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

<table>
<tr><th>Key Audit Matter</th><th>How the matter was addressed in the audit</th></tr>
<tr><td>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.</td><td>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.</td></tr>
</table>

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	
		2022	2021	2022	2021
	Notes	R'000	R'000	R'000	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	
	Notes	2022 R'000	2021 R'000	2022 R'000	2021 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	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
		GROUP						
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	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
		COMPANY					
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	GROUP 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	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.

	GROUP			
Reconciliation between basic and headline earnings (and cents per share)	**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 2022 R'000	GROUP 2021 R'000	COMPANY 2022 R'000	COMPANY 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
(continued)

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.

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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	2022 ABM R'000	2022 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	2021 ABM R'000	2021 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 2022 R'000	GROUP 2021 R'000	COMPANY 2022 R'000	COMPANY 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
(continued)

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
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		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
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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 (continued)

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.

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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 Number of rights	2022 Weighted average strike rights price R	2021 Number of rights	2021 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.

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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		COMPANY	
		2022 R'000	2021 R'000	2022 R'000	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.

<u>Measurement</u>

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.

<u>Revenue adjustments and variations</u>

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.

<u>Customer tooling requirements</u>

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

	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
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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