08%	603
3 to 6 months	1 813	100.00%	1 813	26	100.00%	26
Over 6 months	1 518	100.00%	1 518	1 172	100.00%	1 172
IFRS 9 lifetime ECL: Y/E	**2 008 944**	**3.71%**	**74 448**	**1 556 522**	**4.84%**	**75 327**

The following table provides information about our debtors book and the exposure to credit risk from each customer as at 31 December:

	Gross carrying amount R'000	Loss allowance R'000	Credit impaired
31 December 2022			
Current (not past due)	1 720 713	(207)	No
1 - 30 past due	178 819	(968)	No
31 - 60 days past due	39 848	(3 709)	No
61 - 90 days past due	9 422	(9 422)	Yes
More than 90 days past	60 142	(60 142)	Yes
Total debtors book	**2 008 944**	**(74 448)**	
31 December 2021			
Current (not past due)	1 353 080	(331)	No
1 - 30 past due	111 045	(691)	No
31 - 60 days past due	19 056	(964)	No
61 - 90 days past due	4 882	(4 882)	Yes
More than 90 days past	68 459	(68 459)	Yes
Total debtors book	**1 556 522**	**(75 327)**	

Approximately R43 million (2021: R42 million) of trade receivables are over 12 months on hand. The majority refers to Rombat export debtors, most of which are provided for.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
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19. FINANCIAL INSTRUMENTS (continued)

19.2 FINANCIAL RISK MANAGEMENT (continued)

B. Credit risk (continued)

Contract assets are short-term in nature and relate to OEM customers, being global automakers, of low default risk and ECLs are immaterial. The main contributors to credit risk arise from the energy storage business, the majority of which is Rombat. The energy businesses are exposed to aftermarket and export customers. Losses are minimised by collateral that the group has over certain receivables 35% (2021: 43%). 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, tooling and other receivables have been considered and are 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 Türkiye and Romania, this is usually limited to reputable financial institutions with strong international investment ratings. The maximum exposure to a single bank for deposits in South Africa is R217.6 million (2021: R181.3 million), whilst foreign deposits (held by foreign subsidiaries) vary amongst counterparties.

ECLs on cash and cash equivalents are immaterial. 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

Derivatives (predominantly FECs) are entered into with various banks and financial counterparties of strong investment grades.

Guarantees

Certain group subsidiaries have provided cross guarantees for the RCF funding available to the group. These guarantees eliminate on consolidation. The company has issued a guarantee to Standard Bank in respect of funding facilities granted to Hesto (refer to note 10).

The credit quality of financial assets is based on historical counterparty default rates:

	GROUP	
Analysis of credit quality	**2022 R'000**	**2021 R'000**
Trade receivables		
Counterparties are:		
Group 1 - new customers (less than 6 months) with no defaults	121 698	97 508
Group 2 - existing customers (more than 6 months) with no defaults in the past	1 812 798	1 383 687
Group 3 - existing customers (more than 6 months) with some defaults	74 448	75 327
	2 008 944	1 556 522
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 (refer to note 12).		
Cash and cash equivalents		
Bank balances were held as follows:		
South African banks	495 732	436 757
European banks	65 526	165 619
Turkish banks	737 350	475 698
	1 298 608	1 078 074
Derivative financial instruments		
Forward exchange contracts were held as follows:		
South African banks - net ZAR forward cover notional outflow	(336 244)	(425 129)

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. Fitch reaffirmed its BB- rating with a stable outlook for South Africa, a B- for Türkiye and BBB- for Romania.

19. FINANCIAL INSTRUMENTS (continued)

19.2 Financial risk management (continued)

B. Credit risk (continued)

	COMPANY	
Credit quality - Company	**2022 R'000**	**2021 R'000**
Current advances to subsidiaries		
- with no defaults in the past not credit impaired/low credit risk ('Inalex')	**1 787 971**	1 608 784
Bank balances with South African banks - fully performing	**3 391**	3 516

Credit risk for the company arises from loans and guarantees advanced to subsidiaries and associates. These are subject to the expected credit loss model. The company applies the general approach for assessing impairments because loans do not fall within the scope of the simplified approach.

The general model requires recognising impairment losses in line with the stage of the financial asset and 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.
Three elements are taken into account:
- Probability of default ('PD') - is the percentage likelihood of that the borrower will not be able to repay its debt within some period.
- Loss given default ('LGD') - is the percentage that could be lost in the event of a default by the borrower not paying its debt (principal and interest).
- Exposure at default ('EAD') - 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.

Loans to subsidiaries have no fixed repayment terms, are interest free and therefore payable on demand ('quasi equity').
If the loan is in stage 1-a fully performing, healthy asset, then the loss allowance can be calculated at 12-month ECL.

The company applied a probability weighted methodology for calculating expected credit losses under IFRS 9 (ECL=PD*LGD*EAD). A weighted average PD rate was computed based on a probability weighted outcomes approach.

The qualitative factors considered when assessing whether or not there has been a SICR included:
- 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;
- 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; and
- changes in the enterprise values of the underlying operations and indicators of decline in values.

Under a 12-month ECL 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, forward-looking information needs to be considered and loans are expected to be recovered over time:

External information:
- publicly available default rate studies analysed by industry, corporate grading, emerging market and in country default ratings; and
- SA government bond yields – five-year credit default swaps (implied PD).

Internal information:
- specific factors impacting on the longer term operating results of operations;
- compliance with lenders covenants;
- ability to service preference shares funding and dividends;
- South African automotive outlook and OEM volume recovery;
- South African government support of the local automotive industry and certainty of the APDP plan until 2035; and
- underlying impairment testing (refer to note 8) and support for asset carrying values in the group. The group's most significant subsidiary, Mutlu Akü, is supported by the under-lying cash flows.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
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19. FINANCIAL INSTRUMENTS (continued)

19.2 FINANCIAL RISK MANAGEMENT (continued)

B. Credit risk (continued)

Credit risk – company (continued)

The company adopts a 'repayment over time' strategy for loans advanced which could be recovered in a number of ways:
- adjusting dividends declared upstream;
- refinancing or extensions of funding facilities;
- 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.

The company has specifically impaired loans advanced to Automould (Pty) Ltd for R167 451 000 (2021: R167 451 000). Automould suffered financial losses in the past and the company subordinated claims in favour of the other creditors of Automould.

Financial guarantees issued by the company results in the recognition of a financial guarantee liability (refer to note 14), recognised as an ECL balance to the extent that there are underlying defaults on obligations to funders. An associate or subsidiary is considered to have defaulted when they have not met their contractual obligations for payment due. In determining expected default, the forward-looking factors under the expected credit loss model are applied.

The reconciliation for loss allowances (impairments) at 31 December are as follows:

	COMPANY	
	2022 Loans to subsidiaries at amortised cost R'000	**2021 Loans to subsidiaries at amortised cost R'000**
Opening loss allowance as at 1 January	**(194 213)**	(242 074)
Loss allowance measured at:		
Lifetime ECL - decrease in credit risk since initial recognition		47 861
Loss allowance as at 31 December	**(194 213)**	(194 213)

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 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 borrowings facilities are disclosed in note 14. Projected operational cash flows are expected to provide adequate liquidity.

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.

19. FINANCIAL INSTRUMENTS (continued)

19.2 FINANCIAL RISK MANAGEMENT (continued)

C. Liquidity risk (continued)

	Balance sheet carrying value R'000	Total Contractual cash flows R'000	Maturities Less than 1 year R'000	Between 1 and 2 years R'000	Between 2 and 5 years R'000	Over 5 years R'000
As at 31 December 2022						
Bank borrowings (excluding lease liabilities)	**3 491 099**	**4 013 834**	**1 680 002**	**1 150 863**	**1 108 068**	**74 901**
Lease liabilities	**66 268**	**72 604**	**37 975**	**34 629**		
Derivative financial liabilities	**8 050**	**8 050**	**8 050**			
Overdraft	**318 298**	**318 298**	**318 298**			
Trade and other payables	**2 854 609**	**2 854 609**	**2 854 609**			
	6 738 324	**7 267 395**	**4 898 934**	**1 185 492**	**1 108 068**	**74 901**
As at 31 December 2021						
Bank borrowings (excluding lease liabilities)	2 219 472	2 569 547	534 923	333 242	1 701 382	
Lease liabilities	69 950	78 398	36 128	34 783	7 487	
Derivative financial liabilities	1 131	1 131	1 131			
Overdraft	116 179	79 909	79 909			
Trade and other payables	2 029 942	2 029 942	2 029 942			
	4 436 674	4 758 927	2 682 033	368 025	1 708 869	

Analysis of financial liabilities - maturities (company)

Financial liabilities of R408 million (2021: R267 million) mainly relates to amounts due to Business Investments No 1217 (Pty) Ltd (BVI) and Metair Management Services (Pty) Ltd and is classified as current liabilities. BVI holds equity shares in the company (treasury shares). Recoveries of advances from other subsidiaries as well as dividends received by the company provides adequate liquidity to repay BVI, if required. The contractual cash flows approximate the carrying values.

The company issued a guarantee on behalf of Hesto, for funding facilities provided by Standard Bank. Non-performance by Hesto may result in contractual cash flows to be made and therefore included in the maturity analysis below:

Maturity profile of financial guarantee issued on behalf of Hesto as at December

	GROUP AND COMPANY Balance sheet carrying value (Fair value)	Contractual cash flow (nominal value undiscounted)	Less than 1 year
2022	**27 547**	**636 650**	**636 650**
2021	37 483	636 650	636 650

The maximum amount of the guarantee (notional amount of R637 million) is allocated to the earliest period in which the guarantee could be called. There are no expected credit losses raised as there is no history of credit losses arising at Hesto and ECL assessments indicates that no additional ECL allowance is necessary. The carrying value of the financial guarantee instrument is determined in accordance with IFRS 9. The total funding facility granted to Hesto by Standard Bank of South Africa is R850 million and fully drawn at balance sheet date.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

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 are 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.

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. Over time our target remains c. 25% debt:equity and the actual ratio may fluctuate over the short-term especially in situations when new projects or model launches are executed. Overall the debt levels are targeted not to exceed 2.5 x Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA). EBITDA is calculated as: profit before taxation of R235 million (2021: R962 million), excluding net interest expense and net monetary gain of R-21 million (2021: R145 million) and excluding depreciation and amortisation of R373 million (2021: R302 million), amounting to R586 million (2021: R1 409 million).

The ratios at 31 December were as follows:

	GROUP	
	2022 R'000	2021 R'000
Total borrowings including bank overdraft (notes 13 and 14)	**3 875 665**	2 405 601
Less: Cash and cash equivalents (note 13)	**(1 298 608)**	(1 078 074)
Net debt	**2 577 057**	1 327 527
Ordinary shareholders' equity	**5 067 509**	3 758 542
Total capital employed	**7 644 566**	5 086 069
Net debt/equity ratio %	**50.9**	35.3
Net debt:EBITDA ('times')	**4.4**	0.9
Net debt/Capital ratio %	**33.7**	26.1

With the distortions created by hyperinflation and significant costs associated with the new Ford model launch, a normalised net debt to EBITDA ratio amounts to 1.6 times.

Debt covenants

The preference and RCF funding (refer note 14) are subject to covenant measures. The impact of applying hyperinflation accounting in Türkiye (Mutlu), project and premium airfreight costs incurred for the new Ford model launch and production stoppages at our major customer due to the KZN flooding contributed to lower EBITDA for the year. Consequently, covenants were breached at reporting date. The three covenant measures (as calculated and defined per covenant requirements) are:

- Priority debt covenant: not more than 1 times (achieved 2.3 times)
- Interest cover ratio: not less than 3 times (achieved 1.5 times)
- Net borrowings to adjusted EBITDA ratio (determined by covenant testing rules): not more than 2.5 times (achieved 4.9 times).

However, our funders have been fully supportive and have waived covenants for 31 December 2022. The waiver was obtained after year end and therefore the preference shares and RCF funding are classified as current liabilities. Our funders are also in the process of relaxing covenant threshold measures for 2023 and amending the definition of EBITDA to exclude the impacts of hyperinflation accounting (IAS 29). In addition, RCF 2 is also in the process of being extended for a further one year from maturity of 23 April 2023. These measures will assist the group in complying with future covenant requirements and ensure sufficient liquidity to meet operational needs.

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 approximates carrying values.

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			
		2022 R'000		2021 R'000	
At 31 December	**Level**	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Forward exchange contracts and similar instruments - Mandatorily at fair value through profit/(loss)	2	**1 558**	**8 050**	6 693	1 131

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 gain of R19.4 million (2021: gain of R17.7 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					
US Dollar	(9 878)	(570)	17.13 - 18.27	176	6 January 2023 - 31 January 2023
Euro	3 187	200	17.76 - 19.10	726	13 January 2023 - 26 May 2023
Japanese Yen	25 054	196 539	7.67 - 8.02	637	13 January 2023 - 28 April 2023
Great British Pound	(256)	(12)	20.59 - 21.86	11	13 January 2023 - 26 January 2023
Australian Dollar	(1 361)	(117)	11.55 - 11.62	8	10 January 2023 - 20 January 2023
	16 746			1 558	
Total derivative financial assets				**1 558**	
Derivative financial liabilities					
US Dollar	288 837	16 471	17.08 - 18.59	(7 975)	6 January 2023 - 26 May 2023
Euro	27 877	1 522	17.62-18.83	(25)	26 January 2023 - 26 April 2023
Great British Pound	2 593	124	20.70 - 21.30	(50)	27 January 2023 - 27 February 2023
Japanese Yen	191	1 471	7.41 - 8.11	0	27 January 2023 - 31 May 2023
	319 498			(8 050)	
Total derivative financial liabilities				**(8 050)**	

* 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.

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		GROUP		COMPANY	
		2022 R'000	2021 R'000	2022 R'000	2021 R'000
20.	**CONTINGENT LIABILITIES**				
	Limited guarantee in respect of Valeo overdraft facility	3 675	3 675	3 675	3 675
	Limited guarantee in respect of Hesto loan funding (notional)	636 650		636 650	
	Performance and related guarantees	332 792	203 958		
		973 117	207 633	640 325	3 675
	The group has contingent liabilities in respect of performance guarantees, letters of credit, customs and excise and other related matters arising out of the ordinary course of business. The likelihood of loss is remote.				
21.	**COMMITMENTS**				
	Capital commitments	670 918	670 300		
	Contracted:				
	- Plant, machinery and equipment	143 823	79 946		
	Authorised by the directors, but not yet contracted:				
	- Plant, machinery and equipment	527 095	590 354		

Commitments will be financed from a combination of internal cash resources, unutilised funding facilities and future specific project financing facilities. The maturity profile for lease obligations (commitments) can be found in notes 14 and 19.2 C.

22. POST-EMPLOYMENT BENEFITS

The group provides post-employment benefits for its employees.

Amounts included in the financial statements comprise of:

	GROUP	
	2022 R'000	2021 R'000
Balance sheet obligation for:		
Post-employment medical aid benefits (note 22.1)	38 054	40 712
Other post-employment benefits (note 22.2)	55 251	32 551
Liability in the balance sheet	93 305	73 263
Income statement charge:		
Post-employment medical aid benefits (note 22.1)	4 770	4 276
Other post-employment benefits (note 22.2)	5 316	8 980
	10 086	13 256
Remeasurements included in other comprehensive income:		
Post-employment medical aid benefits (note 22.1) - gain	(5 243)	(273)
Other post-employment benefits (note 22.2) - loss	31 241	4 780
Long service award - loss	567	253
	26 565	4 760

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	
	2022 R'000	2021 R'000
Current service costs	630	587
Interest costs	4 140	3 689
	4 770	4 276
Movement in the liability recognised in the balance sheet		
At the beginning of the year	40 712	38 774
Total expense per income statement	4 770	4 276
Contributions paid	(2 185)	(2 065)
Actuarial gain recognised in other comprehensive income	(5 243)	(273)
At the end of the year	38 054	40 712
The amounts recognised in equity are as follows:		
Recognised actuarial gain	(5 243)	(273)
Assumptions	2022	2021
The principal actuarial assumptions used were:		
- Discount rate for obligation	12.0%	11.0%
- Healthcare cost inflation	8.0%	7.0%
- Continuation of membership on retirement	100%	100%
- CPI inflation	7.0%	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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
(continued)

22. POST-EMPLOYMENT BENEFITS (continued)

22.1 POST-EMPLOYMENT MEDICAL AID BENEFITS (continued)

The key financial assumption are the discount and inflation rates (and consequently the discount 'gap').

The effect of a one percentage point movement in the subsidy inflation rate and assumed discount rate is as follows:

Assumption	Change	Accrued liability	% change	Current service and interest costs	% change
Central assumption		38 053		4 770	
Subsidy inflation rate	1%	43 243	14%	5 425	14%
	(1%)	33 656	(12%)	4 224	(11%)
Discount rate	1%	35 555	(7%)	4 584	(4%)
	(1%)	41 224	8%	4 980	4%

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 TL15 371 (2021: TL8 285) per year for each year of employment at the rate of pay applicable at the date of retirement/termination.

The group reflects a liability calculated using the projected unit credit method, based upon factors derived using 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	
	2022 R'000	**2021 R'000**
Current service costs	**2 405**	3 388
Interest costs	**2 911**	5 592
	5 316	8 980
Movement in the liability recognised in the balance sheet		
At the beginning of the year	**32 551**	52 553
Total expense per income statement	**5 316**	8 980
Contributions paid	**(5 828)**	(12 263)
Actuarial loss recognised in other comprehensive income*	**31 241**	4 780
Currency adjustment	**(8 029)**	(21 499)
At the end of the year	**55 251**	32 551
The amounts recognised in equity are as follows:		
Recognised actuarial loss	**31 241**	4 780
The principal actuarial assumptions used at balance sheet date are as follows (based on Turkish statistics):	**2022**	**2021**
Annual discount rate	**15.0%**	13.0%
Salary inflation rate	**10.5%**	8.5%
Average monthly earnings (Turkish Lira)	**12 682**	7 794
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.

* The majority of the large actuarial loss for the year arises from the unexpected salary increases due to the higher inflation in Türkiye and the salary cap that increased as of 1 July 2022 at a rate of 85.54%.

22.3 PENSION SCHEMES

The group operates defined contribution pension schemes and contributions are charged against the income statement. The group contributed R99.8 million (2021: R92.7 million) to the defined contribution schemes.

	GROUP		COMPANY	
	2022 R'000	2021 R'000	2022 R'000	2021 R'000
23. SUBORDINATION AGREEMENTS				
The company has subordinated claims in favour of, and for the benefit of, the other creditors of subsidiaries to the extent that the aforementioned subsidiaries liabilities exceed total assets.				
Total loan amount receivable (gross) from:				
Automould (Pty) Ltd (formerly Smiths Plastics (Pty) Ltd) (note 19.2)			167 451	167 451
			167 451	167 451

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 include 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; and
- 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 note 1.2 and accounting policies on revenue for further details.

IFRS 16 – Incremental borrowing rates

The determination of incremental borrowing rates, as set out in the accounting policy note on leases, required management judgement. Incremental borrowing rates (IBR's) are based on the cost of borrowing from third parties. Borrowing rates readily observable in the market or available through recent financing are used by group entities as a starting point and adjusted by margins of between 0.25 to 1 basis points (bps) depending on the size, duration and country of lease. Security provided as well as the nature of the asset leased is also considered.

B. Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties at 31 December 2022 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 to 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 life cycles/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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

24. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

Goodwill impairment testing (refer to 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 CGUs 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 to 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 expected credit loss ('ECL') allowance for trade receivables, contract assets and intercompany loans (refer to 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 ECL for intercompany loans.

Revenue measurement in battery aftermarket arrangements – estimate of variable consideration (refer to 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.

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, including loan advances are 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 R6.1 million (2021: R2.8 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 97 to 100.

	GROUP	
	2022 R'000	**2021 R'000**
Hesto		
The group entered into the following transactions with Hesto:		
Purchases from group companies	**308 220**	243 919
Sales to group companies	**101 190**	15 123
Management fees paid to group companies	**4 519**	5 549
Management fees received from group companies	**443**	423
Interest paid to group companies	**10 424**	
Outstanding balances arising from transactions with Hesto:		
Loan receivable from Hesto	**192 574**	
Receivable due from sale of goods to Hesto	**167 686**	16 262
Payables arising from sale of goods by Hesto	**180**	499
Valeo		
Purchases from group companies	**56 207**	46 997
Sales to group companies		127
Outstanding balance to group companies	**2 072**	862

The company provided a letter of support to Metair Management Services (Pty) Ltd and has subordinated claims against Automould (Pty) Ltd (refer to note 23). The company also guaranteed funding provided to Hesto from Standard Bank (refer to note 10). The RCF facilities available to SA subsidiaries (refer to note 14) is guaranteed by certain group subsidiaries ('cross-guarantees').

During the current year, the group advanced a loan for R187 250 000 to Hesto. The loan is unsecured and repayable in full upon maturity date of 30 May 2025. Interest is charged at prime rates. A loss allowance of R5.1 million was recognised during the year.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
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		GROUP		COMPANY	
		2022 R'000	2021 R'000	2022 R'000	2021 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
	Treasury shares				
	Balance at the beginning of the year	(118 153)	(128 126)		
	Shares disposed by Business Venture Investments No 1217 (Pty) Ltd (vesting utilisation)	11 179	9 973		
	Balance at the end of the year	(106 974)	(118 153)		
	Number of treasury shares are held as follows				
	Business Venture Investments No 1217 (Pty) Ltd	5 216 028	5 878 273		

Treasury shares are ordinary shares held by Business Venture Investments No 1217 (Pty) Ltd in Metair Investments Ltd ('List-Co') and used for the purpose of the Metair Investments Limited 2009 share plan.

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 approved by shareholders on 4 December 2009. Under the plan, executives, senior managers and/or key employees of the group will annually be offered performance shares.

Annual allocations of awards made to executives and selected managers 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 vesting or exercise the awards available to vest and/or be exercised, shall be deemed to have vested, 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.

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

Movements in the number of rights granted are as follows:

	2022		2021	
	Number of rights	Weighted average strike rights price R	Number of rights	Weighted average strike rights price R
Balance at the beginning of the year	1 339 192	20.81	3 063 853	20.91
Lapsed	(76 810)	(20.80)	(233 715)	(20.92)
Vested with appreciation	(195 973)	(19.20)	(367 362)	(21.41)
Vested with no appreciation	(445 003)	(20.37)	(1 123 584)	(16.83)
Balance at the end of the year	621 406	21.64	1 339 192	20.81
IFRS 2 share-based payment charge		R1 323 286		R1 979 349

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.

No new awards have been granted.

Rights outstanding at the end of the year vest in the following years (performance period), subject to the fulfilment of performance conditions.

	2022 Number of rights	2021 Number of rights
Year ending 31 December:		
2022		666 696
2023	427 461	467 326
2024	193 945	205 170
	621 406	1 339 192

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 performance criteria for each award includes return on assets, cash generation and compounded annual growth in headline earnings per share.

The performance conditions applied to the performance shares awarded in 2021 and 2022 are as follows:

- Metair executives performance criteria will be the group's return on invested capital ('ROIC') (40%), HEPS growth targets (30%) as well as cash conversion rates (20%) and ESG targets (10%).

The performance conditions applied to the performance shares awarded in 2020 are as follows:

- Metair executives performance criteria will be the group's ROIC (50%), HEPS growth targets (30%) as well as cash conversion rates (20%).

The performance conditions applied to the performance shares awarded in 2019 are as follows:

- Metair executives performance criteria will be group's 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 WACC.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
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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:

	2022 Number shares	2021 Number shares
Balance at the beginning of the year	4 336 536	3 102 891
Granted	1 862 104	2 156 414
Additional increase based on performance criteria	108 258	21 698
Lapsed	(320 901)	(685 935)
Vested	(466 272)	(258 532)
Balance at the end of the year	5 519 725	4 336 536
Share awards outstanding vest in the following financial years, subject to the fulfilment of performance conditions.		
2022		414 682
2023	1 747 724	1 862 637
2024	1 969 532	2 059 217
2025	1 802 469	
	5 519 725	4 336 536
IFRS 2 share-based payment charge	R17 370 954	R16 630 940

c) Valuation of share incentive grants

The performance shares granted 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 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:

	Performance shares
2022	
Spot price	**30**
Strike price (grant price)	**Nil**
Volatility	**N/A**
Dividend yield	**3.18%**
Risk-free interest rate	**6.38%**
Valuation (IFRS 2)	**R72 885 081**
Fair value per share at grant date	**R27.27**
2021	
Spot price	R22.12
Strike price (grant price)	Nil
Volatility	N/A
Dividend yield	2.55%
Valuation (IFRS 2)	R55 937 991
Fair value per share at grant date	R20.49

The total IFRS 2 employee share-based payment expense for the year was R18.7 million (2021: R18.6 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 2022 was R27.50 (2021: R27.50).

26. STATED CAPITAL AND TREASURY SHARES (continued)

26.1 THE METAIR INVESTMENTS LIMITED 2009 SHARE PLAN (EQUITY-SETTLED SHARE-BASED PAYMENT SCHEME) (continued)

d) 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):				
2022				
R Haffejee		**148 042**		**148 042**
S Douwenga		**99 569**		**99 569**
2021				
R Haffejee		187 990		187 990
S Douwenga		123 766		123 766
Lapsed (number of shares):				
2022				
S Douwenga	**(3 300)**			**(3 300)**
2021				
S Douwenga	(113 875)			(113 875)
Additional increase based on performance criteria (number of shares):				
2022				
S Douwenga		**14 624**		**14 624**
2021				
S Douwenga		13 638		13 638
Exercise (number of shares):				
2022				
S Douwenga	**(62 701)**	**(43 871)**		**(106 572)**
2021				
S Douwenga	(41 842)	(40 913)		(82 755)
Cumulative (number of shares):				
2022				
R Haffejee		**336 032**		**336 032**
S Douwenga	**63 234**	**382 147**		**445 381**
2021				
R Haffejee		187 990		187 990
S Douwenga	129 235	311 825		441 060

26.2 INTEREST OF DIRECTORS

The aggregate direct beneficial holdings of directors and their immediate families in the issued ordinary shares of the company are detailed below.

	Number of shares as at 31 December 2022	%	Number of shares as at 31 December 2021	%
Non-executive directors				
S Sithole & N Mkhondo indirect non-beneficial through Value Capital Partners	**37 698 710**	**18.95**	32 803 731	16.49
Total	**37 698 710**	**18.95**	32 803 731	16.49

There has been no change to these interests between the end of the financial year and the date of approval of the annual financial statements. Executive directors hold no shares.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
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		GROUP 2022 R'000	GROUP 2021 R'000	COMPANY 2022 R'000	COMPANY 2021 R'000
27.	**RESERVES**				
27.1	**SHARE-BASED PAYMENT RESERVE**				
	Balance at the beginning of the year	**202 464**	178 087	**82 688**	77 198
	Value of service provided	**18 694**	18 610	**18 694**	18 610
	Deferred taxation	**4 277**	5 767		
	Utilisation of treasury shares to settle obligation*	**(11 179)**	(9 973)	**(10 383)**	(13 120)
	Estimated taxation effect of utilisation of treasury shares	**(1 667)**	(1 298)		
	Transfer of net vesting impact to retained earnings	**(154 692)**	11 271		
	Balance at the end of the year	**57 897**	202 464	**90 999**	82 688
	* The market value of shares utilised to settle the obligation amounted to R18.4 million (2021: R15.8 million).				
27.2	**FOREIGN CURRENCY TRANSLATION RESERVE**				
	Balance at beginning of the year	**(2 966 589)**	(2 069 461)		
	Net exchange differences on translation of foreign operations including the effect of hyperinflation*	**1 520 528**	(897 128)		
	Balance at end of the year	**(1 446 061)**	(2 966 589)		
	* Inclusive of tax incentive due to hyperinflation				
27.3	**EQUITY ACCOUNTED RESERVES**				
	Balance at the beginning of the year	**404 886**	463 323		
	Transfers from retained earnings	**(290 514)**	(58 437)		
	Balance at the end of the year	**114 372**	404 886		
	Transfer from retained earnings consists of:				
	- Share of results of associates	**(228 963)**	(51 878)		
	- Dividends received	**(61 551)**	(6 559)		
		(290 514)	(58 437)		
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				
	Balance at the beginning of the year	**(21 197)**	(21 197)		
	Foreign currency translation, including the effect of hyperinflation	**(1 063)**			
	Balance at the end of the year	**(22 260)**	(21 197)		
	Total other reserves	**(1 296 052)**	(2 380 436)	**90 999**	82 688
27.5	**RETAINED EARNINGS**				
	Balance at the beginning of the year	**4 759 200**	4 185 418	**350 245**	301 375
	Net (loss)/profit for the year	**(40 385)**	674 791	**235 367**	200 756
	Other comprehensive loss	**(22 206)**	(3 655)		
	Dividends paid	**(174 223)**	(144 520)	**(179 087)**	(149 239)
	Transfers to equity accounted reserves	**290 514**	58 437		
	Transfer of net vesting impact of share-based payments to retained earnings	**159 704**	(11 271)	**(8 239)**	(2 647)
	Balance at the end of the year	**4 972 604**	4 759 200	**398 286**	350 245
27.6	**NON-CONTROLLING INTERESTS**				
	Balance at the beginning of the year	**115 812**	108 863		
	Net profit for the year - attributable to NCI	**36 473**	18 007		
	Other comprehensive income/(loss) - attributable to NCI	**586**	(218)		
	Transfer of net vesting impact of share-based payments to retained earnings	**(5 012)**			
	Dividend	**(17 873)**	(10 840)		
	Balance at the end of the year	**129 986**	115 812		

28. IAS 29 – FINANCIAL REPORTING IN HYPERINFLATIONARY ECONOMIES - TÜRKIYE

During 2022, Türkiye was classified as a hyperinflation economy and the group therefore applied hyperinflation accounting for amounts reported by Mutlu Akü in Türkiye ('Mutlu Akü group of companies' also referred to as 'Mutlu'), whose functional currency is the Turkish Lira, as if the economy had been hyperinflationary from date of acquisition.

The group concurs with this classification, supported by the following factors and directives issued by the International Monetary Fund and global accounting firms in conjunction with IAS 29:

- Inflation in Türkiye rose dramatically during the first half of the year; and
- Cumulative inflation rates, over a three-year period, exceeded 100% in the second quarter of the financial year

Further information on the application of hyperinflation accounting, including policy choices and key accounting estimates and judgements applied can be found within the groups accounting policies (page 187, 'Türkiye hyperinflation accounting').

Financial impact

Hyperinflationary accounting requires transactions and balances to be stated in terms of the measuring unit current at the end of the reporting period in order to account for the effect of loss of purchasing power during the period. The group uses the Turkish consumer price index (CPI) as the general price index to restate amounts which provides an official observable indication of the change in the price of goods and services.

IAS 29 requires full retrospective application and therefore applied from December 2013, the date of acquisition. The Turkish CPI increased by 333% from 229 in December 2013 to 763 in January 2022. The CPI increased by another 64% in the current financial year. Based on these CPI increases, transactions within Mutlu's income statements and other comprehensive income, balance sheets, statement of changes in equity and statement of cash flows have been restated, from the date these transactions occurred, to reflect the purchasing power of the Turkish currency on 31 December 2022.

The group did not restate comparatives as Metair reports in a stable currency (ZAR). The group's accounting policy choice is to account for the difference between the net asset value of Mutlu as previously reported and its restated hyperinflated comparatives, within other comprehensive income, as part of the foreign currency translation reserve ('FCTR') which encompasses the initial and subsequent impact of the application of IAS 29 as a combined effect. Mutlu's results are restated for the effect of hyperinflation before translation, into the group's presentation currency, at the closing rate of R0.91. The average TL: ZAR exchange rate for the year was R1.00 (2021: R1.70).

The impact of IAS 29 resulted in an uplift of R1 643 million in net asset value but a loss after tax of R208 million, mainly due to re-indexing of undistributed profits (a non-monetary liability). A gain on the net monetary position of R398 million was also recognised in the income statement and calculated as the difference resulting from the restatement of non-monetary assets, equity and non-monetary liabilities, items in the income statement and other comprehensive income.

A summary of the impact of IAS 29 on the group, including the hyperinflation adjustments, are tabled below:

31 December 2022	Base year	General price index (CPI)	Inflation rate 2022
	Dec-13	4.927	64.3%

Hyperinflation impact (R'm)	Excluding hyperinflation (Pre-Hyper)	IAS 29 Impact (adjustments)	Including hyperinflation (Post-Hyper)
Key income statement and KPI impacts:			
Revenue	13 619	286	**13 905**
Cost of sales (a)	(11 858)	(809)	**(12 667)**
Gross profit	1 761	(523)	**1 238**
Profit before interest and tax	1 029	(576)	**453**
Net monetary gain (b)		398	**398**
Profit/(loss) for the period	204	(208)	**(4)**
Headline earnings/(loss)	176	(208)	**(32)**
Basic earnings/(loss) per share (cents)	0.87	(1.07)	**(0.21)**
Headline earnings/(loss) per share (cents)	0.91	(1.07)	**(0.17)**
Group EBITDA	1 320	(495)	**825**
PBIT margin (%)	7.6%	(4.3%)	**3.3%**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
(continued)

28. IAS 29 – FINANCIAL REPORTING IN HYPERINFLATIONARY ECONOMIES - TÜRKIYE (continued)

Hyperinflation impact (R'm)	Excluding hyperinflation (Pre-Hyper)	IAS 29 Impact (adjustments)	Including hyperinflation (Post-Hyper)
Key balance sheet impacts:			
Non-current assets	**3 621**	**1 720**	**5 341**
Property, plant and equipment	2 876	894	3 770
Intangible assets	214	826	1 040
Other non-current assets	531		531
Current assets	**7 411**	**80**	**7 491**
Inventory	2 611	78	2 689
Other current assets	4 800	2	4 802
Total Assets	**11 032**	**1 800**	**12 832**
Total equity	**3 555**	**1 642**	**5 197**
Foreign currency translation and NCI reserve	(3 316)	1 848	(1 468)
Retained income	5 178	(206)	4 972
Share capital and other reserves	1 693		1 693
Total liabilities	**7 477**	**158**	**7 635**
Deferred taxation liabilities	176	158	334
Other liabilities	7 301		7 301
Total equity and liabilities	**11 032**	**1 800**	**12 832**

a) *Cost of sales is restated from the date of production, including raw material purchases, and not the date of sale. The impact of indexation is applied at an average of 60 – 90 days before the actual revenue is earned and therefore causes a significant timing mismatch on operating profit.*

b) *The monetary gain is of R398 million is essentially generated from Mutlu's net monetary liability position used to invest in hard assets (non-monetary) such as property, plant and equipment, intangible assets and inventory. Other impacts on the net monetary position in the income statement would be driven by revenue and other expenses indexation.*

We performed impairment testing on Mutlu including goodwill, and sufficient headroom exists based on our expectations of the market recovery, forecast volumes and longer-term business plans. Our five-year forecasts support the carrying values of assets (Refer to note 8 for further information).

29. EVENTS AFTER REPORTING DATE

The shareholders of Hesto have resolved to provide further financial guarantees, on behalf of lenders, for further loans granted to Hesto. The group's proportionate share is R75 million.

With regards to the earthquake in Türkiye, none of our facilities were directly affected and there were no injuries to our staff. Some of Mutlu Akü's aftermarket dealers were effected but the impact is not significant when compared to total battery volumes.

Other than events disclosed within the financial statements, there were no other significant post-balance sheet events.

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 and separate 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 2022 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.

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

New standards and amendments adopted by the group:
The group has applied the following amendments for the first time for the annual reporting period commencing 1 January 2022:
- Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16
- Onerous Contracts – Cost of Fulfilling a Contract – Amendments to IAS 37
- Annual Improvements to IFRS Standards 2018-2020, and
- Reference to the Conceptual Framework – Amendments to IFRS 3.

The amendments listed above did not have any impact on the amounts recognised in the current and prior periods and are not expected to significantly affect future periods.

(b) Standards, amendments and interpretations not yet adopted by the group

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2022 reporting periods and have not been early adopted by the group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

Under the amendments to IAS 1 Presentation of Financial Statements the classification of certain liabilities as current or non-current may change. In addition, companies may need to provide new disclosures for liabilities subject to covenants.

The amendments apply from 1 January 2024. There are no classification variations compared to policies currently applied by the group regarding liabilities and covenants.

BASIS OF CONSOLIDATION

The group and company (consolidated and separate) financial statements are included in this report.

(a) Subsidiaries

The consolidated financial statements incorporate the financial statements of Metair 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 acquire 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 are subsequently re-measured to fair value with changes in fair value recognised in profit or loss.

ACCOUNTING POLICIES (continued)

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) Associate 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.

Treatment of Hesto using the Equity accounting method

Although Metair owns 74.9% of Hesto, Hesto is accounted for as an associate, using the equity accounting method and is not consolidated as a group entity. The shareholder's agreement stipulates that unanimous consent is required for all decisions relating to the relevant activities of Hesto (*de facto* control or majority vote). In addition, the other shareholder also has a currently exercisable and substantive option (call option) over Metair's shareholding that results in the classification of the investment as an associate rather than a joint venture.

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, however equity accounting is applied under both basis.

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 is the company's functional and the group's presentation currency.

(b) Transactions and balances

Transactions denominated in foreign currency are translated at the spot exchange rate into the functional currency 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 profit/loss, except when deferred in other comprehensive income as a qualifying cash flow hedge. Monetary items denominated in foreign currency are translated at the closing rate at the reporting date.

(c) Group companies

The results and financial position of all the group entities (except Mutlu Akü, 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.

TÜRKIYE HYPERINFLATION ACCOUNTING

During the first half of 2022, Türkiye was classified as a hyperinflationary economy. The assessment as to when an economy is hyperinflationary is based on the guidelines of IAS 29: Financial Reporting in Hyperinflationary Economies (IAS 29), which considers qualitative as well as quantitative factors, including whether the accumulated inflation over a three-year period is in excess of 100%. The International Monetary Fund confirmed cumulative inflation rates over a three-year period exceeded 100% as at April 2022. The global accounting firms have therefore classified Türkiye as a hyperinflationary economy for reporting periods ending on or after 30 June 2022.

The Group has considered all factors and has therefore applied hyperinflation accounting, as specified in IAS 29, for amounts reported by Mutlu Akü in Türkiye (includes ''Mutlu Akü group of companies' also referred to as Mutlu Group), whose functional currency is Turkish Lira, for the period commencing 1 January 2022. The application of IAS 29 to Mutlu Akü's operations is done prior to the translation of those results to the group's presentation currency.

General price index

IAS 29 requires transactions and balances to be stated in terms of the measuring unit current at the end of the reporting period, using a general price index to account for the effect of loss of purchasing power experienced during the period. The group has elected to use the Turkish CPI, provided by the Turkish Statistical Institute, as the general price index. The Turkish CPI provides an observable published indicator of changes in the general purchasing power of the country's currency. IAS 29 requires full retrospective application of its principles. Consequently, IAS 29 principles are applied from the date the Metair Group acquired the Mutlu Group (i.e., December 2013). The Turkish CPI increased by 333% from 229 in December 2013 to 763 in January 2022. The CPI increased by another 64% in the current financial year ending 31 December 2022. Based on these CPI increases, the transactions within the group statements of profit and loss and other comprehensive income, statement of financial position, statement of changes in equity and statement of cash flows have been restated from the date these transactions occurred to reflect the period end (31 December 2022) purchasing power of the Turkish currency.

Impact on the balance sheet (statement of financial position)

The group has not restated comparative amounts relating to Mutlu Akü for changes in purchase power of its functional currency in the current set of annual financial statements, as the presentation currency of the group is (South African Rand) that of a non-hyperinflationary economy. The difference between the net asset value of Mutlu previously reported and its restated comparative information is presented in the foreign currency translation reserve ('FCTR') presented under other comprehensive income ('OCI') in the consolidated statement of comprehensive income and consolidated statement of changes in equity. This difference encompasses the initial and subsequent impact of the application of IAS 29 as a combined effect relating to the inflationary restatement in accordance with IAS 29 and the foreign exchange translation in accordance with IAS 21 as a net change. This is consistent with the IFRS Interpretations Committee agenda decision of March 2020.

At the beginning of the first period in which IAS 29 is applied, the components of equity, excluding retained earnings, are restated by applying the change in the general purchase power of the Turkish Lira from the dates the components were contributed or otherwise arose, to their purchasing power at the end of the reporting period. These restatements are recognised directly in equity. Restated retained earnings are derived based on the other amounts in the restated statement of financial position.

The carrying amounts of non-monetary assets and liabilities carried at historical cost have been adjusted to reflect the change in the purchasing power of the Turkish Lira from the date of initial recognition to the end of the reporting period. Where non-monetary items are restated above their recoverable amount an impairment loss is recognised directly in the consolidated statement of comprehensive income. Non-monetary items that are held at fair value or net realisable value are not restated, as these items are recognised based on current price levels. Monetary items are already expressed in the measurement unit current at the end of the reporting period and do not require restatement.

Impact on the income statement (statement of comprehensive income)

All items recognised in the statement of comprehensive income are restated by applying the change in the purchasing power of the Turkish Lira from the dates when the items of income and expenses were initially earned or incurred to the purchase power at the end of the reporting period. The gain/loss earned/incurred on the net monetary position of Mutlu has been recognised in the consolidated statement of comprehensive income as a "Net monetary gain arising from hyperinflation".

Impact on the statement of cash flows

All items in the statement of cash flows are expressed in terms of the purchasing power of the Turkish Lira at the end of the reporting period. The resultant statement of cash flows is prepared to reflect cash flows during the year measured at the current purchasing power at the end of the reporting period.

Deferred taxation

Hyperinflation accounting in accordance with IAS 29 within the accounting result in changes to the carrying amounts of all non-monetary assets and liabilities without a corresponding tax base adjustment. As the inflationary adjustments relate to subsequent measurement of the non-monetary assets and liabilities, deferred tax assets and liabilities are raised to the extent that it is likely that these would realise in future periods.

Exchange rate

The results, cash flows and financial position of Mutlu Akü, which is accounted for as an entity operating in a hyperinflationary economy and has a functional currency different from the presentation currency of the group, have been translated into the presentation currency of the group at the closing spot rate of exchange ruling at the reporting date.

Impact of hyperinflation on group's results

Significant hyperinflation-accounting adjustments are highlighted in note 28 to the financial statements.

Critical accounting estimates and judgements applied in adoption of IAS 29:

The Turkish Consumer Price Index as published by Türkiye Cumhuriyet Merkez Bankasi (Turkish Statistical Institute) is representative of the general price increase within the economy and has therefore been used by the group as a basis to restate amounts presented in terms of IAS 29. This index provides a reliable and observable indication of the change in the price of goods and services over time. It is the measure generally accepted by market participants to measure the change in purchase power for the Turkish Lira.

Where transactions occurred in high volume and with significant frequency (e.g., daily revenues, expenses, borrowing cash flows and interest transactions), which rendered the determination of a specific transaction date impracticable, monthly or semi-annual averages were used to approximate the value of these transactions. Further, the respective monthly, or semi-annual CPI average was applied in restating these amounts, depending on when the cash flows were expected to arise.

ACCOUNTING POLICIES (continued)

Average opening and closing inventory days, representing the time for which inventory was on hand, was used to calculate the acquisition dates for the opening and closing inventory balances, respectively. These inventory balances were restated in terms of IAS 29 based on the purchasing power applicable from the calculated acquisition dates for each of these balances. Purchases made during the year were restated in terms of IAS 29 based on the average purchase power associated with the month in which the transaction occurred. The inventory balances restated in terms of IAS 29 were used as a basis to calculate the cost of goods sold for the year.

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 CGUs for the purpose of impairment testing. The allocation is made to those CGUs or groups of CGUs 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 Türkiye 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, except for the Mutlu brand. 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.

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

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 group's leasing arrangements are predominantly standard in nature. Lease terms are negotiated on an individual basis and contain varying terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes. Leased payments to be made under reasonably certain extension options are also included in the measurement of the liability.

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 and generally lower than USD 5 000 per item per ZAR equivalent. Further information on leases can be found in note 7.

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 ('CGUs').

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 CGU 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.

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.

ACCOUNTING POLICIES (continued)

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 make 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.

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.

COST OF SALES

All costs directly related to the producing of products are included in cost of sales. Costs that cannot be directly linked are included separately or under other operating expenses. When inventories are sold, the carrying amount is recognised in cost of sales. Any write-down, losses or reversals of previous write-downs or losses are recognised in cost of sales.

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 that 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.

Revenue from a contract with customers is in scope of IFRS 15, once all of the following criteria are met;

- collection of consideration is probable;
- contract has commercial substance;
- rights and payment terms are identified; and
- 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 original equipment manufacturers ('OEMs') 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 span 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 customer's 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 is 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 has 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 is 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 supplied. 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 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 requirements

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 create 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 to the customer 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.

Cash advancements or progress payments received from customers are initially classified as contract liabilities.

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 and contract assets are raised. 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.

ACCOUNTING POLICIES (continued)

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, Türkiye 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 probable 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.

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', 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 ('FECs'). 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.

ACCOUNTING POLICIES (continued)

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 FECs 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 ECLs on financial assets measured at amortised cost, as well as on the financial liability recognised for financial guarantee contracts. Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs, using the simplified approach. 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. For financial guarantee contracts, the date that the group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a financial guarantee contract, the group considers the changes in the risk that the specified debtor will default on the contract

(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 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 of 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.

Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of:

- the amount determined in accordance with the expected credit loss model under IFRS 9 Financial Instruments; and
- the amount initially recognised less cumulative amortisation recognised in profit and loss.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to loans or other payables of associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment. The nominal contractual values of financial guarantees are not recorded in the balance sheet. The nominal value together with any ECL considerations are disclosed in Note 19.2 financial risk management (credit and liquidity risk).

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.

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 Türkiye 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 expenses when they are due.

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

(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 Türkiye, 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.

ACCOUNTING POLICIES (continued)

(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 Türkiye.

(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 is 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 oversees 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.

INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

AS AT 31 DECEMBER 2022

		Issued share capital		Direct/ (indirect) interest		Direct/ (indirect) cost of shares less impairment	
	Type	2022 R'000	2021 R'000	2022 %	2021 %	2022 R'000	2021 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 Battery Services Limited~	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	**2 978 352**	3 205 494	**(100.0)**	(100.0)	**(2 934 489)**	(3 161 631)
Metair Energy Solutions B.V*	ordinary			**(100.0)**	(100.0)		
Metair Akü Holding Anonim Şirketi***	ordinary	**2 494 422**	2 494 422	**(100.0)**	(100.0)	**(2 514 065)**	(2 514 065)
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						**(6 054 680)**	(6 281 822)

INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES
(continued)

	Type	Issued share capital 2022 R'000	Issued share capital 2021 R'000	Direct/ (indirect) interest 2022 %	Direct/ (indirect) interest 2021 %	Direct/ (indirect) cost of shares less impairment 2022 R'000	Direct/ (indirect) cost of shares less impairment 2021 R'000
ASSOCIATES							
Hesto Harnesses (Pty) Ltd	ordinary	1	1	(74.9)	(74.9)	(44 472)	(44 472)
Associated Battery Manufacturers (East Africa) Ltd'	ordinary	953	953	(25.0)	(25.0)	(121 821)	(121 821)
Akkumulatorenfabrik MOLL GmbH + Co.KG``	fixed capital			(25.1)	(25.1)		
MOLL Grundstücks- und Vermogensverwaltungs GmbH + Co. KG``	fixed capital			(25.1)	(25.1)		
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			(10.0)	(35.0)	(2 406)	(25 620)
Vizirama 112 (Pty) Ltd	ordinary			33.0	33.0		
Eye2square Innovations (Pty) Ltd	ordinary			(20.0)	(20.0)		
Denso Sales South Africa (Pty) Ltd	ordinary			(49.0)	(49.0)		
Direct interest						2 793	2 793
Indirect interest						(168 699)	(191 913)

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 Türkiye, 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)

~ 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 (currently in liquidation process)
- MOLL Grundstücks- und Vermogensverwaltungs GmbH & Co. KG
- MOLL Beteiligungsgesellschaft GmbH
- MOLL Grundbesitz GmbH

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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" or the "group")

NOTICE TO SHAREHOLDERS

Notice is hereby given that the annual general meeting (AGM) of the shareholders of Metair (shareholders) will be held remotely through an electronic interactive platform hosted by The Meeting Specialist (Pty) Ltd (TMS), as permitted in terms of clause 16.5 of Metair's memorandum of incorporation (MOI), the Listings Requirements of the JSE Limited (JSE) (JSE Listings Requirements) and the Companies Act, No. 71 of 2008, as amended (Companies Act) on Thursday, 4 May 2023, at 14h00, subject to any cancellation, postponement or adjournment, in terms of section 63(2)(a) of the Companies Act, 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 report, for the year ended 31 December 2022, as approved by the board of directors of the company (directors), (board) in terms of section 30(3) of the 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 and confirmation of appointment of directors

3.1 Ordinary resolution number 1

Resolved that Ms TN Mgoduso, who retires in terms of the provisions of the company's MOI, but being eligible and has offered herself for re-election, be and is hereby re-elected as a director of the company.

TN Mgoduso
Chairperson, Independent non-executive director
Age: 66
Qualification: MA (Clinical Psychology)
Nationality: South African

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 (Ayavuna). After her time at Ayavuna, she spent time in strategic consulting and infrastructural development. She is currently a Trustee of Ayavuna Trust, a board member at Zimplats, where she chairs the remuneration committee. She is also the chairperson of Jojose Investments. She chairs the remuneration committee at the Competition Commission.

Ms Mgoduso was appointed to the Metair board on 1 March 2016 and served 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. As she was appointed as chairperson of the board (subject to shareholder confirmation at this AGM) and chairperson of the nominations committee on 15 February 2023, she has consequently stepped down as the lead independent non-executive director and as the chairperson of the remuneration committee (but shall remain a member of this committee).

3.2 Ordinary resolution number 2

Resolved that the appointment of Ms TN Mgoduso, an independent non-executive director of the company, be and is hereby confirmed as chairperson, subject to her re-election as a director pursuant to ordinary resolution number 1.

3.3 Ordinary resolution number 3

Resolved that Ms NL Mkhondo who retires in terms of the provisions of the company's MOI, being eligible and has offered herself for re-election, be and is hereby re-elected as a director of the company.

NL Mkhondo
Independent non-executive director
Age: 39
Qualification: BAcc, CA(SA), MBA
Nationality: South African

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 (Goldman Sachs) and Anglo American Plc (Anglo American) (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 a Masters of Business Administration 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. On 2 August 2022, she was appointed as a member of the remuneration committee 2023. On 15 February 2023 she was appointed as the chairperson of the remuneration committee.

She also serves as an independent non-executive director on the boards of PPC Limited and Novus Holdings Limited.

3.4 Ordinary resolution number 4

Resolved that Mr B Mawasha, who retires in terms of the provisions of the company's MOI, but being eligible and has offered himself for re-election, be and is hereby re-elected as a director of the company.

B Mawasha
Lead independent non-executive director
Age: 44
Qualification: BSc (Eng), AMP, ADP, MDP, GCC
Nationality: South African

SHAREHOLDER INFORMATION (continued)

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 chairperson of the investment committee. On 15 February 2023, he was appointed as the lead independent non-executive director of the company.

3.5 Ordinary resolution number 5

Resolved that the appointment of Mr S Sithole, as an alternate director to Ms Mkhondo, an independent non-executive director of the company, be and is hereby confirmed.

S Sithole
Alternate to an independent non-executive director
Age: 50
Qualification: BAcc (Hons), CA(SA), CA(Z) Programme for Leadership Development (Harvard Business School), Diploma in Banking (UJ)
Nationality: Zimbabwean

Mr Sithole is a qualified Chartered Accountant (South Africa and Zimbabwe). He is the CEO and co-founder of VCP. Prior to starting VCP, he was at Brait for more than eight years as an executive director. 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 initially appointed to the Metair board on 1 March 2019 prior to stepping down as an independent non-executive director of the company, and being appointed as an alternate director to Ms Mkhondo on 2 August 2022.

3.6 Ordinary resolution number 6

Resolved that the appointment of Mr A Jogia, the interim chief financial officer of the company, as an interim executive director of the company, be and is hereby confirmed.

A Jogia
Interim chief financial officer and interim executive director
Age: 45
Qualification: BCom Dip Acc, CA (SA)
Nationality: South African

Mr Jogia qualified as a Chartered Accountant in 2003 after completing his articles with Baker Tilley Morrison Murray. Thereafter he joined PwC's consumer and industrial products division and gained extensive experience within listed and multinational companies. During his tenure at PwC, he served as the auditor in charge of the Metair audit and also spent 2 years in Birmingham, United Kingdom working on global industrial and automotive related companies.

Mr Jogia joined Metair as the group finance executive and member of subsidiary executive committees in 2013 during the Mutlu acquisition. He has primarily been supporting the CFO and CEO with operational and financial oversight of the group, including group audit committee attendance, corporate reporting, acquisitions and funding functions.

4. Appointment of independent auditors

4.1 Ordinary resolution number 7

Resolved that Ernst & Young Inc., with the designated audit partner being Mr D. Venter, be re-appointed as the company's independent external auditors for the ensuing year until the next annual general meeting of the company as recommended by the audit and risk committee.

The audit and risk committee and the board are satisfied that Ernst & Young Inc. (and Mr D Venter) meet the provisions of the Companies Act and comply with the requirements set out in the JSE Listings Requirements.

5. Re-election of audit and risk committee members

5.1 Ordinary resolution number 8

Resolved that the members of the audit and risk 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 (each of whom are independent non-executive directors of the company) to the audit and risk committee, as proposed by the board, be and are hereby re-elected:

(i) Ms Mathews, as chair of the audit and risk committee;

B Mathews
Independent non-executive director
Age: 53
Qualification: BCom Accounting, BCom Accounting Honours, CA (SA), HDip Tax
Nationality: South African

Ms Mathews is a qualified Chartered Accountant (South Africa) and holds a Postgraduate Certificate in Advanced Taxation from the University of South Africa (UNISA) and a BCom Acc (Hons) from Rand Afrikaans University (RAU) (now University of Johannesburg (UJ)). Ms Mathews currently serves on the board of trustees of WAT Trust, the board of directors of KAL Limited (and its audit and risk as well as social and ethics committees) and CA&S Group Limited where she serves on the audit and risk and social and ethics committees. Ms Mathews previously served on the board of directors and various committees of, *inter alia*, ATKV, ATKV Sake and OneLogix Limited, PSG Financial Services Limited, PSG Group Limited and Redefine Properties Limited as well as in the capacity of trustee of the Redefine Empowerment Trust.

Ms Mathews was appointed as an independent non-executive director and member of the audit and risk committee of Metair on 1 January 2021. She replaced Mr Flemming as chairperson of the audit and risk committee with effect from the conclusion of the AGM held on 5 May 2021. She was appointed to the nomination committee on 2 August 2022.

(ii) Ms Sithebe, as a member of the audit and risk committee:

AK Sithebe
Independent non-executive director
Age: 40
Qualification: BCom Accounting Honours, CA (SA), MBA
Nationality: South African

Ms Sithebe is a private equity investment professional with over a decade of experience in mergers and acquisitions (M&A) and corporate finance from a wide range of businesses primarily in the industrials value chain. Her career debut was with EY where she trained to qualify as a CA(SA) after which she established her own accounting and audit practice named Kamva Advisory from 2008 to 2011. Ms Sithebe later went on to join the Industrial Development Corporation of South Africa (IDC) where she was a Senior Dealmaker. Ms Sithebe until 2020 was Principal at African Phoenix Investments Limited, with a focus on mid-market focused private equity investment firm. Ms Sithebe is currently Managing Director of Kamva Investments, an investment holding entity with a focus on unlisted investments and M&A advisory. Ms Sithebe also serves on the boards of Altron Limited and Dis-Chem Pharmacies Limited. Ms Sithebe holds a BCom Acc (RAU) with Honours (UNISA) and an MBA from GIBS.

Ms Sithebe was appointed as an independent non-executive director and a member of the audit and risk committee with effect from 1 January 2021 and to the social and ethics committee with effect from 29 January 2021.

(iii) Mr Mawasha, as a member of the audit and risk committee:

B Mawasha
Lead independent non-executive director
Age: 44
Qualification: BSc (Eng), AMP, ADP, MDP, GCC
Nationality: South African

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 chairperson of the investment committee. On 15 February 2023, he was appointed as the lead independent non-executive director of the company.

6. Ordinary resolution number 9

a. Resolved as a non-binding ordinary resolution that the company's remuneration policy, as set out in the remuneration report contained in the integrated annual report (refer to page 87 of the integrated annual report) be and is hereby approved through a non-binding advisory vote.
b. Resolved as a non-binding ordinary resolution that the company's remuneration implementation report, as set out in the remuneration report contained in the integrated annual report (refer to page 90 of the integrated annual report) be and is hereby approved through a non-binding advisory vote.

The reason for the above resolutions being proposed through a separate non-binding advisory vote is because of it being recommended practice in terms of the King IV Report on Governance for South Africa, 2016 (King IV) and a requirement of the 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 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 ordinary resolutions, the company undertakes to engage with such dissenting shareholders as to the reasons therefore, and undertakes to make recommendations based on the feedback received.

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 serving on the board and/or the board of directors of any of its subsidiaries with effect from 1 January 2023 to 31 December 2023 (refer to page 96 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 for the period commencing 1 January 2023 and ending 31 December 2023.

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 special resolution 2 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.

This special resolution does not authorise Metair to provide financial assistance to a director or prescribed officer of the company.

Shareholders are referred to the announcement published on SENS on 13 February 2023 regarding the financial assistance provided by

SHAREHOLDER INFORMATION (continued)

the company in terms of section 45 of the Companies Act during the 2022 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 special resolution 3 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 JSE Listings Requirements, that the authorisation granted to the company in terms of clause 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;
(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 in 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 only one 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. The repurchase programme must be submitted to the JSE in writing prior to the commencement of the prohibited period and must include the details required in terms of paragraph 5.72(h) of the JSE Listings Requirements;

(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 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 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 special resolution 4 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.

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 97 of the integrated annual report.

Share capital – refer to page 178 of the integrated annual report.

Directors' responsibility statement

The directors, whose names are given on pages 8 to 9 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 to its shareholders who were recorded as such in the company's securities register on Friday, 24 March 2023, being the notice record date used to determine which shareholders are entitled to receive this 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, 21 April 2023, 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, 18 April 2023.

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 Tuesday, 2 May 2023 at 14h00. Any forms of proxy not lodged at this time must be handed or submitted electronically, *via* email to proxy@tmsmeetings.co.za, to the chairperson of the annual general meeting immediately prior to the annual general meeting. A shareholder is entitled to attend and vote at the AGM or may appoint one or more proxies (who need not be a shareholder(s) of the company) of his/her own choice to attend, speak, and, on a poll, vote in his/her stead at the AGM.

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

ELECTRONIC PARTICIPATION

The AGM will be accessible through electronic communication, as permitted by the JSE Listings Requirements and in accordance with the provisions of the Companies Act and the company's MOI. TMS will assist shareholders with the requirements for electronic attendance, participation in, and/or voting at the AGM. Shareholders who wish to electronically attend, participate in and/or vote at the AGM are required to contact TMS at proxy@tmsmeetings.co.za or on +27 84 433 4836; +27 81 711 4255; or +27 61 440 0654 as soon as possible, in any event by no later than 14h00 on Tuesday, 2 May 2023. Shareholdings participating in this manner may still appoint a proxy to vote on their behalf at the AGM. Access by means of electronic communication will be at the expense of the individual shareholders.

Neither the company nor TMS can be held accountable in the

SHAREHOLDER INFORMATION (continued)

case of loss of network connectivity or other network failure due to, *inter alia*, insufficient airtime, internet connectivity, internet bandwidth and/or power outages which prevent any shareholder from electronically attending, participating in and/or voting at the AGM.

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 Tuesday, 2 May 2023 at 14h00 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
29 March 2023

Registered office
Metair Investments Limited
Oxford & Glenhove Building
114 Oxford Road
Houghton Estate
Johannesburg
Gauteng, 2198

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 Thursday, 4 May 2023 at the JSE Limited, One 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 chairperson 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 Ms TN Mgoduso as a director of the board	☐	☐	☐
2. Confirmation of appointment of Ms TN Mgoduso as chairperson of the company	☐	☐	☐
3. Re-election of Ms NL Mkhondo as a director	☐	☐	☐
4. Re-election of Mr B Mawasha as a director	☐	☐	☐
5. Confirmation of appointment of Mr S Sithole as an alternate director	☐	☐	☐
6. Confirmation of appointment of Mr A Jogia as an interim executive director			
7. Appointment of auditors	☐	☐	☐
8. Re-election of audit and risk committee members			
i) Re-election of Ms B Mathews as chair of the audit and risk committee	☐	☐	☐
ii) Re-election of Ms AK Sithebe as member of the audit and risk committee	☐	☐	☐
iii) Re-election of Mr B Mawasha as member of the audit and risk committee	☐	☐	☐
9. 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 ____________________________________ 2023.

Signature: ____

Assisted by me (where applicable): _______________________________________

This form of proxy should be lodged with or posted to the registered office of the company (Oxford & Glenhove Building – Suite 7, 114 Oxford Road, Houghton Estate, 2191) 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 Tuesday, 2 May 2023 at 14h00 or handed or submitted electronically, *via* email to proxy@tmsmeetings.co.za, 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 chairperson 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 chairperson 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 chairperson 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

Metair Investments Limited

JSE Share Code: MTA

ISIN: ZAE000090692

Registration Number: 1948/031013/06

LEI No: 378900C0933C7C909172

Business address and registered office

Metair Investments Limited

Oxford and Glenhove Building
Suite 7
114 Oxford Road
Houghton Estate
Johannesburg
Gauteng
2198

Postal address

PostNet Suite 231
Private Bag X31
Saxonwold
Gauteng
2132

Group company secretary

Sanet Vermaak

Email: Sanet@metair.co.za

Telephone: +27 10 786 0800

Website www.metair.co.za

Sponsor

One Capital

Auditors

Ernst and Young Inc.

Share transfer secretaries

Computershare Investor Services Proprietary Limited

Rosebank Towers
15 Biermann Avenue
Rosebank
Johannesburg
2196
South Africa

Postal address

Private Bag X9000
Saxonwold
2132
South Africa

Telephone: +27 11 370 5000

Website: www.computershare.com

Further information on this report and its contents can be obtained from the company secretary

METAIR
INVESTMENTS LIMITED
automotive | industrial | retail

WWW.METAIR.CO.ZA