ANNUAL REPORT

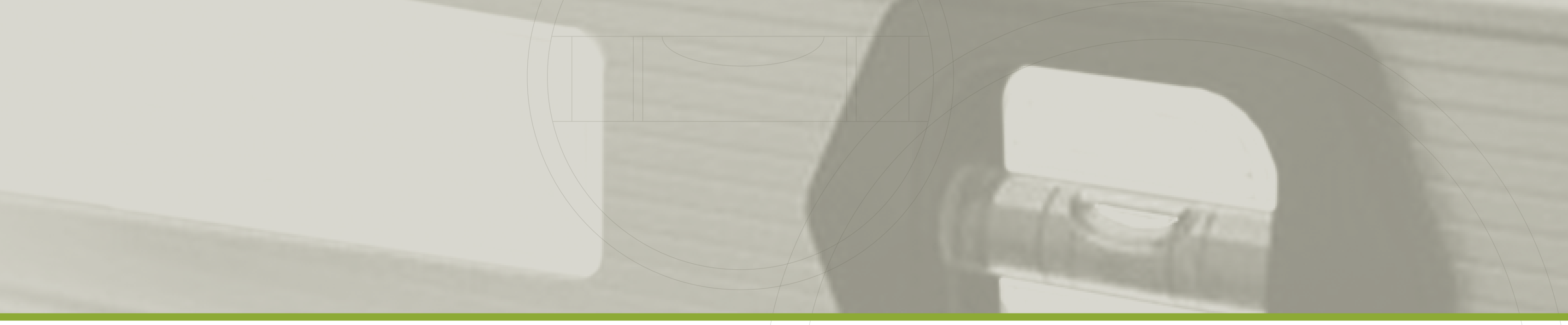
2010

METAIR INVESTMENTS LIMITED

COVER IMAGE

Spirit levels are used to achieve an exact and precisely balanced level. In the year under review, Metair has been focusing on this precision and balance in all areas of its operations as well as the spirit (the way) we do things.

Achieving a sustainable balance was the goal for the year: the balance between markets and products; high costs and labour; and, most importantly customer expectations and meeting these needs.



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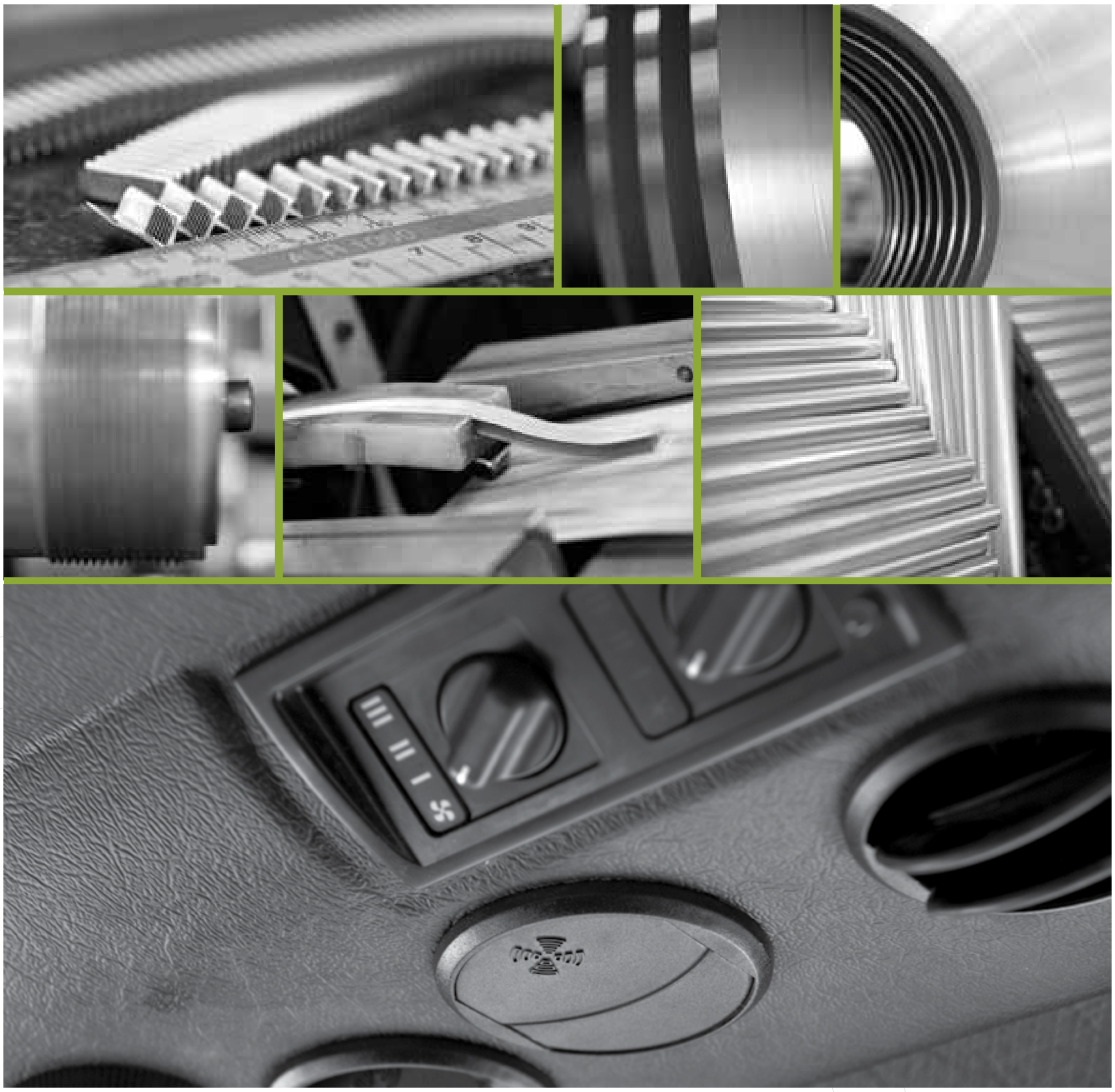


group performance

Financial highlights

For the year ended 31 December

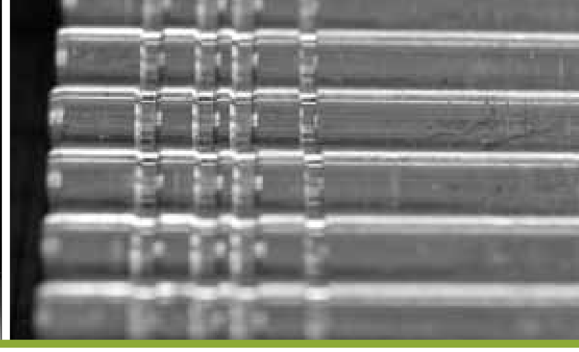
	2010 R'000	2009 R'000	2008 R'000	2007 R'000	2006 R'000
Revenue	**3 753 236**	3 342 053	4 180 398	2 984 293	2 641 911
Profit before taxation	**424 546**	118 219	74 777	287 185	324 931
Impairment (reversals)/charges	**(19 687)**	47 082	122 590		
Interest paid	**11 764**	30 146	43 725	9 856	6 846
Preference dividend	**2 311**	7 214	7 660	7 182	
Profit/(loss) attributable to ordinary shareholders	**277 682**	52 210	(13 080)	174 509	203 240
Total equity	**1 369 919**	1 184 021	1 113 664	1 190 132	1 077 362
Interest-bearing debt	**54 336**	76 515	99 251	27 126	18 121
Cumulative redeemable preference shares		75 000	100 000	100 000	
Property, plant and equipment	**699 190**	657 892	714 001	702 417	614 087
Current assets	**1 321 899**	1 238 232	1 290 793	1 079 221	836 316
Total assets	**2 088 196**	2 000 717	2 133 401	1 906 625	1 533 247
Number of shares in issue	**152 532**	152 532	152 532	152 532	151 645
Weighted average number of shares in issue	**140 363**	142 352	141 707	142 085	151 250
Net asset value per share (cents)*	**890**	776	729	775	660
Basic earnings per share (cents)	**198**	37	(9)	123	134
Headline earnings per share (cents)	**189**	67	74	124	133
Dividends per share (cents) declared and paid**	**75**		40	40	34
Dividend cover (times) (calculated on headline earnings)	**2,5**		1,8	3,1	3,9
Net profit as a percentage of average total shareholders' funds (ROE)***	**23,8**	5,5	0,3	17,2	21,3
Total shareholders' funds as a percentage of total assets	**65,6**	59,2	52,2	62,4	70,3
Interest cover (times)	**30**	4	2	17	47

Notes:

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

** In respect of the preceding year and includes special dividend of 60 cents in 2010.

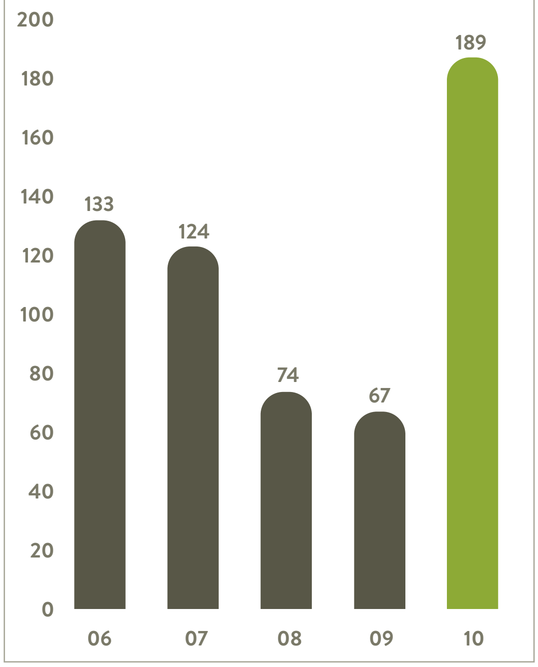
*** The group's definition of ROE has changed from profit before interest and tax as a % of ordinary shareholders' equity. Prior year calculations have been adjusted accordingly.



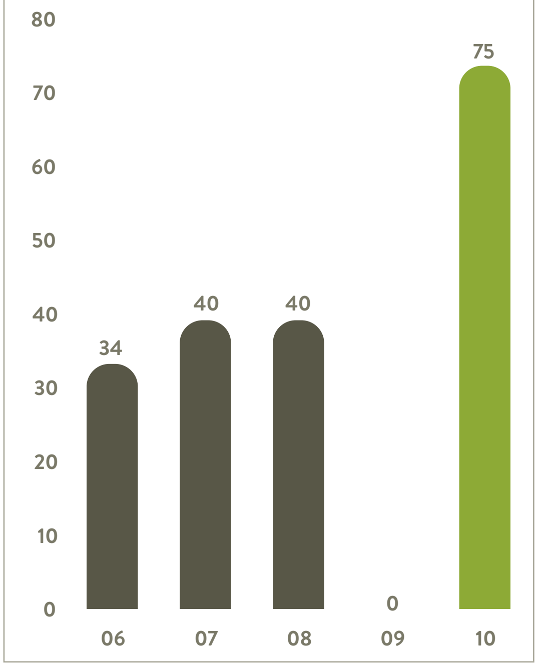
Financial highlights

For the year ended 31 December 2010

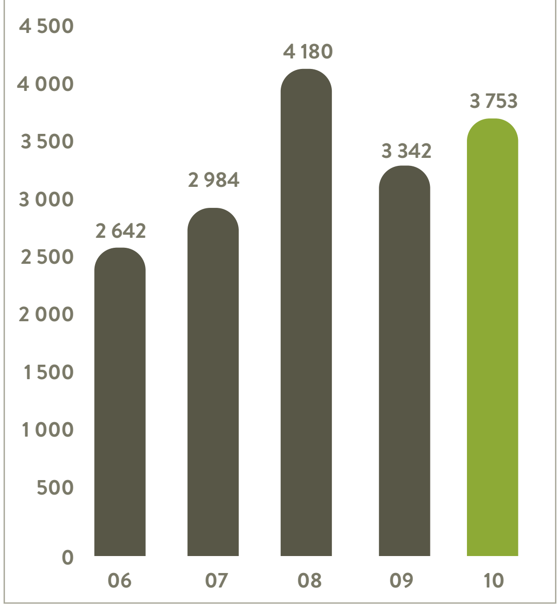
HEADLINE EARNINGS PER SHARE
(cents)



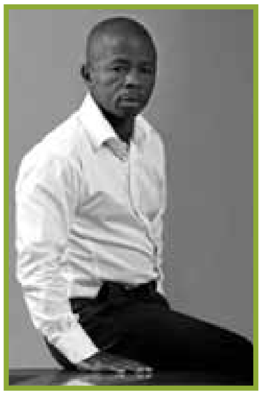
DIVIDENDS PER SHARE
(cents)



REVENUE
(R'million)

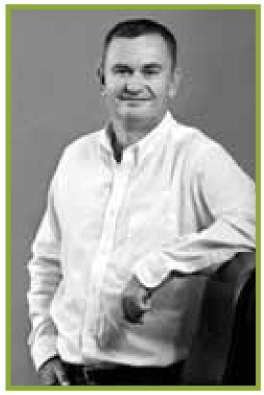


Directors and officers of the company

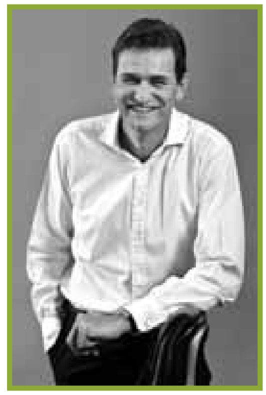


OME POOE (52)
Non-executive chairman
B Proc, Management Development Programme, Certificate in Advanced Corporate and Securities Law

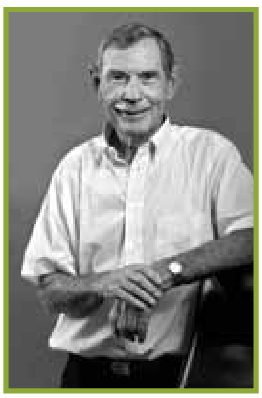
CT LOOCK (46)
Managing director
B Eng (Industrial)



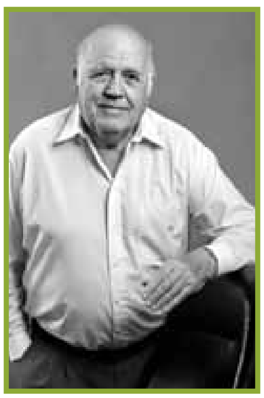
BM JACOBS (43)
Finance director
B Comm, B Acc, CA (SA)



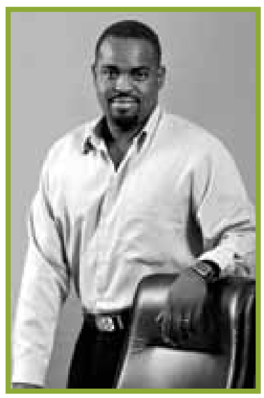
A JOFFE (42)
Non-executive director
B Comm (Hons), GDA CA (SA)



RS BROADLEY (78)
Independent non-executive director
Advanced Technical Certificate (Engineering)

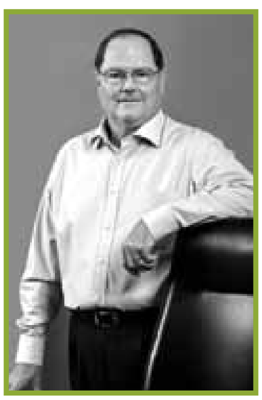


L SOANES (74)*
Independent non-executive director
National Certificate of Engineering



B MOLOTLEGI (38)
Non-executive director

A GALIEL (41)
Independent non-executive director
CA (SA), CFA



JG BEST (62)
Independent non-executive director
AICMA, ACIS, MBA

SM VERMAAK (45)
Company secretary
BComm (Fin M) AIRMSA

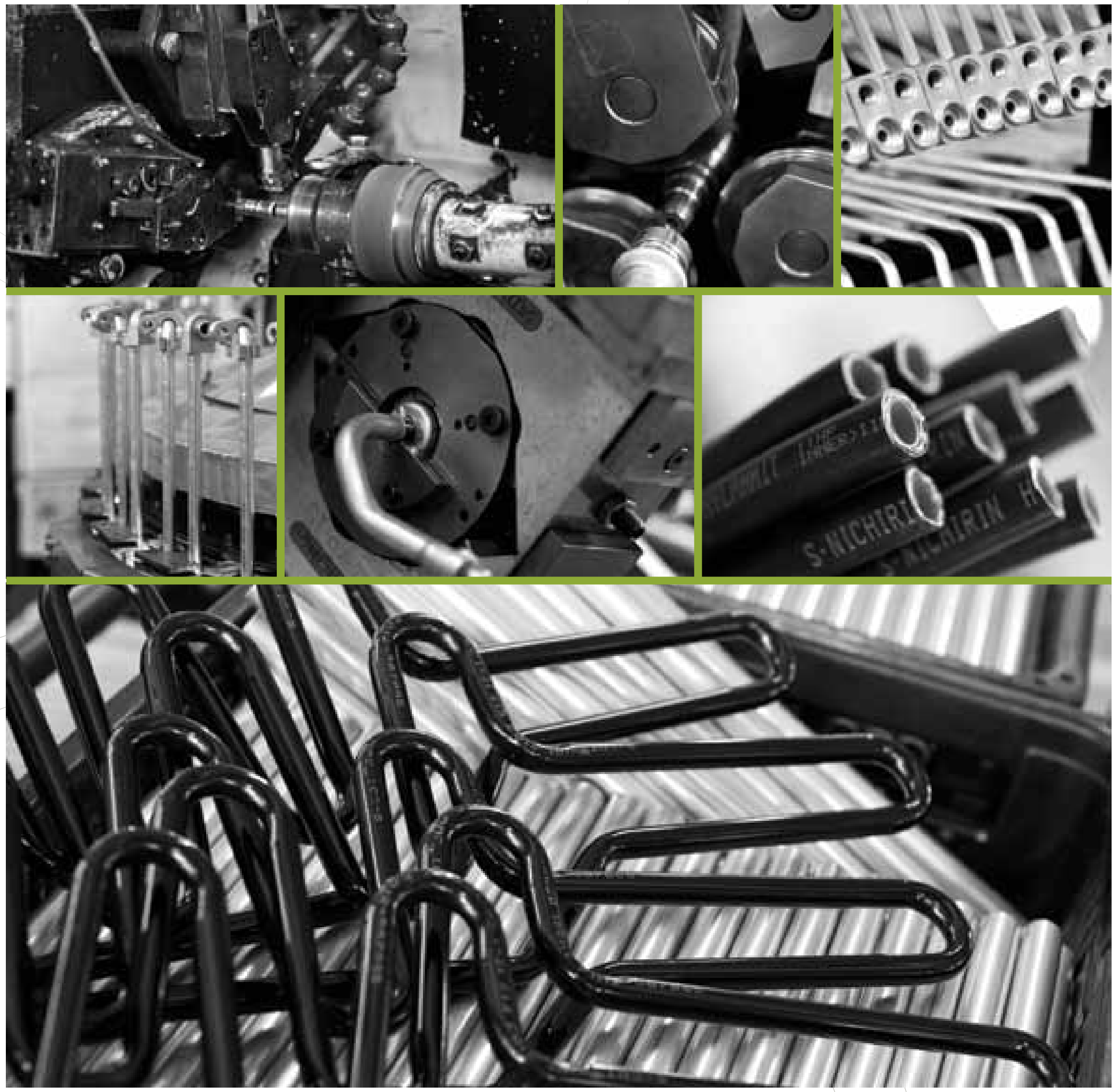
*British

COMPANY SECRETARY
SM Vermaak

TRANSFER SECRETARY
Comprehensive Investor Services (Pty) Ltd
70 Marshall Street, Johannesburg, 2001

REGISTERED OFFICE
10 Anerley Road, Parktown
Johannesburg, 2193

REGISTRATION NUMBER
1948/031013/06


S·NICHIRIN

chairman's report

Chairman's report

We at Metair have over the past few years chosen a symbol to visually reflect the group's achievements and aspirations for a particular financial period. This gives us a physical representation of what we are working to achieve, a backdrop for our actions if you will, since visual information has been shown to significantly improve productivity and commitment.

The key symbols of transparency and finding ourselves at a crossroads were threaded through the last two annual reports. And now balance is our key theme. This theme is visually illustrated by the spirit level instrument you see throughout this annual report. It is a graphical representation of the methods we as a group have, and will, continue to pursue.

Metair is emerging from the crossroads of the previous few years stronger and more resilient. Lessons have been learnt and we have certainly been tested. We are proud to have survived these trying times. The solid foundation of our operations and strategies has without a doubt been proven.

Real-time environments require rapid comprehension of a dynamically changing situation. Surveying the business landscape is a priority at Metair so that we may better discern how our competitive environment is changing. The delicate equilibrium between adapting and adjusting our operations to changes in the environment in which we operate is critical, yet it must be balanced with the equally imperative requirement of remaining true to our core strategies and competencies.

While we remain flexible and adaptable we have always understood the need to follow our own core strategy, tweaking it where necessary. We must have confidence enough, however, to stay the course through difficult times. I am proud to say that we have done that well over the past year which reflects in the results we have produced.

As committed to in previous years, we have assessed our systems and processes and have indeed succeeded in continuously managing and mitigating both direct and indirect risks against a backdrop of rapidly changing industry and policy trends. Sustainability and integrated management and reporting remain a serious commitment to which we adhere, now and into the future. The worst of the economic crisis effects are over but naturally a lag is still to be felt before all is entirely back to normality.

We have made a level appraisal of the dynamics of the situation at hand which has ultimately led us to move toward consistent stability. This has resulted in the group returning to balance reasonably quickly, and becoming skilled in raising and managing issues as they become relevant.

I am tremendously proud of our team; management and staff alike have kept a level head in the midst of turmoil. The group is on its way to finding its own level. Thank you for supporting us and keeping the faith. A special word of thanks should also be extended to our shareholders who stood by us in these trying times.

OME POOE
Chairman

Board commentary

on 2010 results

Metair has produced an excellent set of financial results for the year ended December 2010. Headline earnings per share (HEPS) increased by 182% to 189 cents per share and the group achieved a return on equity (ROE) of 23,8% (2009: 5,5%). Earnings before interest, tax, depreciation and amortisation (EBITDA) of R501,3 million exceeded the R500 million mark for the first time in the group's history.

From a macroeconomic perspective, the 2008 financial crisis resulted in a substantial decline in worldwide demand for motor vehicles. Against this backdrop, in 2009 original equipment (OE) production in South Africa declined by over 25%. Metair responded decisively to the downturn by, inter alia:

- Closing selected loss-making businesses;
- Consolidating businesses that were not viable on a stand-alone basis;
- Focusing intently on cash flow and working capital management; and
- Controlling costs and operating efficiencies.

When we released our 2009 results we stated that "Metair has emerged from the crisis as a lean organisation with a robust balance sheet, is cash generative and is well positioned to take advantage of the upturn in economic conditions". The 2010 financial results bear testament to this statement and to the decisive actions taken in 2009. Cash generated by operations was R484,6 million, we achieved record earnings of R277,7 million, settled preference share debt of R75 million, paid a preference dividend of R26 million and returned R84,9 million to shareholders as a special dividend.

The group also made progress on its goal to balance the business with an increased contribution from the non-automotive and aftermarket business segments.

Contribution from the combined non-automotive market and aftermarket segments steadily increased from R153 million in 2009 to R197 million in 2010.

The Rand remained strong during the period, resulting in pressure to balance the requirement to improve our competitiveness in the OE segment of the business and putting pressure on the export segment while continuing to earn an acceptable return on capital invested.

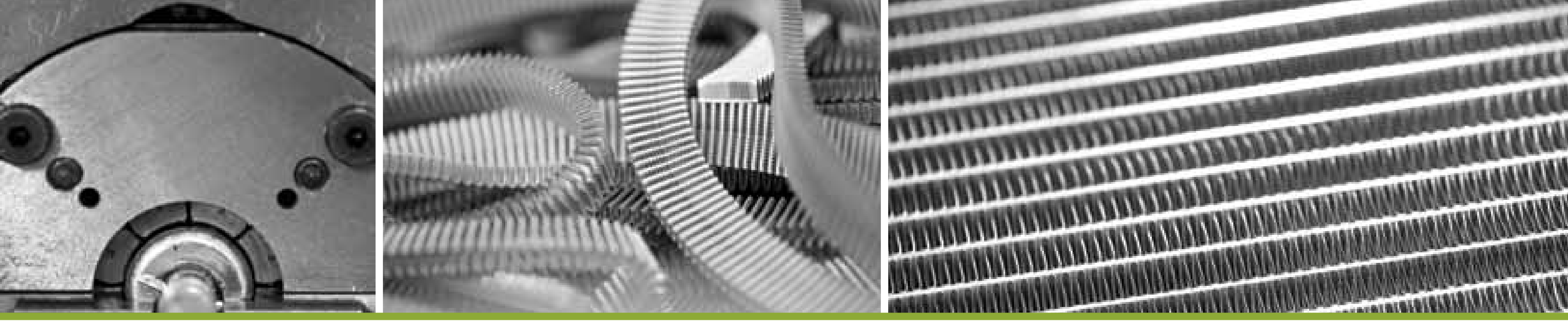
Metair's vision is set out in the sustainability report section of the annual report and this is the compass that will guide our future course. The group's aim is to deliver quality, cost-competitive products to our customers while delivering value for all stakeholders. We continue to target balance in our business with an increased contribution from the higher margin growth sectors such as aftermarket, mining, telecommunications, utility, standby, lighting and materials handling. Continuing support and development of our OE, manufacturing and distribution businesses remain critical with cost competitiveness remaining a priority in all of our businesses, but in particular OE.

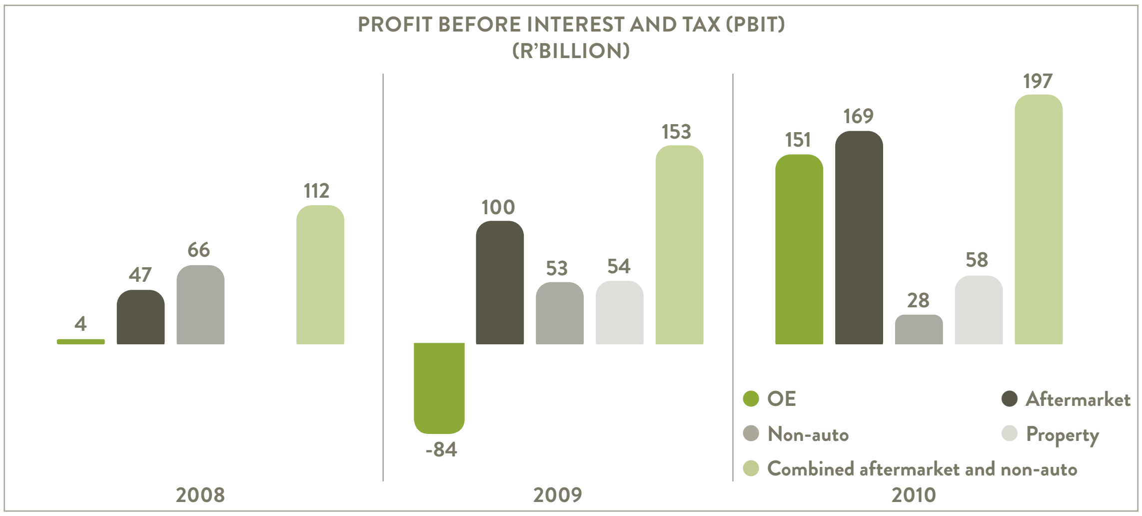
REVIEW OF OPERATIONS

Original equipment

During the year the group continued to focus on cash management, cost competitiveness and manufacturing and logistical excellence. In the SA industry OE production totalled 449 167 vehicles compared to 354 158 in 2009. The restructuring initiatives that were implemented during the 2009 financial year enabled the group to benefit from improved OE volumes.

In August and September 2010 we experienced the effects of industrial action but, despite this, the automobile industry was fortunately able to catch up on the three weeks of production that were lost. A three-year wage agreement has been reached which is positive for stability in the industry.





Investment of R40 million was made to expand capacity and improve technology in expansion for two new customers, and R19 million was spent on maintenance capital. Metair will continue to work closely with its OE customers to improve the long-term competitiveness of the industry.

Aftermarket, non-automotive and export segments

The aftermarket and non-automotive business, and in particular First National Batteries (FNB), continues to exceed expectations. FNB and Alfred Teves Brake Systems (ATE) constitute the majority of the combined aftermarket and non-automotive contribution.

In 2010 an amount of R43 million was spent on capital in the aftermarket sector for capacity and technology improvements, in addition to the R51 million spent in 2009.

Our brake pad and brake systems business was re-engineered to mostly service the aftermarket with limited retained OE business.

During the period, the group leveraged off its green technologies and increased its product offering in the non-automotive market. New energy-efficient streetlights and a solar battery standby product range were successfully launched.

FNB, the largest lead-acid battery manufacturer in Africa, has world-class proprietary technology and products and through its combination of retail parts distribution customers and Battery Centre network, is able to service the whole of southern Africa. Three years of intense design and testing culminated in the recent launch of the "stop-start" battery. This product will be able to fulfil future requirements in both the OE and aftermarket segments, with anticipated increased demand for improved emission-efficient vehicles utilising "stop-start" systems. Additionally, FNB is also exploring additional export markets in sub-Saharan Africa.

During the year land and buildings adjacent to FNB's existing manufacturing and distribution facilities in East London were purchased for R20 million in order to secure contiguous capacity for future growth opportunities.

Export profitability has come under pressure due to the strong Rand.

Board commentary

on 2010 results

Capital expenditure (R'000)

	2010	2010	2010	2009	2009	2009
	Maintenance	Expansion efficiency	Total	Maintenance	Expansion efficiency	Total
OE	19 330	40 126	59 456	14 480	23 123	37 603
Aftermarket	5 547	37 526	43 073	5 228	46 037	51 265
Property	1 664	19 960	21 624	1 005	26 283	27 288
Total	26 541	97 162	124 153	20 713	95 443	116 156

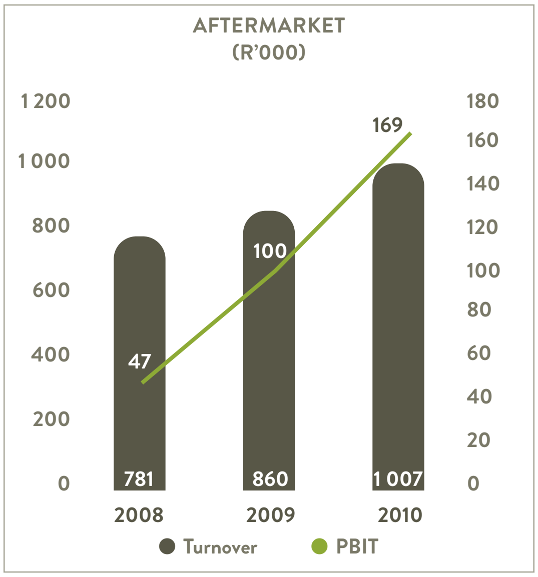
Capital expenditure

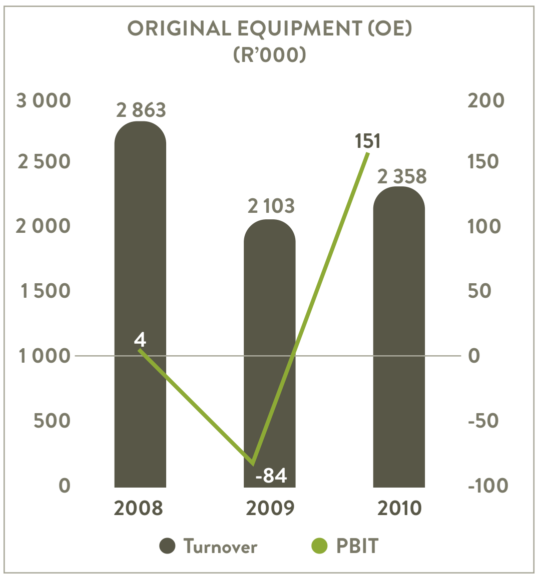
Capital expenditure incurred during the year is summarised in the table above.

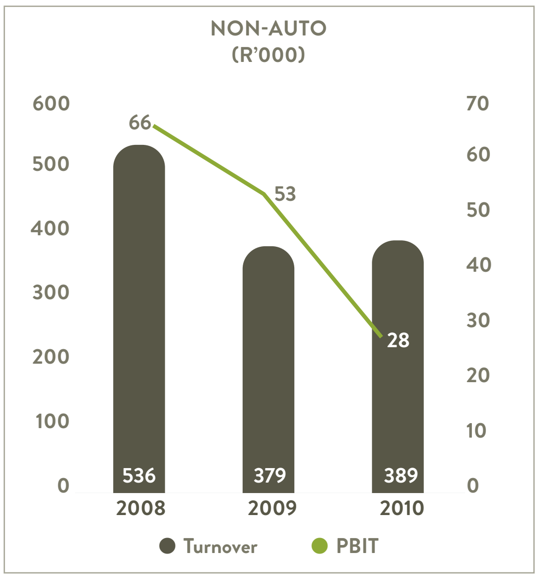
DETAILED GROUP RESULTS

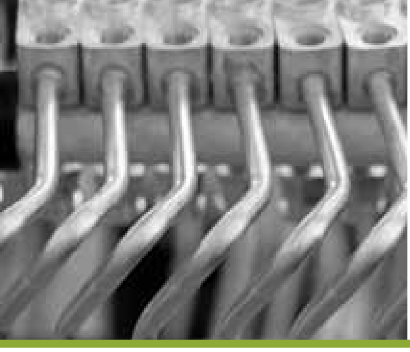
Group turnover improved by 12,3% to R3 753 million from R3 342 million in 2009. Although revenue is not at the record level achieved in 2008 (R4 180 million), the group is very pleased with the improved balance between the different sectors.

Aftermarket turnover improved by 17% to R1 007 million, with non-automotive turnover up 3% to R389 million. OE revenue improved to R2 358 million (2009: R2 103 million) and the group continues to









focus on improving the balance in its customer base.

Earnings per share for the full year were 198 cents per share, up 435% from the 37 cents per share in 2009. Headline earnings per share were 189 cents per share compared to 67 cents achieved in 2009, reflecting a 182% increase.

EBITDA improved by 68% to R501,3 million compared to R297,9 million in the previous period.

Profit before tax improved by 259% to R424,5 million from R118,2 million in the previous period.

Tax for the period amounted to R121 million representing a total charge of 28% of which 3,3% arose from Secondary Tax on Companies (STC).

Profit attributable to ordinary shareholders amounted to R277,7 million compared to the R52,2 million in the previous period.

Impairment write backs of R21,5 million were offset by limited impairments in the OE sector of R1,8 million as some unsustainable business in the OE segment were exited resulting in a net write back of R19,7 million.

Net asset value increased from 776 cents per share to 890 cents per share. Return on equity of 23,8% was achieved.

Cash generated by operations for the year was R484,6 million. After settling R75 million of redeemable preference shares, R26 million of preference dividends and paying a special and ordinary dividend of R106 million, the net cash position after borrowings at year-end was R235,5 million (2009: R81 million).

A dividend of 65 cents has been declared for the period under review as the group intends to maintain a dividend cover policy of three times.

Corporate activity

No acquisitions or disposals were made during the period.

INDUSTRY REVIEW

Original equipment

Local vehicle production increased by 27% in 2010, from 354 158 vehicles to 449 167 vehicles. Exports increased by 37% to 239 465 vehicles from 174 947 vehicles. The National Association of Automobile Manufacturers of South Africa (NAAMSA) is forecasting 2011 local vehicle production of 530 000 vehicles, which represents growth of 18% over 2010.

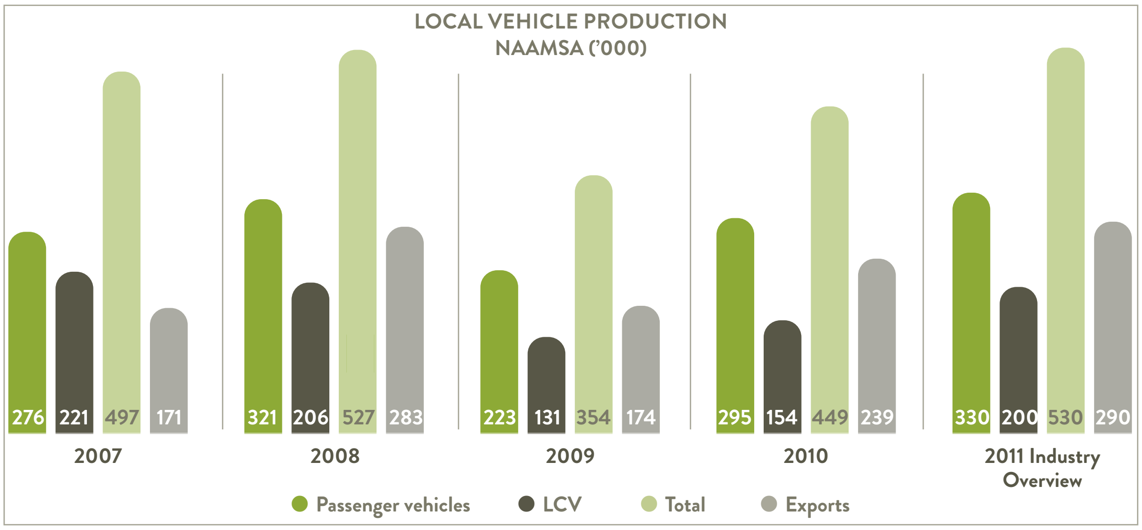
The local OE industry is optimistic on the outlook for vehicle production for 2012 and beyond as the Government incentive programme transforms from the Motor Industry Development Programme (MIDP) to the Automotive Production and Development Programme (APDP) over the next two years. The OE sector is still challenged by the unintended consequence of the MIDP with the dramatic increase in imported vehicles sold in the local market. Total vehicle sales for 2010 was 470 934, with the imported market share being 62%. The APDP has provided certainty to the industry until at least 2020 and in Metair's view is an improvement on the MIDP programme.

The current exchange rate environment necessitates long-term, responsible and realistic consideration. Balance must be maintained between local incentives and corporate social responsibility requirements in order to secure the purchase of locally manufactured components.

Metair's plastics, lights, battery and springs business, will participate in three new models from two new customers, by way of the successful launch of the two new VWSA product offerings during the period under review, and the planned launch of a new product offering from Ford during the next full year reporting period.

Board commentary

on 2010 results



Aftermarket

There is generally a time lag of between two and four years before new vehicle sales vest in annuity income for our aftermarket product range. Therefore, the group expects the high level of vehicle sales in 2007 and 2008 to support growth in the aftermarket sector. Consequently, the group has expanded its product offering in this segment. In addition, Metair is well positioned to benefit from the increase in imported vehicles as it offers generic products in its battery, brakes, filter, sparkplug and air-conditioning products that target both locally produced and imported vehicle ranges.

The group will actively target acquisitions in this sector to expand our product offering and take advantage of technological advantages.

Non-automotive

Improved activity in the mining, utility, telecommunication and warehousing industries should sustain growth in this sector.

PROSPECTS

There is an improved outlook in the short to medium term for the OE industry, and the high vehicle sales in 2007 and 2008 have laid the platform for growth in the aftermarket sector.

Through the focus on a balance between our OE and aftermarket businesses, selective capacity expansion and new products, Metair is well positioned to benefit from this improved industry outlook. Although much depends on OE volumes, the Rand exchange rate and a sustained economic recovery, management is cautiously optimistic that it can build on the performance achieved in 2010.

Management remains committed to a continued improvement in cost competitiveness and manufacturing and logistical excellence including further rationalisation and consolidation in our plastics business. Strategic acquisitions to expand the group's product offering, particularly in the aftermarket sector, will be actively pursued where the group can take advantage of its

technological advantages and robust balance sheet.

We have returned balance to our businesses and we are now well positioned to respond to market and customer requirements, with small effective and efficient alignments rather than large interventions.

The information in the commentary above has not been reviewed or reported on by the group's auditors.

SUSTAINABILITY

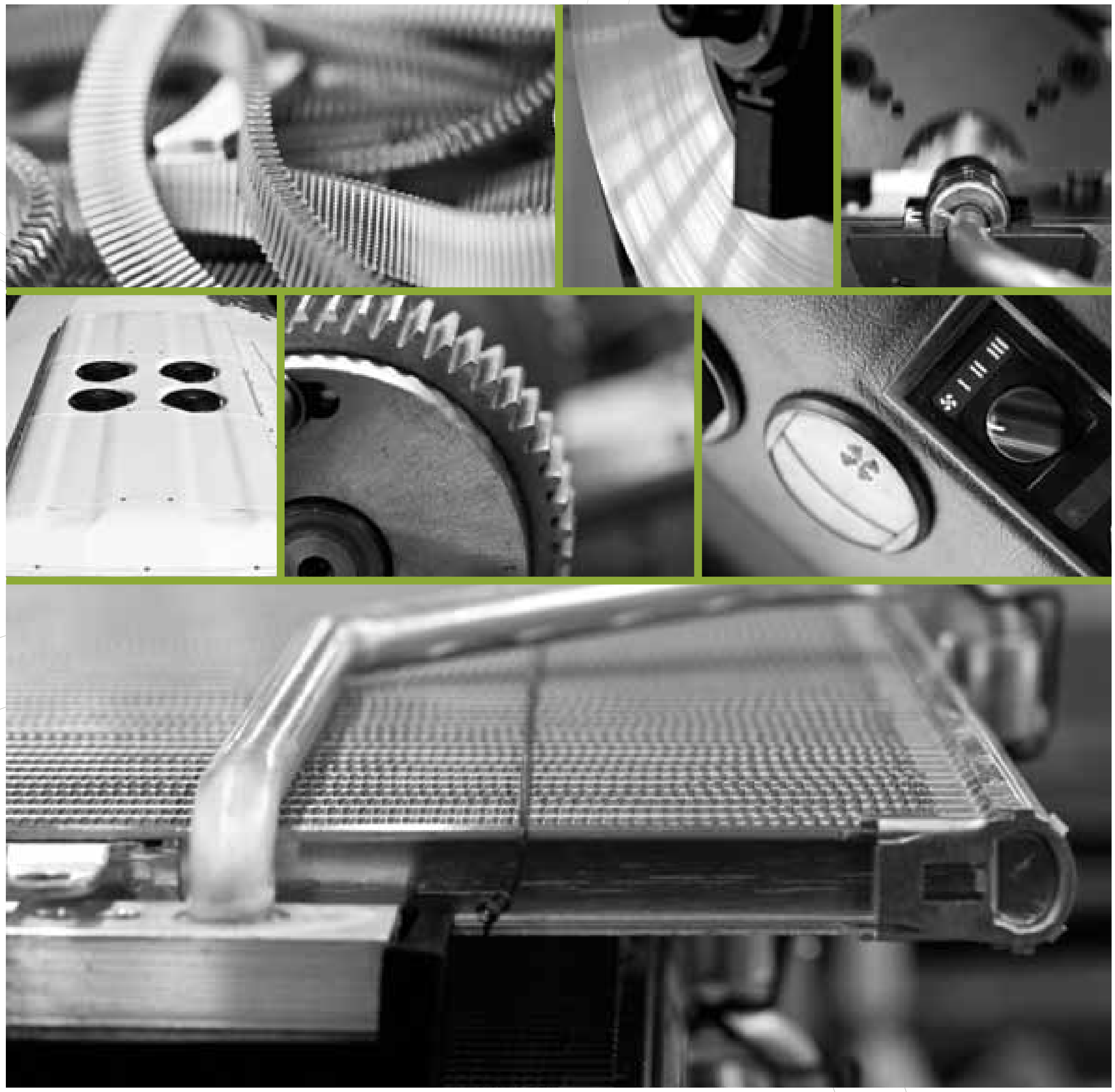
Metair fully subscribes to King's principle of integrated management and reporting with long-term sustainability as the common thread.

The group's revised vision is included in the sustainability report that can be found on page 39. Metair believes that managing and reducing our carbon footprint in all aspects of the business is an integral part of sustainability and integrated reporting.

During this reporting period we have measured our carbon footprint in our battery and lighting business with the aim to complete our full carbon footprint during the course of 2012.

APPRECIATION

It is with great appreciation to all our stakeholders that we bring the 2010 results to you as all stakeholders had to make adjustments and sacrifices during the last two years, especially in light of our cost-reduction activities.



financial review


Financial review

	2010	2009
	R'million	R'million
Revenue	**3 753**	3 342
Gross profit	**794**	535
Profit before taxation	**425**	118
Impairment reversals/(charges)	**20**	(47)
Profit attributable to ordinary shareholders	**278**	52
Total equity	**1 370**	1 184
Interest-bearing debt	**54**	151
Property, plant and equipment	**699**	658
Current assets	**1 322**	1 238
Total assets	**2 088**	2 001
Net asset value per share (cents)*	**890**	776
Basic earnings per share (cents)	**198**	37
Headline earnings per share (cents)	**189**	67

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

The measurement of financial performance plays an important role throughout the Metair group. Budgeting reviews, monthly reporting and quarterly forecasts are reviewed at subsidiary, segmental and group level.

GROUP OPERATING PERFORMANCE

Revenue increased by 12% from R3 342 million to R3 753 million, primarily due to increase in vehicle production figures and aftermarket growth. Gross profit margin improved from 16% to 21,2%. This was due to volume increases across OEMs, the benefit of downsizing in 2008/2009, the exiting of unprofitable business primarily relating to OEMs and the admirable performance in the aftermarket segment.

Other operating income decreased from R109,7 million to R48,9 million due to the following two large once-off items recorded in 2009: a reversal of a bad debt provision of R20 million, and a R25 million gain arising from the derecognition of a financial liability relating to the Metair Share Incentive Trust.

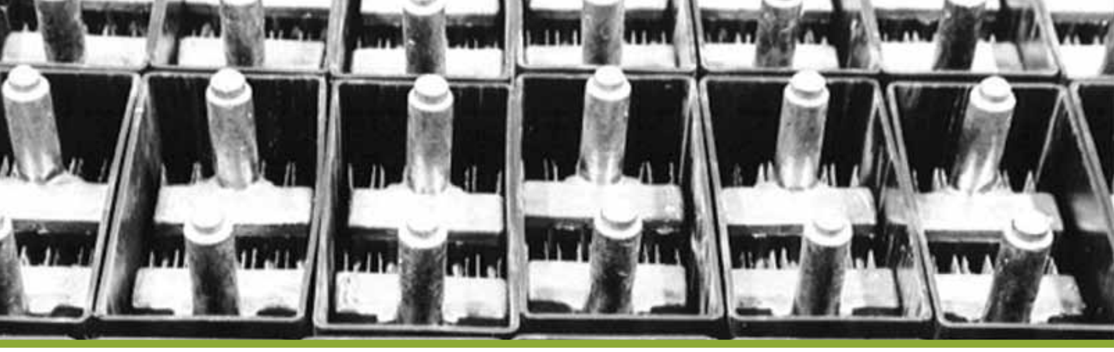
Distribution costs have increased from R108,4 million to R123,3 million primarily due to increased volume in the aftermarket segment. Administrative costs have increased year on year in line with inflationary increases.

Operating profit increased from R141,9 million to R402,9 million. Included in the operating figures are impairment charges of R47,1 million in 2009 compared to a reversal of R19,7 million in 2010. Excluding the impact of impairment charges and reversals, operating profit would have been R383,3 million in 2010 compared to R189,0 million in 2009.

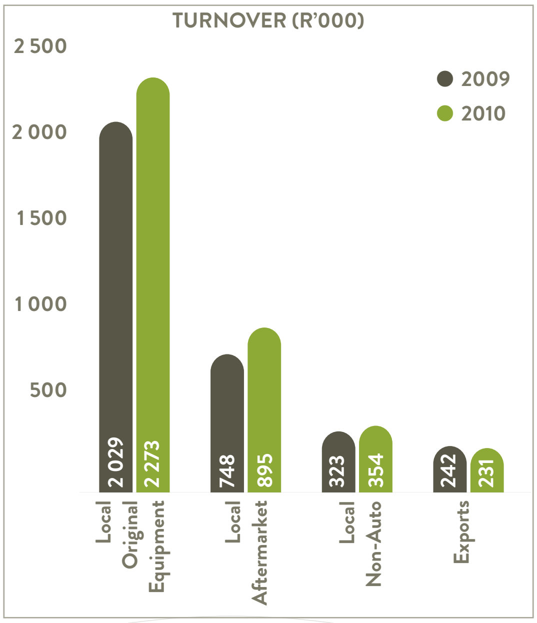
Net impairment reversals in 2010 consist of a R16,3 million reversal at our wire harness operations, R4,0 million reversal at our lights business and a R1,2 million reversal at our plastics business, being offset by a charge of R1,8 million at our brake operations.

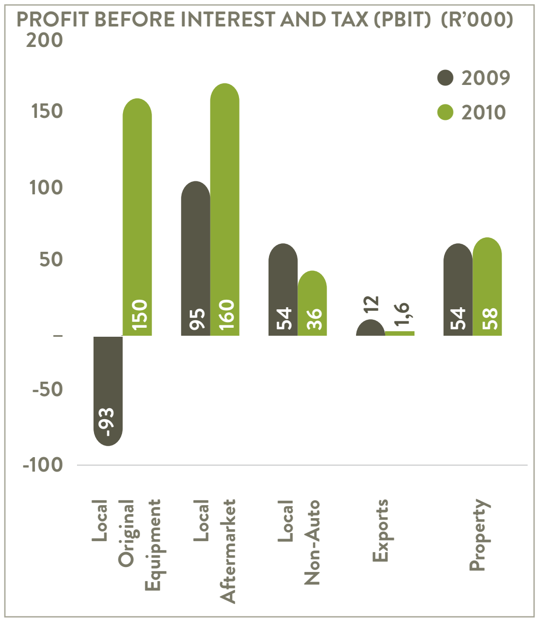
Associate income increased on the prior year from R0,4 million to R16,8 million primarily due to the increase in vehicle volumes.

The tax charge of R121 million includes current tax of R99,0 million, deferred tax of R8,1 million and secondary tax on companies of R13,8 million. This resulted in an effective tax rate of 28,0% (2009: 46,5%).



Financial review





Financing costs contributed a positive R4,8 million compared to a cost in 2009 of R24,1 million.

Headline earnings have increased by 178% to R265,6 million. Headline earnings is arrived at after adjusting for impairment charges/(reversals) and profits (losses) on the disposal of property, plant and equipment. Headline earnings per share have increased by 182% to 189 cents.

Very pleasing to note in 2010 were the dividends paid to shareholders of 75 cents, which included a special dividend of 60 cents paid at interim. The dividend policy for the immediate future will be at a two to four times cover depending on the capital requirements of the business. Previously three to four times cover.

SEGMENTAL OPERATIONAL PERFORMANCE

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

The reconciling items, which relate to Metair head office and property rental, have not been eliminated in the above graphs.

The aftermarket business sector – comprising primarily the battery and brake pad businesses – continues to perform well and has experienced exceptional growth over the past few years. Turnover increased by 20% from R748 million to R895 million due to an increase in volumes and pricing. Margins remain consistent and the recent introduction of additional lead smelters in the battery unit will assist in maintaining margins as we expand on our in-house recycling of lead. While the aftermarket segment was approximately 27% of group revenue, the profit before interest and tax was 40% of group total, due to the higher relative operating margins.

The OE business in 2010 has stabilised following a year of good industry sector production volumes of 449 167 vehicles compared to 354 158 vehicles in 2009. Turnover increased by 12% from R2 103 million to R2 358 million mainly due to increased production as mentioned above. The business on the whole remains cash generative and under normal circumstances is fairly predictable and steady in terms of volumes. The period 2008/2009 was an exception to this trend when world production volumes came under extreme pressure. While OE margins are less than the aftermarket segment, the benefit in the OE segment is the aforementioned relative degree of certainty.

Profit from non-automotive business was lower than last year (down 33%), due to margin pressure arising from slowing demand in the standby batteries and mining sectors.

Exports remain under pressure primarily due to the strong Rand.

Our property portfolio is quite extensive with nearly all manufacturing locations owned by Metair subsidiaries. The locations are strategic to hold onto and provide Metair with a significant property portfolio.

FINANCIAL POSITION REVIEW

Net asset value per share increased from 776 cents to 890 cents per share. This was due to the strong results for the year.

Working capital was well controlled during the year. Net working capital as a percentage of sales decreased from 15,1% in 2009 to 13,3% in 2010. Inventory has increased due to increased production volumes as well as increased commodity prices such as lead offset by a decrease in trade receivables and an increase in trade payables.

The balance sheet was well controlled and the emphasis on cash management was and remains a key focus area for the group.

Cash generated from operations increased from R413,3 million in 2009 to R484,6 million in 2010. Cash outflows from investing activities increased from R80,8 million to R102,3 million due to an increase in capital expenditure offset by a decrease in proceeds on disposal of assets. Cash repayment of debt of approximately R97 million during the year has left the group with a minimal amount of gross interest-bearing borrowings (excluding overdraft) at R54 million (2009: R151 million). Cash balances in the group net of overdrafts is at a healthy R290 million (2009: R233 million).

The group has sufficient borrowing facilities in the short-term, primarily overdraft facilities, which are annually renewable. Refer to note 16 in the financial statements for detailed information on these facilities.

CAPITAL EXPENDITURE AND CAPITAL COMMITMENTS

The group continues to invest in future growth, while simultaneously ensuring that the group's resources are optimally utilised.

Capital expenditure in 2010 amounted to R124 million versus R116 million in the prior year.

The spend was targeted at increasing capacity and technology at our battery business, including an investment in property in East London adjacent to our battery manufacturing facility. Capex in the OE segment included the increase in capacity for the successful launch of two passenger vehicle models in 2010, and the planned launch of a light commercial vehicle late in 2011.

Capital expenditure for 2011 will focus on increasing capacity at our battery business as well as gearing up for a new light commercial vehicle to be produced in South Africa by an OE as discussed above.

A summary of the group's planned capital expenditure for 2011 is set out below. This capital expenditure will be funded out of existing cash reserves and cash generated from operations.

2011 Capital expenditure (R'000)

	Maintenance	Expansion efficiency	Total
OE	18 212	74 249	92 461
Aftermarket	11 082	63 198	74 280
Property	304	280	584
Total	**29 598**	**137 727**	**167 325**

Ongoing focus on cost-saving initiatives, cash management and working capital management will continue in 2011.

Analysis of shareholders

At 31 December 2010 showed the following:

SHAREHOLDER SPREAD	No. of Shareholdings	%	No. of Shares	%
1 – 1 000 shares	167	18,17	90 490	0,06
1 001 – 10 000 shares	421	45,81	1 763 721	1,16
10 001 – 100 000 shares	218	23,72	7 953 370	5,21
100 001 – 1 000 000 shares	88	9,58	24 986 599	16,38
1 000 001 shares and over	25	2,72	117 737 695	77,19
Totals	**919**	**100,00**	**152 531 875**	**100,00**
DISTRIBUTION OF SHAREHOLDERS				
Banks	9	0,98	822 149	0,54
Broker	5	0,54	6 221 488	4,08
Close Corporations	22	2,40	625 398	0,41
Empowerment	1	0,11	37 911 325	24,86
Endowment Funds	6	0,65	57 330	0,04
Individuals	575	62,57	26 425 170	17,32
Insurance Companies	12	1,31	3 565 793	2,34
Investment Companies	5	0,54	5 920 056	3,88
Medical Schemes	3	0,33	646 187	0,42
Mutual Funds	49	5,33	31 944 379	20,94
Nominees and Trusts	120	13,06	3 176 963	2,08
Other Corporations	7	0,76	22 657	0,02
Private Companies	31	3,37	1 269 126	0,83
Public Companies	6	0,65	622 544	0,41
Retirement Funds	66	7,18	21 827 350	14,31
Share Trusts	1	0,11	1 293 687	0,85
Treasury Stock	1	0,11	10 180 273	6,67
Totals	**919**	**100,00**	**152 531 875**	**100,00**
PUBLIC/NON-PUBLIC SHAREHOLDERS				
Non-Public Shareholders	**6**	**0,66**	**65 225 285**	**42,76**
Directors and Associates of the Company	1	0,11	240 000	0,16
Share Trusts and Treasury Stock	3	0,33	11 473 960	7,52
Empowerment	1	0,11	37 911 325	24,85
Strategic Holdings	1	0,11	15 600 000	10,23
Public Shareholders	**913**	**99,34**	**87 306 590**	**57,24**
Totals	**919**	**100,00**	**152 531 875**	**100,00**
SHAREHOLDERS HOLDING 5% OR MORE				
Royal Bafokeng Metair Trust			37 911 325	24,85
Barnes, DL			15 600 000	10,23
Investec			10 591 812	6,94
Business Venture Investments No. 1217 (Treasury Stock)			10 180 273	6,67
Investment Solutions			10 074 068	6,60
Totals			**84 357 478**	**55,29**

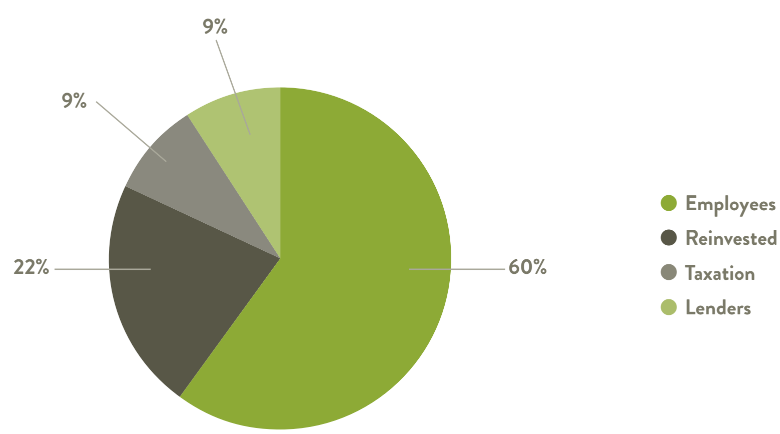
DIRECTORS	No. of Shares	%
Soanes, L	240 000	0,16
Soanes, L	240 000	0,16
Totals	**240 000**	**0,16**
METAIR AND ASSOCIATES (SHARE TRUSTS AND TREASURY STOCK)		
Metair Share Trust	1 293 687	0,85
Business Venture Investments No. 1217	10 180 273	6,67
Totals	**11 473 960**	**7,52**
EMPOWERMENT		
Royal Bafokeng Metair Trust	37 911 325	24,85
Totals	**37 911 325**	**24,85**
STRATEGIC HOLDINGS (MORE THAN 10%)		
Barnes, DL	15 600 000	10,23
Totals	**15 600 000**	**10,23**
SHAREHOLDERS HOLDING 5% OR MORE		
Investec	**10 591 812**	**6,94**
Investec Value Fund	3 682 888	2,41
Investec Special Focus Fund	2 389 400	1,57
Investec Emerging Companies Fund	1 979 400	1,30
Investec SA Value Fund	1 623 291	1,06
Investec Institutional Equity	855 912	0,56
Investec Alternative Investment Trust	60 300	0,04
Investec Securities (Broker Proprietary)	621	0,00
Investment Solutions	**10 074 068**	**6,61**
Investment Solutions Funds – Specialist	5 200 000	3,41
Investment Solutions Funds – Local	4 000 000	2,62
Investment Solution Real Return Focus Fund	473 737	0,31
Investment Solutions – Aggressive Value Equity	255 321	0,17
Investment Solutions – Specialist Equity	145 010	0,10
Totals	**20 665 880**	**13,55**

Value added statement

For the year ended 31 December 2010

	%	GROUP 2010 R'000	2009 R'000
WEALTH CREATED			
Revenue		**3 753 236**	3 342 053
Less: Net cost of products and services		**(2 428 537)**	(2 333 216)
Value added		**1 324 699**	1 008 837
Add: Income from investments		**35 672**	13 662
Wealth created		**1 360 371**	1 022 499
WEALTH DISTRIBUTION	%		
Employees			
Salaries, wages and other benefits	60	**822 804**	765 666
Providers of capital	9	**117 513**	30 146
Interest on borrowings	1	**11 764**	30 146
Dividends to shareholders	8	**105 749**	
Government taxation and levies	9	**121 009**	55 023
Retained in the group	22	**299 045**	171 664
To provide for the maintenance of capital	7	**101 257**	108 468
To provide for expansion	15	**197 788**	63 196
	100	**1 360 371**	1 022 499
Total number of employees		**5 552**	5 339

DISTRIBUTION OF VALUE ADDED %





Corporate governance

The directors of the company and its subsidiaries subscribe to the principles of the code of corporate practices and conduct as contained in the King Report on corporate governance for South Africa (King II) released in March 2002, and apply its principles. In the year under review the group complied with all applicable laws and regulations, and complied with the JSE listings requirements by fulfilling its obligations such as advising the JSE and posting on SENS the resignation and appointment of directors, announcing details of corporate actions that may lead to a material movement in the share price, and publishing interim and annual reports. The company secretary and sponsor are responsible for assisting the board in monitoring compliance with relevant legislation and the JSE listing requirements.

Metair will apply the principles of King III and explain any deviations from the principles. Metair already applies the majority of these and they will form an integral part of the way we conduct our business.

THE BOARD

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

The board comprises nine directors, of whom two are executive directors (the managing director and the finance director), three are non-executive directors (one being the chairman) and four are independent non-executive directors. The positions of chief executive officer and chairman are separated, with responsibilities divided between them for matters affecting the board and management.

Given the quantum of the direct and indirect shareholding of the major shareholder, Royal Bafokeng Holdings, the company has decided to continue with the practice of having a nominee of Royal Bafokeng Holdings as a non-independent chairman. The company has consequently appointed Mr JG Best as the lead independent non-executive director. Details of directors in office are detailed on page 7. In terms of the Articles of Association all new directors appointed during the year, as well as one-third of the existing directors, have to retire on a rotational basis each year, but they offer themselves for re-election. The board meets at least once a quarter and is responsible for strategic and policy decisions, the approval of budgets, and the monitoring of group performance. There are comprehensive management reporting disciplines in place which include the preparation of annual budgets by all operating units.

BOARD MEETING ATTENDANCE

	21 January 2010	15 February 2010	17 March 2010	9 June 2010	12 August 2010	24 August 2010	22 November 2010
OME Pooe	P	P	P	P	P	P	P
CT Loock	P	P	P	P	P	P	P
BM Jacobs	P	P	P	P	P	P	P
A Joffe	P	P	P	P	P	P	P
B Molotlegi	P	P	A	P	A	P	P
RS Broadley	P	P	P	P	P	P	P
L Soanes	P	P	A	P	P	P	P
A Galiel	P	P	P	P	P	P	P
JG Best	P	P	P	P	P	P	P

P = Present A = Apologies

Corporate governance

The strategic plan, the group budget, summaries of divisional sales, operating profit and capital expenditure are reviewed and approved by the board. Results and the financial status of divisions are reported on at board meetings against approved budgets and compared to the prior year. Profit projections, forecast cash flows and working capital and borrowing levels are also reported on at these meetings.

A board self-evaluation process was conducted during the year on the board as a whole. This process was coordinated by the company secretary and results were discussed at the board meeting in November 2010. The board's attention was drawn to a limited number of issues which needed attention. This process will be coordinated and repeated annually to assess progress.

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

SUBSIDIARY AND DIVISIONAL BOARDS

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

BOARD AUDIT AND RISK COMMITTEE

The committee comprises three independent non-executive directors, namely Mr JG Best (audit committee chairman), Mr L Soanes (appointed 17 March 2010) and Ms A Galiel.

The executive directors, the external auditors and the internal auditors attend the meetings by invitation.

The committee functions according to terms of reference, which are reviewed and updated regularly, and performs an annual self-evaluation of its effectiveness.

The main purpose of the committee is to assist the board in carrying out its duties relating to accounting policies, internal controls, financial reporting practices and identification of exposure to significant risk.

The audit committee has specific responsibilities relating to:

- Preparation of accurate financial reporting and statements in accordance with International Financial Reporting Standards
- Integrated reporting
- Combined assurance
- Internal audit
- Risk management
- External audit
- Information technology
- Group risk management.

The company is in the process of finalising its combined assurance model.

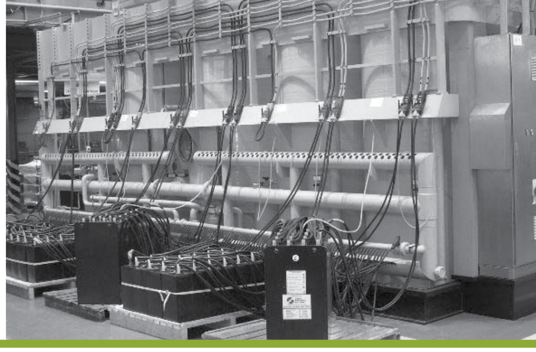
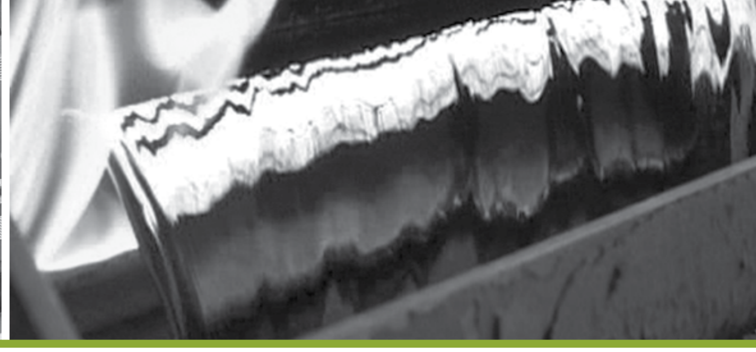
The committee reviews the interim reports, annual financial statements and trading statements and any other announcement regarding the group's results or other financial information to be made public and recommends them to the board for approval.

It nominates, for approval by the board, a registered auditor who complies with independence requirements and determines the fee structure for audit fees and the auditor's terms of engagement.

In this respect the committee can confirm that it is satisfied that PricewaterhouseCoopers Incorporated met the test of independence.

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

For the purpose of determining the effectiveness of management systems and internal controls during the

course of the year, the committee reviewed the internal and external audit scope, plans and the resultant findings as well as management reports.

KPMG is appointed to perform the function of internal audit. It is the responsibility of the audit committee to monitor and supervise the effective function of internal audit.

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

Meetings were held during the year in March, two in August and one in November 2010. The chairman reported to the board after each meeting.

At its meetings the committee reviews the group's financial results, receives and considers reports from the internal and external auditors on the results of their work and attends generally to its responsibilities. The committee also meets separately with the external auditors to obtain assurance that they have received full cooperation from management, while the committee chairman meets regularly with key executives to review issues which require the committee's consideration. During the year under review the committee performed the functions required of an audit committee on behalf of all subsidiaries in the group.

AUDIT COMMITTEE MEETING ATTENDANCE

	10 March 2010	12 August 2010	16 August 2010	15 November 2010
JG Best	P	P	P	P
A Galiel	P	P	P	P
L Soanes	*	P	P	P

P = Present A = Apologies

* Appointed 17 March 2010

The first meeting of 2011 was held in March.

Group risk management

Risk management is the responsibility of the board with the reporting and monitoring function delegated to the board audit committee. An enterprise-wide risk management policy framework forms part of the audit committee charter.

The audit and risk committee is responsible for ensuring that the primary objective and functions with respect to risk as set out below are adequately and effectively achieved. The board is responsible for ensuring that the actions recommended by the committee are addressed by allocating the appropriate resources.

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

The main functions of the committee relating to risk are to:

- Identify and agree on the risk profile of the company;
- Establish and maintain a common understanding of the risk universe that needs to be addressed in order to achieve corporate objectives;
- Ensure that management has effectively identified the key business risks and incorporated them into their activities;
- Assess the appropriateness of management responses to significant risks;
- Consider the control environment directed towards the proper management of risk;
- Coordinate the company's assurance efforts to avoid duplication, ensure adequate coverage of the risks and decide on what assurance efforts are appropriate;
- Assess the adequacy of the assurance provided by management, internal audit and external audit, and specialist consultants (as and when used);
- Keep abreast of all changes to the risk management and control system and ensure that the risk profile and common understanding is updated, where appropriate;

Corporate governance

- Report to the board on the work undertaken in establishing and maintaining the understanding of the risks that need to be managed and the adequacy of action taken by management to address identified areas for improvement;
- Satisfy the corporate governance reporting requirements; and
- Use AAA grade insurance underwriters to insure against major incidents and losses.

The board of Metair has committed to a process of risk management that is aligned to the principles of the King III Report on Corporate Governance and uses a well-structured and tested risk rating methodology.

The realisation of the company strategy depends on being able to manage risks in a manner that does not jeopardise the interests of stakeholders. Sound management of risk will enable the company to anticipate and respond to changes in the environment, as well as to enable it to make informed decisions under conditions of uncertainty. An enterprise-wide approach to risk management was adopted, which means that every key risk in each part of Metair will be included in a structured and systematic process of risk management. All key risks will be managed within a unitary framework that is aligned to Metair's corporate governance responsibilities.

The process is that each subsidiary as well as the Metair corporate office completes a risk identification process. At a group level the major risks of the subsidiaries together with the Metair corporate level risks are combined to arrive at a Metair group risk matrix. Mitigating controls have been applied to the inherent risks to arrive at residual risks. (Refer to pages 45 – 47 for a list of the group's risks.) Risks are reviewed by management on a continuous basis to ensure that responses to risk remain current and dynamic. Risks are reviewed by the audit committee bi-annually.

Risk is included as an agenda item at all subsidiary board meetings and are being continuously monitored. Meetings have been held at all subsidiaries.

BOARD REMUNERATION AND NOMINATIONS COMMITTEE

The committee comprises three non-executive directors: Messrs RS Broadley, who is also the chairman, L Soanes and A Joffe.

The main purpose of the committee is to:

- discharge the responsibilities of the board relating to all compensation, including share-based compensation, of the Metair group executives;
- establish and administer the Metair group executive remuneration policy with the broad objectives of:
  - aligning executive remuneration with the company strategy;
  - aligning executive remuneration with company performance and shareholder interests;
  - setting remuneration standards which attract, retain and motivate a competent executive team; and
  - evaluating compensation of executives, including approval of salary, share-based and other incentive-based awards; and
- review the trends and appropriateness of remuneration of directors of subsidiary companies.

Three meetings were held during the year – in March, August and November 2010. The chairman reported to the board after each meeting.

REMUNERATION COMMITTEE MEETING ATTENDANCE

	17 March 2010	24 August 2010	21 November 2010
RS Broadley	P	P	P
L Soanes	P	P	P
A Joffe	P	P	P

P = Present A = Apologies

The next meetings will be held in June and November 2011.

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

Nominations Committee

The remuneration committee serves as the nominations committee. It has an independent role and will make recommendations to the board for its consideration and final approval.

The responsibilities as set out in the Remuneration and Nominations Charter are as follows:

- The committee shall make recommendations to the board on the appointment of new executive and non-executive directors, including making recommendations on the composition of the board generally and the balance between executive and non-executive directors appointed to the board.
- Ensure the establishment of a formal process for the appointment of directors, including
  - Identification of suitable members of the board;
  - Performance of reference and background checks of candidates prior to nomination; and
  - Formalising the appointment of directors through an agreement between the company and the director.
- The committee shall regularly review the board structure, size and composition and make recommendations to the board with regards to any adjustments that are deemed necessary.
- The committee shall ensure that a formal succession plan for the board, chief executive officer and senior management appointments are developed and implemented and be responsible for identifying and nominating candidates for the approval of the board to fill vacancies as and when they arise.
- The committee shall oversee the development of a formal induction programme for new directors and ensure that inexperienced directors are developed through a mentorship programme as well as overseeing the development and implementation of continuing professional development programmes for directors.
- The committee shall make recommendations to the board for the continuation (or not) in service of any director who has reached the age of 70.
- The committee shall recommend directors who are retiring by rotation, for re-election.

Remuneration policy

The remuneration policy is formulated to attract, retain, motivate and reward executive management who are able to influence the performance of Metair and its subsidiaries on a basis which aligns their interests with those of the company and its shareholders and is based on the following principles:

- Remuneration will be measured against the manufacturing industry median taking into account the size and business complexity of subsidiaries for subsidiary director remuneration.
- Individual performance and the achievement of certain key performance measures will also be taken into account in determining executive remuneration.
- A remuneration database in the market will be used and updated every three years.
- Remuneration consists of a guaranteed portion (base pay) and a variable portion consisting of a short-term incentive plan (STIP) and a long-term incentive plan (LTIP).

The table over the page depicts the various components of total remuneration. Base pay is shown as 100% while the STIP and LTIP elements are reflected as a percentage of base pay.

Corporate governance

Management level	Remuneration elements	% weighting
Metair CEO/CFO	Base pay	100
	STIP (1)	50
	LTIP (4)	60
		210
MD of subsidiary	Base pay	100
	STIP (2)	50
	LTIP (4)	50
		200
Directors of subsidiary	Base pay	100
	STIP (3)	40
	LTIP (4)	35
		175

Notes:

1. Can increase to 100% for exceptional performance
2. Can increase to 70% for exceptional performance
3. Can increase to 60% for exceptional performance
4. Depends on Metair share performance

Remuneration strategy

Metair recognises that the company's reward strategy will have a direct impact on operational expenditure, company culture, employee behaviour and ultimately, with correct alignment, on the company's ongoing strategic sustainability. Metair will reward its employees in a way that reflects the dynamics of the market and context in which it operates. All components of the group reward strategy, including the fixed pay, variable pay and performance management should be aligned to the strategic direction and business specific value drivers of Metair and its subsidiaries.

Executive management remuneration

Executive remuneration consists of a guaranteed portion (base pay) and a variable portion consisting of a short-term incentive plan (STIP) and a long-term incentive plan (LTIP) and these elements are described below.

Base pay

Base pay for executive management comprise an annual cash amount, various benefits that include pension, medical aid, group life, 24-hour accident cover and a car allowance scheme.

Short-term incentive plan (STIP)

Executive management participate in a short-term incentive programme, which is based on the achievement of various short-term financial and non-financial performance targets. This is paid out annually and is calculated as a percentage of basic salary depending on the management level.

For details of performance bonuses paid, refer to note 3 in the financial statements.

Long-term incentive plan (LTIP)

The remuneration committee and shareholders approved "The Metair Investments Limited Share Plan" (the plan). This replaced all previous long-term share incentive structures, which will be phased out in due course. Under the plan, executives, senior managers and/or key employees of the group will annually be offered a combination of share appreciation rights, performance shares and bonus shares. Refer to note 14 in the financial statements for details of all awards/allocations.

The purpose of the plan is in line with the remuneration policy to attract, retain, motivate and reward executives and managers who are able to influence the performance of the company and its subsidiaries on a basis which aligns their interest with those of the company's shareowners.

The plan is in line with global best practice, and emerging South African practice, and serves to reward the required attributes of shareholder alignment, retention of key talent and long-term, sustained performance. The plan consists of three elements.



Share appreciation rights is an annual allocation of the right to a value equal to the appreciation on the share price with a three-year phased vesting period from the third year. The exercise horizon is a maximum of six years from allocation date.

Performance shares are an annual award with a three-year vesting period and vests to the extent that performance criteria are met.

Bonus shares are matched to an annual cash incentive and the vesting period is three years conditional on continued employment.

It is envisaged that the combined, weighted implementation of the above long-term incentive elements will allow the company to remain competitive in annual and share-based incentives, reward long-term sustainable company performance, act as a retention tool, and ensure that executives share a significant level of personal risk with the company's shareholders.

Non-executive management remuneration

Non-executive directors proposed fees for 2011, subject to shareholders' approval and effective 1 January 2011:

Metair board chairman
R200 000 per annum

Non-executive directors
R200 000 per annum

Audit committee chairman
R27 500 per meeting

Audit committee member
R22 000 per meeting

Remuneration committee chairman
R16 500 per meeting

Remuneration committee member
R11 000 per meeting

The non-executive directors do not participate in any share incentive or share option scheme in the company.

Refer to note 3 in the financial statements for details on executive and non-executive director emoluments.

INSIDER TRADING

No employee (directors and officers included) may trade directly or indirectly in the shares of the company during a closed period or a prohibited period. Closed periods are imposed from 31 December and 30 June until the publication of the results.

Where appropriate, a prohibited period is also imposed on certain employees during periods when they are in possession of undisclosed price-sensitive information.

EMPLOYMENT EQUITY AND TRANSFORMATION

The group, through each of its subsidiaries, has:

- submitted the relevant employment equity reports (in October 2010), after thorough consultation with staff and union representatives;
- through the employment equity and transformation committees monitored and measured performance against the five-year employment equity plan and instituted corrective action where necessary; and
- addressed barriers such as skills shortage among previously disadvantaged groups, through accelerated skills development programmes, learnership programmes, and intensive internal and external training.

The group consequently complies with all the requirements of the Employment Equity Act.

BROAD BASED BLACK ECONOMIC EMPOWERMENT

Metair has achieved a score of 20,6 points for the ownership element on the generic Broad Based Black Economic Empowerment scorecard. The transfer of these points to the subsidiaries results in all subsidiary companies being compliant during the period. Subsidiary


Corporate governance

companies have put plans in place to target a Level 4 contributor level by 2014 with a focus on employment equity, preferential procurement, skills development and corporate social investment. This is in line with customer requirements of a targeted contributor Level 4 for participation in new projects.

SPONSOR

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

KING II COMPLIANCE

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

The following corporate governance practices are in place:

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

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

KING III

The group will apply the King Code of Governance Principles for South Africa 2009 for the financial year ending 31 December 2011 and these principles will form an integral part of the way we conduct our business. A gap analysis has been conducted which has revealed few shortcomings and these are mainly in the new areas of IT governance, integrated reporting and in formalizing policies and procedures for processes that already exist. Good progress has been made towards remedying these areas.

The board's responsibilities have been reviewed to ensure compliance with King III and the new Companies Act, 2008; and include the following:

- to be the focal point of governance that embraces and applies the principles of King III and the board charter;
- to provide leadership in an ethical way to ensure sustainability in terms of economy, environment and society taking into account the impact on internal and external stakeholders;
- to review and approve corporate strategy;
- to approve and oversee major capital expenditure, acquisitions and disposals;
- to monitor operational performance and management;
- to review annual budgets and business plans;
- to identify and monitor key risk areas;
- to ensure that appropriate control systems are in place for the proper management of risk, financial control and compliance with all laws and regulations;
- to approve the appointment and replacement, where necessary, of the chief executive officer and other



senior executives and to oversee succession planning;
- to approve the nomination of directors and to monitor the performance of all the directors, including the chairman and the chief executive officer; and
- to oversee the company's disclosure and communication process.

Board audit committee report

The audit committee is constituted as a statutory committee of Metair Investments Limited in respect of its statutory duties in terms of section 94(7) of the Companies Act, 2008 and a committee of the board in respect of all other duties assigned to it by the board.

TERMS OF REFERENCE

The committee has adopted formal terms of reference approved by the board. These terms of reference are being reviewed on an annual basis and updated where necessary. During the past year, the committee has executed its duties in accordance with the terms of reference.

COMPOSITION

The committee comprised three independent non-executive directors of which one is the chairman. The risk committee forms part of the audit committee and all members are the same as those of the audit committee. All members of the committee are suitably skilled and experienced. The chairman of the board is not eligible to be the chairman or a member of the audit committee meetings.

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

STATUTORY DUTIES

The following statutory duties were executed by the committee:

- Nominated and re-appointed PricewaterhouseCoopers Inc. as external auditors and Mr L de Wet as the individual auditor, after confirmation of their independence.
- The committee confirmed that PricewaterhouseCoopers Inc. and the designated auditor is approved by the JSE.
- The external auditor fees, as per note 3 of the annual financial statements, and their terms of engagement were approved.
- All non-audit services provided by PricewaterhouseCoopers Inc. were approved.
- Meetings were held with PricewaterhouseCoopers Inc. after the audit committee meetings, without the executive management present, and no matters of concern were raised.
- No reportable irregularities were noted by PricewaterhouseCoopers Inc.
- The committee reviewed the annual financial statements, annual report as well as the interim report during the year with the external auditors present before recommending it to the board for approval.

Board audit committee report

All trading statements were reviewed by the audit committee before recommending it to the board for approval.

RISK MANAGEMENT

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

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

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

The committee mandate and enterprise-wide risk management policy framework was put in place during the year.

INTERNAL FINANCIAL CONTROLS

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

REGULATORY COMPLIANCE

The group complied with all the relevant laws and regulations and is in the process of creating a single comprehensive record of the regulatory universe of the group.

EXTERNAL AUDIT

The committee has no concerns regarding the external auditor's independence and PricewaterhouseCoopers Inc. has been recommended to the board and shareholders to be re-appointed. Refer to note 3 for audit fees paid.

INTERNAL AUDIT

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

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

FINANCIAL DIRECTOR REVIEW

The committee has reviewed the performance, appropriateness and expertise of the financial director, Mr BM Jacobs, and confirms his suitability in terms of the JSE Listings Requirements.

ANNUAL REPORT

The committee has evaluated the annual financial statements of Metair Investments Limited and the group for the year ended 31 December 2010 and based on the information provided to the committee, consider that the group complies in all material respects with the requirements of the Act and International Financial Reporting Standards and the committee recommend the annual report to the board and shareholders for approval.

On behalf of the board audit committee

Best

JG Best
Audit committee chairman
10 March 2011

sustainability report

Sustainability report

This report provides an account of Metair's economic, social and environmental performance and activities for the period January 2010 to December 2010.

The group has adopted an incremental approach to reporting on non-financial performance, aiming year on year for greater, pertinent detail on material economic, social and environmental indicators.

Metair's sustainability requirements in the period under review resulted in the group not only having to develop a more balanced approach, but also to rethink our vision.

The group's vision was to "generate value for shareholders, associates, customers, community and the economy through significant shareholdings in medium to large local automotive component manufacturers who have established relationships with leading global automotive component manufacturers and with their own developed in-house capabilities, assuring long-term feasibility".

The vision was firmly embedded in the roots and origin of Metair where even our name – being the combination of metal and air-conditioners – focused mostly on the manufacturing of automotive vehicle parts used by Original Equipment Manufacturers (OEMs) in the assembly of locally produced vehicles and where access to the aftermarket and non-automotive market was mostly incidental and not by design.

This vision limited the group's opportunity for growth. The required relationships with leading global automotive component suppliers worked well in the period before the 2008 crisis when the market was growing rapidly and reaching full capacity utilisation. Post-October 2008 those relationships proved to be difficult as international partners in the local market threatened to turn into competitors in an environment with a strong Rand and global recession.

The newly defined Metair vision that will be used as our strategic compass for the future liberates the areas in which Metair can operate.

The vision is to "generate value for all our stakeholders by managing and controlling businesses that through manufacturing and/or logistical excellence deliver quality, cost-competitive products to our customers in a sustainable manner".

Our aim is to be recognised as a leading innovative/competitive company who is always ready to adapt to the ever-rapid changes taking place in the world economy. Our products/services must have a reputation for quality and delivery so that our customers have complete confidence in doing business with us.

The objective is to:
- Nurture our current business through quality, delivery and cost competitiveness by expanding our current customer base with our current product offering and securing replacement business.
- Secure and grow aftermarket product range and market share through quality, delivery, distribution and improved product offering.
- Actively pursue an acquisition programme targeting local aftermarket and non-automotive world-class manufacturing and distribution businesses.
- Actively pursue the acquisition of a complementary business that can leverage off our technologies, manufacturing efficiencies and product range.

We are dedicated to creating value for all our stakeholders and to perform in a manner which will enhance returns on investments. We respect the individuality of each employee and aim to foster an environment in which the employee's creativity and productivity is encouraged, recognised, valued and rewarded, with our customers receiving product/service values that excel.

Sustainability report

Set out on pages 48 and 49 is the group structure and products at a glance indicating product offering and market segment participation.

Our business practices reflect our commitment to sustainability and our intention to enhance reporting in the areas of social, economic, environmental, risks and opportunities facing Metair.

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

Metair has applied the Global Reporting Initiative (GRI) reporting framework for sustainable development. However, in our endeavour to apply the principles of integrated reporting as outlined in King III, we will determine what approach best suits Metair.

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

In our recent risk assessment process, we have taken note of the fact that many of our risks fall within the sustainable development ambit. For example, these include issues which may ultimately affect the quality of our products, human capital constraints and – within some of our subsidiaries – incidents such as chemical spillage and energy costs. Health and safety are being given due attention and is part of standard operating procedures in the group. Further details of our top risks and our mitigation plans are outlined on pages 45-47.

STAKEHOLDER COMMUNICATION

At Metair we acknowledge our stakeholders' concerns and interests. We have identified our key stakeholders and continue to assess and address key issues raised by them.

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

- Government is an important stakeholder in the automotive industry. Key to this stakeholder group is a focus on finalisation and implementation of the Automotive Production and Development Programme (APDP), localisation, BBBEE, job creation and job security.
- Metair endorses the need to deepen local content and local supply in order to maintain existing jobs as well as further job creation. To this end, we have continued to engage with government and have provided input into the Industrial Policy Action Plan that Minister Rob Davies has brought about. At a plant level, Metair encourages efficiency of employees and measures productivity through individual performance management. The period under review has been stable for preservation of jobs as volumes of OEMs improved. We encourage a safe working environment through the implementation of formal health, safety and environmental policies, systems and processes. We are actively supporting skills development, learning and education, and partner with employees on various CSI projects.
- With our customers in mind, Metair focuses on quality, cost, delivery, safety and improvement of our cost competitiveness. We have to continuously ensure that our customers have a balanced approach when awarding new business and evaluating options on current business.

The issue of global cost competitiveness remains a significant threat to the local automotive component manufacturing industry. South Africa operates in an inflationary environment with a very strong free market currency compared to our competitor supplier countries that mostly have deflation and government-influenced weaker currencies. The current strong exchange rate is of major concern as Metair is trying to engage with customers to use a responsible realistic exchange rate when evaluating sourcing decisions, in conjunction



with the benefit offered by the Government incentive programmes and social responsibility arguments.

Fair economic treatment from customers can only be achieved under the following circumstances:
– local manufacturers' excellence and efficiency;
– raw materials are available locally at competitive pricing levels; and
– the pricing comparison shifts from the currently applied Cost Index Manufactured (CIM) to Cost Index Landed (CIL), which correctly incorporates the logistical cost of imported competitors' products.

Customer requirements of CIMs of one or less – when compared to suppliers from India or China – are unrealistic and require ongoing customer engagement. Realisation that when pushed to the extreme, quality – although non-negotiable – could come into conflict with cost, and the temptation to compromise on quality to ensure some level of temporary economic return must be resisted.

ECONOMIC SUSTAINABILITY

Value added statement

Return on assets (ROA), return on equity (ROE), gearing, gross and net margins are measured monthly at both subsidiary and group level. Internal rates of return (IRA) are used as a tool in investments in potential new projects. A hurdle rate of 18% is applied.

Economic performance is satisfactory when compared to group targets. The group target of 18% ROE is currently unattainable in some businesses and conflicts with our customers' views of acceptable returns in the automotive industry. Our future strategy will determine the appropriate sustainable plans of these companies that are predominately OEM. Cash is monitored on a weekly basis and reconciled against facilities available

THE 10 KEY PERFORMANCE INDICATORS

1.	Grow aftermarket and target non-auto acquisitions.
2.	Continue realistic, responsible, cost-indexed manufacture process with customers.
3.	Secure next model business from all OE customers.
4.	Utility strategy for the group.
5.	Improve BBBEE and EE compliance and commitment.
6.	Balanced approach to be followed.
7.	Continue lobbying for government support for the motor industry.
8.	Improve margin on non-auto business.
9.	Ensure correct partnership with joint venture partners.
10.	Engage union on wage increases and productivity.

Sustainability report

from providers of capital. (See value-added statement on page 26.)

Value added measurement and performance also form the basis of the variable element of executive remuneration as 80% of variable remuneration earnable is based on PBIT, RONA and ROA/ROE targets.

Management performance

The group recognises that the setting and measurement of management performance targets is key not only in assuring sustainability but also to address and manage risk components in the group.

During the period under review the group has identified 10 key performance elements for Metair and each subsidiary that either addressed a key performance indicator or a specific residual risk. Refer to table on the previous page.

BBBEE compliance and transformation

The group has decided to use the generic BBBEE score elements as its key performance indicator in measuring progress in transformation and BBBEE compliance.

Metair obtained a score of 20,6 points out of a maximum of 23 points for ownership, which is transferable to the operating subsidiaries.

The group is targeting a 49 point improvement in the overall collective group score above the group's collective score of 435 points achieved in 2009, for the period 2010.

This entails a minimum of five points improvement per subsidiary for the 2010 period to be measured in 2011 with the following target per BBBEE element.

ELEMENT	OVERALL IMPROVEMENT TARGET
Management	2,5 points
Employment equity	18 points
Skills development	10 points
Preferential procurement	3 points
Enterprise development	8 points
Social responsibility	7,5 points
Total	**49 points**

The major focus for 2011 is employment equity and skills development.

BBBEE compliancy levels are monitored at board level with the aim to achieve our targeted Level 4 compliance by 2014. It is especially pleasing to note that in the current year our companies improved their BBBEE scores and most of the major subsidiaries have scored a Level 5 or Level 4 score.

The group has also included performance under this element as part of the variable element of executive remuneration as 20% of variable remuneration earnable is based on achieving designated BBBEE targets.

Supplier responsibility

We audit our suppliers on a continuous basis, including their BBBEE scores, product quality and ability to deliver on time. In addition, we intend to begin assessing our suppliers' carbon footprints.

The supplier base was also identified as a possible source for targeted enterprise development initiatives.

SOCIAL SUSTAINABILITY

Customer service

Consistent with best practice in the automotive industry, quality, cost, delivery and safety are monitored on a daily basis and built into standard operating procedures.

CSI policy and spend

Each group company has a social investment policy where 1% of profitability is allocated to support community projects. These funds support subsidiary level projects aimed at communities within which the company operates. At group level, 1% of profitability is allocated to support community projects.

Training and development

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

Employment equity and transformation

The group, through each of its subsidiaries, has:

- submitted the relevant employment equity reports in 2010, after thorough consultation with staff and union representatives;
- through the employment equity and transformation committees monitored and measured performance against the five-year employment equity plan and instituted corrective action where necessary; and
- addressed barriers such as skills shortage among previously disadvantaged groups, through accelerated skills development programmes, learnership programmes, and intensive internal and external training.

The group consequently complies with all the requirements of the Employment Equity Act.

In 2011 the group plans to aggregate all employment equity reports and report on its progress against the relevant targets in its 2012 annual report.

Labour union relations

Labour morale is measured throughout the group, backed by structural labour relations guidelines and a grievance procedure supported by an external tip-off system. Union engagement is at a national, provincial and company level through formalised recognition agreements. The majority of the group is covered in terms of Chapter 3 of the motor industry bargaining council.

The group, as part of the industry segment to which we belong, entered into a new three-year wage agreement after extensive negotiations and strikes in 2010.

Retrenchments

During 2010 group employment numbers remained relatively consistent with 2009 with the exception of minor retrenchments in certain of our subsidiaries. Formal agreed and legislated reduction guidelines are in place to deal with any retrenchments.

ENVIRONMENTAL, HEALTH, SAFETY AND QUALITY SUSTAINABILITY

The automotive industry is structured around formal external and internal systems and accreditation that fully encompass all aspects of the environmental, health, safety and quality regime. The table on the next page indicates current accreditation for each subsidiary in this area.

The essential accreditations are ISO 14001 and TS 16949. There are no group subsidiaries that do not have these accreditations. The aim is for all group companies to target the OHSAS 18001 accreditation by 2015 as a desirable.

CARBON FOOTPRINT

Two group subsidiaries, namely First National Battery and Lumotech, have measured their carbon footprint (including water, electricity, gas, material usage and product recycling). Our target is to complete the full group carbon footprint during 2011.

Measurement of current carbon footprint in carbon dioxide equivalent tonnes included, scope 1 that covers company-owned vehicles and stationary fuels, scope 2 that covers indirect emissions from electricity usage and

Sustainability report

CURRENT ACCREDITATION PER SUBSIDIARY

Subsidiaries	ISO 9001	ISO 14001	TS 16949	OHSAS 18001	Q1 Ford	VCA	QSB GM	Formal Q	SABS SANS 475
First National Battery Division	X	X	X			N/A			X
Smiths Manufacturing (Pty) Ltd		X	X	X	X	X	X		N/A
Hesto Harnesses (Pty) Ltd	N/A	X	X		X	N/A		N/A	N/A
Smiths Plastics (Pty) Ltd	X	X	X			N/A	N/A	N/A	N/A
Automould (Pty) Ltd	X	X	X		N/A	N/A	N/A		N/A
Supreme Spring Division	X	X	X		X	N/A	X	X	N/A
Alfred Teves Brake Systems (Pty) Ltd	X	X	X		X	X	N/A	N/A	N/A
Lumotech (Pty) Ltd	X	X	X		X	X	N/A		X
Tenneco Automotive Holdings (Pty) Ltd	X	X	X	X	X	N/A	X	X	N/A
Valeo Systems South Africa (Pty) Ltd	X	N/A	X		N/A	N/A	N/A	N/A	N/A
Unitrade (Pty) Ltd	X	X	X		N/A	N/A	N/A	N/A	N/A

ISO 9001 – this is a Quality Management System (similar to TS 16949) but for non-automotive.

ISO 14001 – this is an Environmental Management System.

TS 16949 – this is a Quality Management System based on ISO 9001, but including specific international automotive requirements.

OHSAS ISO 18001 – this is an Occupational Health and Safety standard.

Q1 – this is a customer-specific requirement for Ford. The foundation is TS 16949. However, there are specific management systems for Ford Motor Company (International).

VCA – Vehicle Certification Authority UK is a quality review system for export safety-critical items.

QSB – GM – Global General Motors Specific Quality Systems Basics 2009.

Formal Q – VW – VW Specific Supplier Quality Review System.

SABS SANS – SABS Mark approval for product and manufacturing facility.



scope 3 that covers other indirect emissions that relate to water, paper and packaging consumptions as well as waste output and business travel.

It is estimated that 75% of the group's current measured carbon footprint emanates from indirect emissions from electricity usage.

The group is targeting an initial 10% reduction in electricity usage that will be rolled out in 2011. While the reduction strategies are in an infancy stage the group has identified the following three areas to focus on:

- alternative energy sources (gas vs electricity);
- balancing electricity usage to output (variable drive technology); and
- investigating Government initiatives for alternative energy supply.

Emissions from direct and third party petrol, diesel and oil usage accounts for 17% of the current measured footprint.

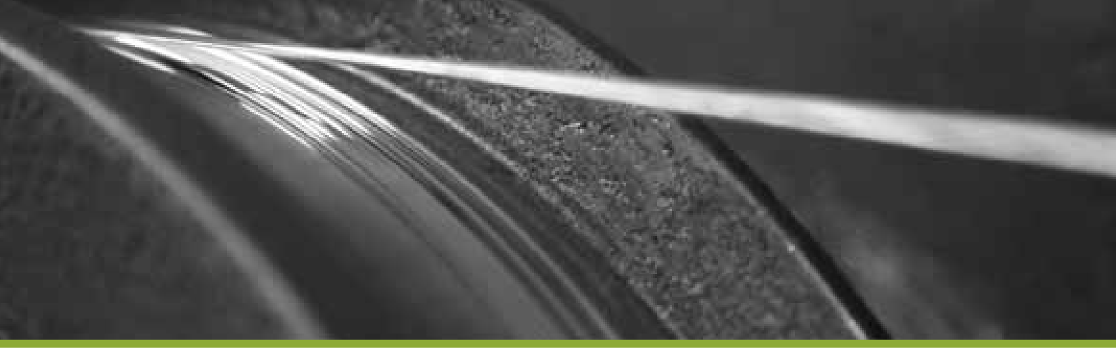
It is possible to structurally improve the footprint in this area if Government, together with the petrochemical industry, launches latest level emission-efficient fuels in South Africa. The group will continue to participate in industry bodies that can bring pressure to accommodate this change. In-house transport efficiencies will be measured to reach the target of a 10% reduction in total distance travelled.

RISKS

Metair believes that risks are addressed through avoidance, capital, systems, processes, people, insurance and assurance and/or a combination of the above that must always be reflected in the business planning and be evident in budgets.

Metair has managed in the period under review to revise its risk management process and has established risk committees in all of businesses and rated and prioritised inherent and residual risks at a subsidiary and group level.

The tables overleaf indicate the top inherent and residual risks in the group.



Sustainability report

INHERENT RISKS	MITIGATING ACTION PLANS
Competitiveness issues relating to global sourcing, the real threat of low-cost countries like India and China and the strength of the South African Rand.	– Continue to focus on quality, cost, delivery and safety. – Leverage off local raw material availability, internal manufacturing excellence and cost of logistics. – Continued strategic review of business potential. – Ensure appropriate pricing and cost strategies are implemented. – Responsible exit from businesses where there has been a structural shift in the competitive position.
Gross margin erosion from under-recovery of economics from OEMs.	– Continuous focus on all cost drivers. – Improved OEM volumes will assist in recovering margins.
Currency volatility Movement of currencies against the Rand impacting on translations for financial reporting in Rand.	– Maintain adherence to foreign currency internal policy. This policy is based on the principle of ensuring currencies are adequately covered, thereby mitigating against foreign currency exchange losses.
Change in sourcing decision on new models.	– Continue to focus on quality, cost, delivery and safety. – Leverage off local raw material availability, internal manufacturing excellence and the cost of logistics.
Exit of major original equipment manufacturers from South Africa.	– Drive strategy of expanding aftermarket products and selected diversification acquisitions, in order to reduce reliance on OEM business.
Labour disruptions and labour relations.	– Positive engagement with labour unions. – Improve communication between management and workforce. – Adherence to good labour practices.
Product recall exposure.	– Adherence to quality standards and adequate insurance cover.
Excessive dependence on a single customer.	– Focus on competitiveness, quality, delivery standards to obtain new business from other OEMs. – Drive strategy of expanding aftermarket segment and selected diversification acquisitions.
Consistent good quality of energy supply.	– Investigate alternative energy sources. – Target energy usage reduction. – Invest in quality protection and management systems. – Increase backup network.



RESIDUAL RISKS	MITIGATING ACTION PLANS
Competitiveness issues relating to global sourcing, the real threat of low-cost countries like India and China and the strength of the South African Rand.	– Continue to focus on quality, cost, delivery and safety. – Leverage of local raw material availability, internal manufacturing excellence and cost logistics. – Continued strategic review of business potential. – Ensure appropriate pricing and cost strategies are implemented. – Responsible exit from businesses where there has been a structural shift in the competitive position.
Gross margin erosion from under recovery of economics from OEMs.	– Continuous focus on all cost drivers. – Improved OEM volumes will assist in recovering margins.
Change in sourcing decision on new models.	– Continue to focus on quality, cost, delivery and safety. – Leverage off local raw material availability, internal manufacturing excellence and the cost of logistics.
Exit of major original equipment manufacturers from South Africa.	– Drive strategy of expanding aftermarket products and selected diversification acquisitions.
Excessive dependence on a single customer.	– Focus on competitiveness, quality, delivery standards to obtain new business from other OEMs. – Drive strategy of expanding aftermarket segment and selected diversification acquisitions.
Failure to obtain core business from OEMs with export contracts.	– Strategic focus to broaden product offerings across all OEMs. – Drive strategy of expanding aftermarket segment and selected diversification acquisitions.
Loss of international shareholders at subsidiary level.	– Engage with Government to improve investment environment for international shareholders.

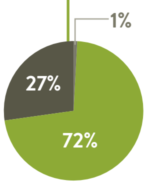
CONCLUSION

In summary, during the course of 2011 the group plans to expand on the sustainability report in the following manner:

- Roll out new vision;
- Complete group carbon footprint;
- Target a reduction in its measurement of carbon footprint;
- Compile and report on combined group employment equity;
- Disclose detail on training and skills development; and
- Disclose detail on corporate social investment.

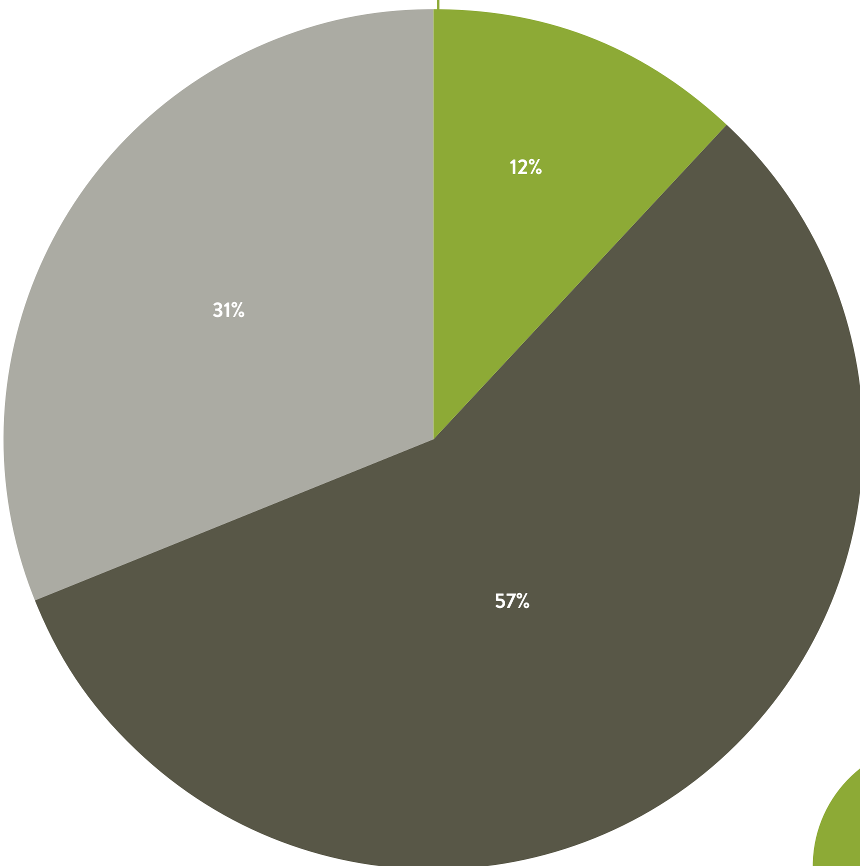
Sustainability report

Group structure, market segments and products



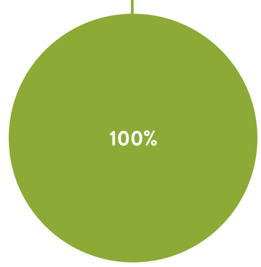
LUMOTECH
100%

Headlights
Plastic injection mouldings
Lamps
Wheel trims
Horns
Tail lights
Streetlights
Warehouse lights



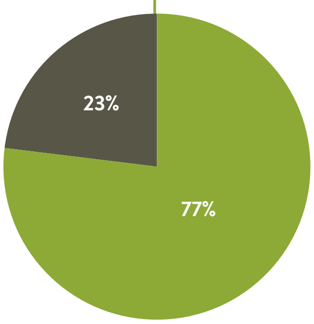
FIRST NATIONAL BATTERY
100%

Batteries
Solar systems
Back-up systems
Standby systems
Charging systems
Battery Centre franchise



VALEO SYSTEMS SOUTH AFRICA
49%

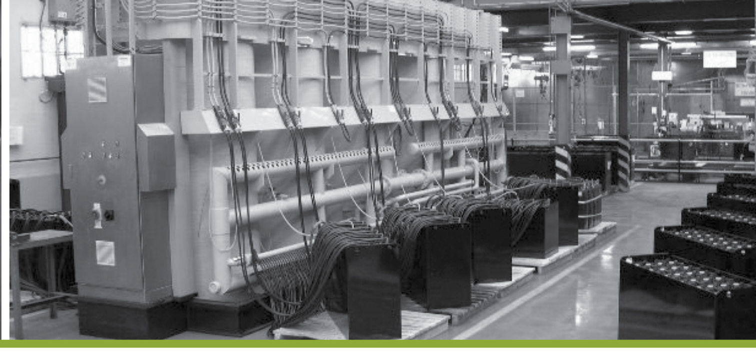
Front-end modules

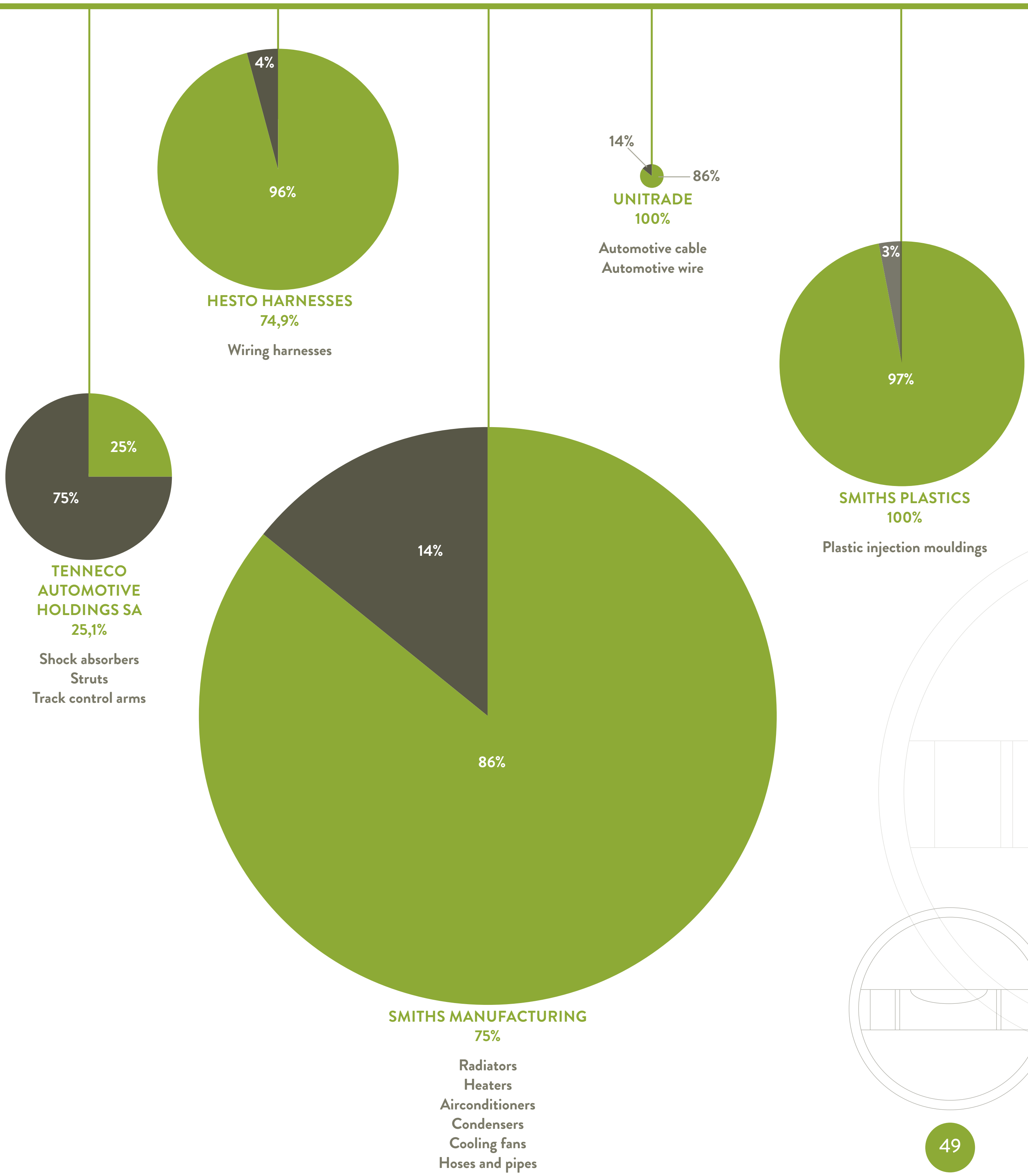


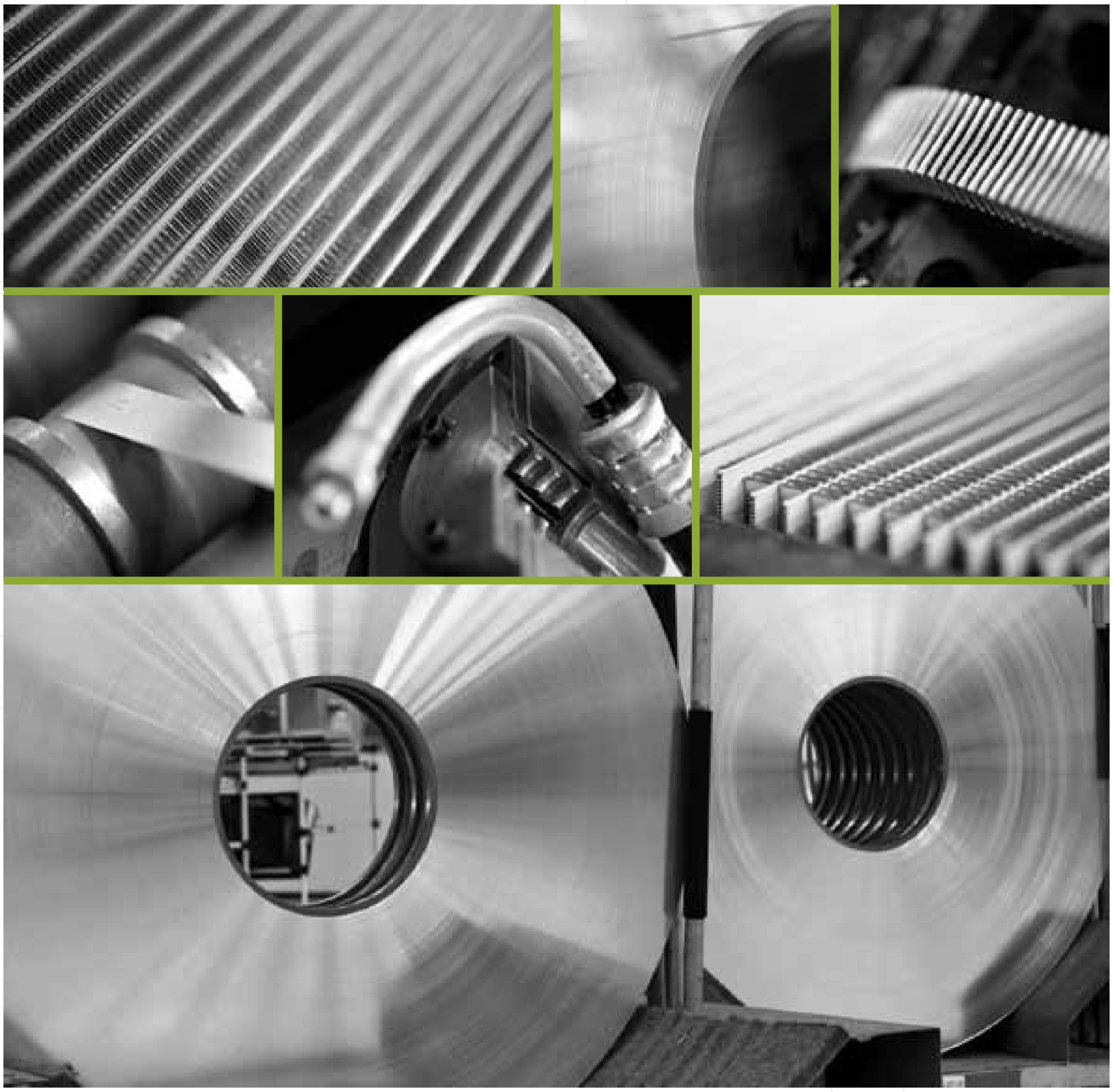
SUPREME SPRINGS AND ATE
100%

Coil springs
Leaf springs
Stabilisers
Torsion bars
Brakes
Calipers
Brake pads

KEY:
- Original equipment
- Aftermarket
- Non-automotive




4%
96%
HESTO HARNESSES
74,9%
Wiring harnesses
14%
86%
UNITRADE
100%
Automotive cable
Automotive wire
3%
97%
SMITHS PLASTICS
100%
Plastic injection mouldings
25%
75%
TENNECO AUTOMOTIVE HOLDINGS SA
25,1%
Shock absorbers
Struts
Track control arms
14%
86%
SMITHS MANUFACTURING
75%
Radiators
Heaters
Airconditioners
Condensers
Cooling fans
Hoses and pipes



METAIR

annual financial statements

Annual financial statements

For the year ended 31 December 2010

The following reports and statements in respect of the year ended 31 December 2010 are presented by the board of directors in compliance with the requirements of the Companies Act, 1973:

Statement of responsibility

By the Board of Directors

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

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

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

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

The consolidated financial statements as set out in this report have been prepared by the directors in accordance with International Financial Reporting Standards ("IFRS"), the AC 500 standards and the requirements of the South African Companies Act.

They are based on appropriate accounting policies, which have been applied consistently and which are supported by reasonable and prudent judgements and estimates. The directors also prepared the other information included in the annual report and are responsible for both its accuracy and its consistency with the financial statements. The financial statements have been audited by the independent auditors, PricewaterhouseCoopers Incorporated (PwC), who were given unrestricted access to all financial records and related data, including minutes of all meetings of shareholders, the board of directors and committees of the board. The directors believe that all representations made to the independent auditors during their audit are valid and appropriate.

APPROVAL OF ANNUAL FINANCIAL STATEMENTS

The group annual financial statements and the annual financial statements of the company for the year ended 31 December 2010 set out on pages 56 to 125 were approved by the board of directors and signed on its behalf by:

OME Pooe
Chairman

CT Loock
Managing Director

The audit report of PricewaterhouseCoopers Incorporated is presented on page 55.

Certificate by Company Secretary

In my capacity as company secretary, I hereby confirm, in terms of the Companies Act, 1973, that for the year ended 31 December 2010, the company has lodged with the Registrar of Companies all such returns as are required of a public company in terms of this Act and that all such returns are true, correct and up to date.

SM Vermaak
10 March 2011

Independent auditor's report

To the members of Metair Investments Limited

We have audited the group annual financial statements and annual financial statements of Metair Investments Limited, which comprise the consolidated and separate balance sheets as at 31 December 2010, and the consolidated and separate income statements, consolidated and separate statements of comprehensive income, consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, and the directors' report, as set out on pages 56 to 125.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the financial statements present fairly, in all material respects, the consolidated and separate financial position of Metair Investments Limited as at 31 December 2010, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc

Director: Leon de Wet — Johannesburg

Registered Auditor — 10 March 2011

Directors' report

For the year ended 31 December 2010

The directors have pleasure in submitting their report for the year ended 31 December 2010.

GENERAL REVIEW

The main business of the group is the manufacture and supply of motor vehicle components for the original equipment and aftermarket sector in both local and export markets. The group also manufactures non-auto products. The financial statements on pages 56 to 125 set out fully the financial position, results of operations and cash flows of the group for the financial year.

FINANCIAL RESULTS

The consolidated net profit for the year attributable to equity holders of the company was R277,7 million (2009: R52,2 million).

Included in the current year profit are impairment reversals and charges relating to property, plant and equipment under International Accounting Standard 36 (IAS36) – Impairment of Assets. Refer to notes 7, 8 and 10.

DIVIDENDS

The following dividends were declared:	R'000	
	2010	**2009**
Ordinary shares Declared and paid with respect to 2009: Ordinary dividend of 15 cents per share	**20 879**	
Special dividend of 60 cents per share	**84 870**	

A dividend of 65 cents per share was declared on 14 March 2011 in respect of the 2010 financial year. No dividend was declared in respect of the 2008 financial year.

SHARE CAPITAL

No shares were issued during the year. Full details on the present position of the company's share capital are set out in the notes to the financial statements.

CHANGES IN NON-CURRENT ASSETS

The main changes to the property, plant and equipment of the company and its subsidiaries were as follows:

	R'000
– Additions	122 926
– Disposals	(3 182)
– Net impairment reversals	18 437

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

	R'000
– Additions	1 227

DIRECTORS

The composition of the board of directors is set out on page 7.

SECRETARY

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

INTEREST OF DIRECTORS

Interest of directors in the company's ordinary share capital are disclosed in note 14 of the annual financial statements.

The directors have no material interest in contracts with the group.

SUBSIDIARIES

Details of the company's investments in its subsidiaries are disclosed on page 124.

HOLDING COMPANY

The company has no holding company.

AUDITORS

PricewaterhouseCoopers Incorporated are the current appointed auditors in accordance with section 270(2) of the Companies Act, 1973.

APPROVAL OF ANNUAL FINANCIAL STATEMENTS

The directors have approved the annual financial statements on pages 56 to 125 which are signed on their behalf by:

OME Pooe
Chairman

CT Loock
Managing Director

Johannesburg
10 March 2011

Accounting policies

PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless stated otherwise.

BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), and the requirements of the South African Companies Act.

The consolidated annual financial statements have been prepared on the historical cost basis, except as disclosed in the accounting policies below. For example, derivative financial instruments are shown at fair value.

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that may affect the application of policies and reported amounts of assets, liabilities, income and expenses. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about the carrying values of assets and liabilities that are not readily apparent from other sources.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision only affects that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRS are advised in note 26 on page 122 to 123.

a) Standards, amendments and interpretations effective in 2010

– *IFRS 3* "Business Combinations – Revised" (effective from 1 July 2009). The new standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with some contingent payments subsequently remeasured at fair value through income. Goodwill may be calculated based on the parent's share of net assets or it may include goodwill related to the non-controlling interest. All transaction costs will be expensed. This standard had no impact on the group's current annual financial statements as there were no business combinations.

– *IAS 27* "Consolidated and Separate Financial Statements – Revised" (effective from 1 July 2009). IAS 27 (revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control. They will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is remeasured to fair value and a gain or loss is recognised in profit or loss. This standard has no impact on the group's current annual financial statement as there were no changes in shareholding.

– *IFRS 2* "Amendments to IFRS 2: Group cash-settled share-based payment transactions" (effective from 1 January 2010). The amendment clarifies the accounting for group cash-settled share-based payment transactions. The entity receiving the goods or services shall measure the share-based payment transaction as equity-settled only when the awards granted are its own equity instruments, or the entity has no obligation to settle the share-based payment transaction. The entity settling a share-based payment transaction, when another entity in the group receives the goods or services, recognises the transaction as equity-settled only if it is settled in its own equity instruments. In all other cases, the transaction is accounted for as cash-settled. This standard had no impact on the group's current year annual financial statements.

– ***Amendment to IFRS 8:*** This amendment states that a measure of segment assets is only required to be disclosed if the measure is regularly provided to the chief operating decision-maker. This amendment is effective for periods beginning on or after 1 January 2010. This standard has been applied from 1 January 2009.

– ***IAS 36 (amendment):*** "Impairment of assets", (effective 1 January 2010). The amendment clarifies that the largest cash-generating unit (or group of units) to which goodwill should be allocated for the purposes of impairment testing is an operating segment, as defined by paragraph 5 of IFRS 8, "Operating segments" (that is, before the aggregation of segments with similar economic characteristics). This standard has been taken into account in the current year with minimal impact.

– ***Improvements to IFRS (Issued April 2009):*** Unless otherwise specified the amendments are effective for annual periods beginning on or after 1 January 2010. This is a collection of amendments to IFRSs. These amendments are the result of conclusions the IASB reached on proposals made in its annual improvements project. The annual improvements project provides a vehicle for making non-urgent but necessary amendments to IFRSs. Some amendments involve consequential amendments to other IFRSs.

– ***AC 504*** "IAS 19 (AC 116): The limit on a defined benefit asset, minimum funding requirements and their interaction in the South African pension fund environment" (effective 1 April 2009). The interpretation provides guidance on the application of IFRIC 14 in South Africa in relation to defined benefit pension obligations within the scope of IAS 19. The interpretation had no impact on the group's current year annual financial statements.

b) Standards, amendments and interpretations effective in 2010 but not relevant to the group

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

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

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

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

– ***IAS 1 (amendment)*** "Presentation of financial statements". The amendment clarifies that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle the shares at any time.

– ***IFRS 2 (amendment)*** "Group cash-settled share-based payment transactions" (effective 1 January 2010). In addition to incorporating IFRIC 8 "Scope of IFRS 2" and IFRIC 11 "Group and treasury share transaction", the amendments expand on the guidance in IFRIC 11 to address the classification of group arrangements that were not covered by that interpretation.

– ***IFRS 5 (amendment)*** "Non-current assets held for sale and discontinued operations". The amendment clarifies that IFRS 5 specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. It also clarifies that the general requirements of IAS 1 still apply in particular to paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty).

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

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

– ***IFRS 1 and IFRS 7*** "Amendment to IFRS 1 – Limited exemption from comparative IFRS 7 disclosures for first-time adopters" (effective 1 July 2010). The amendment to IFRS 1 provides first-time adopters with the same transition provisions as included in the amendment to IFRS 7. The amendment is effective for annual periods beginning on or after 1 July 2010 with early adoption permitted.

– ***IAS 24*** "Amendment to IAS 24 – Related party disclosures" (effective 1 January 2011). This amendment provides partial relief from the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. It also clarifies and simplifies the definition of a related party.

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

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

– ***IFRIC 14*** "Pre-payments of a Minimum Funding Requirement (amendments to IFRIC 14)" (effective 1 January 2011). This amendment will have a limited impact as it applies only to companies that are required to make minimum funding contributions to a defined benefit pension plan. It removes an unintended consequence of IFRIC 14 related to voluntary pension prepayments when there is a minimum funding requirement.

– **Improvements to IFRSs** (Issued May 2010) was issued by the IASB as part of the "annual improvements process" resulting in the following amendments to standards issued, but not effective for the 31 December 2010 year end – see table below:

d) Standards, amendments and interpretations not yet effective but have been early adopted by the group
There have been no standards, amendments and interpretations early adopted by the group.

BASIS OF CONSOLIDATION

Subsidiaries
The group financial statements incorporate the financial statements of Metair Investments Limited and all its subsidiaries from the effective dates of acquisition to the effective dates of loss of control. The purchase method of accounting is used to account for the acquisition of subsidiaries by the group.

The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. 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. The excess of the cost of the acquisition over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement. Acquisitions-related costs are expensed as incurred in the period in which the costs are incurred or services received.

Subsidiaries are those entities (including special purpose entities) over whose financial and operating policies

IFRS	SUBJECT OF AMENDMENT
IFRS1: First-time adoption of International Financial Reporting Standards	Accounting policy changes in the year of adoption
	Revaluation basis as deemed cost
	Use of deemed cost for operations subject to rate regulation
IFRS 3: Business Combinations (effective for annual periods beginning on/after 1 July 2010)	Transition requirements for contingent consideration from a business combination that occurred before the effective date of the revised IFRS
	Measurement of non-controlling interests
	Unreplaced and voluntarily replaced share-based payment awards
IFRS 7: Financial Instruments: Disclosures	Clarification of disclosures
IAS 1: Presentation of Financial Statements	Clarification of statement of changes in equity
IAS 27: Consolidated and Separate Financial Statements (effective for annual periods beginning on/after July 2010	Transition requirements for amendments arising as a result of IAS 27 Consolidated and Separate Financial Statements
IAS 34: Interim Financial Reporting	Significant events and transactions
IFRIC 13: Customer Loyalty Programmes	Fair value of award credits

the group has the power to exercise control, so as to obtain benefits from their activities. This power generally accompanies a shareholding of more than one half of the voting rights. The existence and the effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They cease to be consolidated from the date that control ceases.

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

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

NON-CONTROLLING INTEREST

Non-controlling interest is valued at the non-controlling interest's portion of the acquirer's identifiable assets, liabilities and contingent liabilities at the acquisition date plus the non-controlling interest's portion of post-acquisition reserves.

Non-controlling interest is included in equity on the balance sheet and is also reconciled in the statement of changes in equity.

As a result of changes to IAS 27 "Consolidated and separate financial statements", effective 1 January 2010, the group applies a policy of treating transactions with non-controlling interests as transactions with equity owners of the group. Previous transactions with non-controlling interests were treated as transactions with parties external to the group. For purchases from non-controlling interests, the difference between 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 non-controlling interests are also recorded in equity.

ASSOCIATED COMPANIES

Associates are all entities over which the group has a significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment losses. The group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in the statement of other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the group and its associates are eliminated to the extent of the group's interest in associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Dilution gains and 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 financial statements where it is practicable to do so prior to equity accounting.

FOREIGN CURRENCIES

a) Functional and presentation currency

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

b) Transactions and balances

Transactions denominated in foreign currencies are translated into the functional currency at the rate of exchange ruling at the transaction date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in other comprehensive income as a qualifying cash flow hedge. Monetary items denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date.

INTANGIBLES

a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the group's share of the net identifiable assets for the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in "intangible assets". Goodwill on acquisitions of associates is included in "investments in associates" and is tested for impairment as part of the overall balance. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose, identified according to operating segment.

b) Trademarks and licences

Trademarks and licences are shown at historical cost less accumulated amortisation and impairment losses. Amortisation is charged to the income statement on a straight-line basis over their expected useful lives unless such lives are indefinite. Where the useful life of an intangible asset is assessed as indefinite, the intangible asset is not amortised, but is tested annually for impairment.

Local and foreign licences are amortised over the terms of the agreements.

The estimated useful lives for trademarks and licences are as follows:

- Trademarks 15 years
- Licences 5-15 years

c) Customer relationships

Customer relationships arising on the acquisition of Automould (Pty) Ltd are carried at historical cost less amortisation and impairment losses. Amortisation is charged to the income statement on a straight-line basis over the following estimated useful lives:

- Key customer relationships 10 years
- Non-key customer relationships 5 years

d) Brands

Brands consists of the Automould (Pty) Ltd brand name. Brands are carried at historical costs less amortisation and impairment losses. Amortisation is charged to the income statement on a straight-line basis over the useful life of the asset of 25 years.

Subsequent expenditure on acquired intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates.

PROPERTY, PLANT AND EQUIPMENT

a) Owned assets

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to reduce their cost to their residual values over their estimated useful lives as follows:

Buildings	2%
Plant and machinery	5%-33%
Motor vehicles	10%-25%
Computers	33%
Leasehold improvements	2%

All other property, plant and equipment is stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment. Residual values and useful lives of all assets are reassessed annually. In addition, depreciation of an item of property, plant and equipment is to begin when it is available for use and ceases at the earlier of the date it is classified as held for sale or the date that it is derecognised upon disposal.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "other operating income and expenses" in the income statement.

b) Assets held under finance leases

Assets leased in terms of finance lease agreements are capitalised. These assets are depreciated on the straight-line basis to estimated residual value at rates considered appropriate to reduce book values over the shorter of the duration of the lease agreements or useful life. Finance costs are charged to the income statement over the period of the lease. Finance leases are capitalised at the estimated present value of the underlying lease payments. Each lease payment is allocated between the liability and the finance charge so as to achieve a constant rate on the finance balance outstanding.

LEASES

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

IMPAIRMENT OF NON-FINANCIAL ASSETS

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. The group periodically evaluates the carrying value of property, plant and equipment and intangible assets, when events and circumstances warrant such a review. The carrying value of an asset is considered to be impaired, when the recoverable amount of such an asset is less than its carrying value.

In that event, a loss is recognised based on the amount by which the carrying value exceeds the recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

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

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

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

Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

INVENTORY

Inventory is stated at the lower of cost or net realisable value, due account being taken of possible obsolescence. Cost is determined on the first-in first-out method. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity).

Borrowing costs are excluded as manufactured inventories are not considered to be qualifying assets. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling prices.

CURRENT AND DEFERRED TAX

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation, and establishes that provisions were appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is provided using the balance sheet liability method on all temporary differences between the tax and accounting carrying amounts of assets and liabilities.

However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither the accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. The effect on deferred tax of any changes in taxation rates is charged to the income statement except to the extent that it relates to items previously charged or credited directly to equity. Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the group controls the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

PROVISIONS

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

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

TRADE PAYABLES

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

REVENUE

Revenue is recognised only when it is probable that the economic benefits associated with a transaction will flow to the group and the amount of revenue can be measured reliably.

Revenue comprises the fair value of the consideration received or receivable from the sale of goods and services in the ordinary course of the group's activities. Revenue is shown net of value added tax, estimated returns, rebates and discounts and after inter-company sales have been eliminated. A provision is made for the estimated settlement discount at the time of sale.

Goods

Revenue represents the total value of net sales of subsidiaries' products. Revenue from the sale of goods is recognised when significant risks and rewards of ownership of the goods are transferred to the buyer.

Dividends

Dividends are recognised when the right to receive payment is established.

Interest

Interest is recognised on a time proportion basis that takes account of the effective yield on the asset.

When a receivable is impaired, the group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

GOVERNMENT GRANTS AND INCENTIVES

Government grants and incentives, such as MIDP claims, are not recognised until there is reasonable assurance that the group has complied with the conditions attached to it and that the grant will be received. Government grants and incentives are included in other income in the income statement and deferred over the period necessary to match them with the costs that they are intended to compensate.

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 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.

FINANCIAL INSTRUMENTS

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

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

A) Derivative financial instruments

The group uses derivative financial instruments to manage its exposure to foreign exchange risks arising from operational, financing and investment activities. The group does not hold or issue derivative financial instruments for dealing purposes.

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

The method of recognising the resulting gain or loss is dependent on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The group designates certain derivatives as either:

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

The group documents at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. This process includes linking all derivatives designated as hedges to specific assets and liabilities or to specific firm commitments or forecast transactions. The group also documents its assessment, both at the hedge inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative instruments used for hedging purposes are disclosed in note 21. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged items is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

(a) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, along with any changes in the fair value of the hedged asset or liability that is attributable to the hedged risk.

Certain derivative transactions, while providing effective economic hedges under the group's risk management policies, do not qualify for hedge accounting under specific rules in IAS 39: "Financial Instruments – Recognition and Measurement". Changes in the fair value of any derivative instruments that do not qualify for hedge accounting under IAS 39 are recognised immediately in the income statement.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting under IAS 39, any cumulative gain or loss existing in equity at the time remains in equity and is recognised when the committed or forecasted transaction ultimately is recognised in the income statement. When a committed or forecasted transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

The fair values of forward exchange contracts used for hedging purposes and movements on the hedging reserve in shareholders' equity are disclosed in the financial statements.

The fair value of forward exchange contracts is determined using forward exchange market rates at the balance sheet date and the fair value of copper price swap agreements is determined using market rates at year end. Changes in the fair value of any of these derivative instruments are recognised immediately in the income statement within "other operating income and expenses".

(b) Cash flow hedge

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

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

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

Changes in the fair value of derivatives that are designated and qualify as cash flow hedges and that are highly effective, are recognised in equity. Where the forecasted transaction or firm commitment results in the recognition of an asset (for example inventory, property, plant and equipment) or of a liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability. Otherwise, amounts deferred in equity are transferred to the income statement and classified as revenue or expense in the same periods during which the hedged firmly committed or forecasted transaction affects the income statement (for example when the forecasted sale takes place).

B) Financial assets

The group classifies its financial assets in the following categories: at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit and loss are "financial assets held for trading". A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorised as "held for trading" unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date. Refer to note 21.

Loans and receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are classified as "trade and other receivables" in the balance sheet (note 12), "short-term loans – subsidiaries" (note 9) and cash and cash equivalents (note 13).

Recognition and measurement

Regular purchases and sales of financial assets are recognised on trade-date – the date on which the group commits to purchase or sell the asset. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership. Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest rate method.

Gains or losses arising, from changes in the fair value of the "financial assets at fair value through profit or loss" category, including interest and dividend income, are presented in the income statement within "other operating income and expenses", in the period in which they arise.

Impairment of financial assets

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

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

The criteria that the group uses to determine that there is objective evidence of an impairment loss include:

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

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

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

Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement. Impairment testing of trade receivables is described in the accounting policy note on trade receivables.

TRADE RECEIVABLES

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the group will not collect the amount as per the original terms of receivables. The amount of the provision is the difference between the asset's carrying value and the present value of future cash flows, discounted at the effective interest rate. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivables are impaired. The amount of the provision is recognised in the income statement. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in the income statement. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited in the income statement.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents are carried in the balance sheet at face value.

Cash and cash equivalents comprise cash on hand, deposits held on call with banks and other short-term, highly liquid investments with original maturities of three months or less, all of which are available for use by the group unless otherwise stated.

Bank overdrafts are included within borrowings in current liabilities on the balance sheet.

BORROWINGS

Borrowings are recognised initially at fair value, net of transaction costs incurred. In subsequent periods, borrowings are stated at amortised cost using the effective interest rate method; any difference between proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowing. Borrowing costs are expensed unless capitalised as part of the cost of a qualifying asset.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

EMPLOYEE BENEFITS

Short-term employee benefits

Employee entitlements to annual leave and long-service leave are recognised when they accrue to employees. An accrual is made for the estimated liability for annual leave and long-service leave as a result of services rendered by employees up to the balance sheet date.

Retirement benefits

A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate entity.

The group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan. Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The group operates a group defined benefit plan and a number of defined contribution plans, the assets of which are generally held in separate trustee-administered funds. The plans are generally funded by payments from employees and by the relevant group companies taking account of the recommendations of independent qualified actuaries.

Defined benefit obligation

The liability or asset recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets.

The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of 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 pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income in the statement of comprehensive income, in the period in which they arise.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

Defined contribution plans

For defined contribution plans, the group pays contributions to privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Other post-employment obligations

Some group companies provided post-employment health care benefits to their retirees until 31 December 1996. Employees who joined the group after 1 January 1997 do not receive this benefit. The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and electing to participate in the scheme. The expected costs of these benefits are accrued over the period of employment, using a methodology similar to that for defined benefit pension plans. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income in the statement of comprehensive income in the period in which they arise. Valuations of these obligations are carried out by independent qualified actuaries.

Share-based payment transactions

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

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

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

SHARE CAPITAL

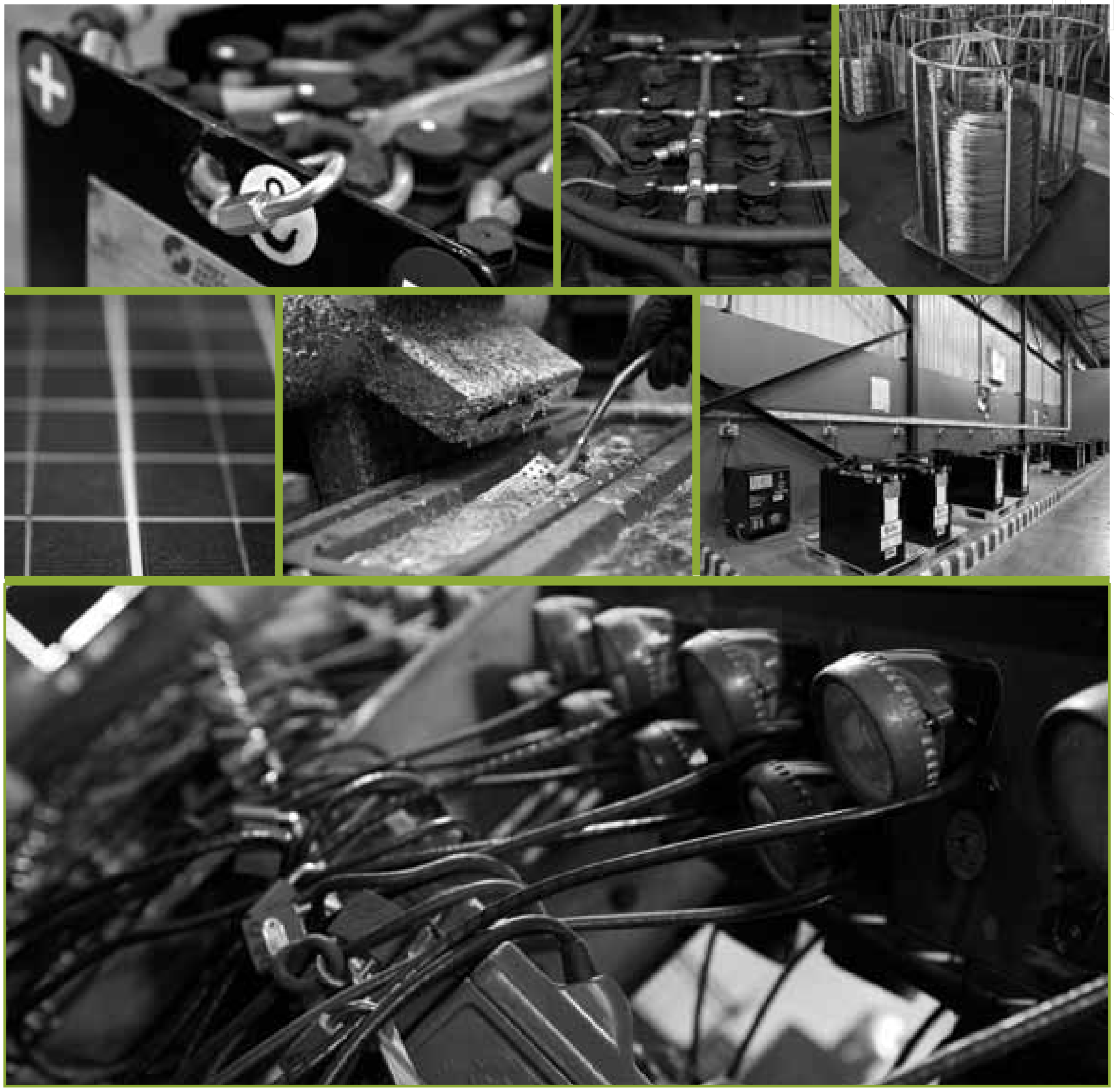
Ordinary shares are classified as equity. Mandatorily redeemable preference shares are classified as liabilities.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options, or for the acquisition of a business, are included in the cost of acquisition as part of the purchase consideration.

Where a group company purchases the company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the company's equity holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the company's equity holders.

DIVIDENDS PAYABLE

Dividends payable and Secondary Tax on Companies pertaining thereto are recognised in the period in which such dividends are declared.



Income statements

For the year ended 31 December 2010

	Notes	GROUP 2010 R'000	GROUP 2009 R'000	COMPANY 2010 R'000	COMPANY 2009 R'000
Revenue	1	**3 753 236**	3 342 053		
Cost of sales		**(2 958 998)**	(2 807 100)		
Gross profit		**794 238**	534 953		
Other operating income	3	**48 972**	109 711	**97 980**	88 719
Distribution costs		**(123 295)**	(108 390)		
Administrative expenses		**(326 449)**	(315 511)		
Impairment reversals/(charges)	7, 8, 9, 10	**19 687**	(47 082)	**11 383**	(84 423)
Other operating expenses	3	**(10 204)**	(31 764)	**1 557**	(36 932)
Operating profit		**402 949**	141 917	**110 920**	(32 636)
Interest income	2	**18 913**	13 243		
Interest expense	2	**(14 075)**	(37 360)		
Share of results of associates	10	**16 759**	419		
Profit/(loss) before taxation	3	**424 546**	118 219	**110 920**	(32 636)
Taxation	4	**(121 009)**	(55 023)	**(11 440)**	
Profit/(loss) for the year		**303 537**	63 196	**99 480**	(32 636)
Attributable to:					
Equity holders of the company		**277 682**	52 210	**99 480**	(32 636)
Non-controlling interests		**25 855**	10 986		
		303 537	63 196	**99 480**	(32 636)
Earnings per share					
Basic earnings per share (cents)	5	**198**	37		
Diluted earnings per share					
Basic earnings per share (cents)	5	**195**	37		
Dividends per share (cents)	6	**75**			
– Ordinary		**15**			
– Special		**60**			
Number of shares in issue ('000)	14	**152 532**	152 532		

Statements of comprehensive income

For the year ended 31 December 2010

		GROUP		COMPANY	
		2010	2009	**2010**	2009
	Notes	**R'000**	R'000	**R'000**	R'000
Profit/(loss) for the year		**303 537**	63 196	**99 480**	(32 636)
Other comprehensive income:					
Actuarial (losses)/gains recognised directly in equity					
– Gross	24	**(15 626)**	21 118		
– Deferred tax	17	**3 990**	(5 910)		
Net other comprehensive income		**(11 636)**	15 208		
Total comprehensive income for the year		**291 901**	78 404	**99 480**	(32 636)
Attributable to:					
Equity holders of the company		**266 880**	66 932	**99 480**	(32 636)
Non-controlling interests		**25 021**	11 472		
		291 901	78 404	**99 480**	(32 636)

Balance sheets

As at 31 December 2010

		GROUP		COMPANY	
		2010	2009	**2010**	2009
	Notes	**R'000**	R'000	**R'000**	R'000
ASSETS					
Non-Current Assets		**766 297**	762 485	**383 125**	368 507
Property, plant and equipment	7	**699 190**	657 892		
Intangible assets	8	**26 367**	29 514		
Interest in subsidiaries	9			**379 287**	364 669
Investment in associates	10	**34 236**	20 147	**3 838**	3 838
Defined benefit asset	24	**6 504**	19 962		
Deferred taxation	17		34 970		
Current Assets		**1 321 899**	1 238 232	**91 649**	154 309
Inventory	11	**606 547**	518 091		
Trade and other receivables	12	**397 326**	428 076	**117**	
Taxation		**12 431**	9 700		
Short-term loans – subsidiaries	9			**91 532**	154 309
Derivative financial assets	21.5	**23**	160		
Cash and cash equivalents	13	**305 572**	282 205		
Total Assets		**2 088 196**	2 000 717	**474 774**	522 816
EQUITY AND LIABILITIES					
Capital and Reserves		**1 256 009**	1 087 249	**474 520**	486 204
Share capital and premium	14	**42 876**	42 876	**42 876**	42 876
Treasury shares	14	**(116 084)**	(124 289)		
Share-based payment reserve		**2 813**	3 389	**6 580**	3 345
Non-distributable reserves	15	**29 148**	16 309		
Retained earnings		**1 297 256**	1 148 964	**425 064**	439 983
Ordinary shareholders equity		**1 256 009**	1 087 249	**474 520**	486 204
Non-controlling interests		**113 910**	96 772		
Total Equity		**1 369 919**	1 184 021	**474 520**	486 204
Non-Current Liabilities		**106 200**	157 241		
Borrowings	16	**31 912**	54 217		
Post-employment medical benefits	24	**21 329**	19 246		
Deferred taxation	17	**52 959**	83 778		
Current Liabilities		**612 077**	659 455	**254**	36 612
Trade and other payables	18	**502 639**	441 784	**254**	162
Borrowings	16	**22 424**	97 298		
Taxation		**3 476**			
Provisions for liabilities and charges	19	**53 183**	60 876		36 450
Bank overdrafts	13	**15 748**	49 662		
Derivative financial liability	21.5	**14 607**	9 835		
Total Liabilities		**718 277**	816 696	**254**	36 612
Total Equity and Liabilities		**2 088 196**	2 000 717	**474 774**	522 816

Statements of changes in equity

For the year ended 31 December 2010
Group

	Share capital and premium R'000	Treasury shares R'000	Share-based payment reserve R'000	Non-distri-but-able reserve R'000	Retained earnings R'000	Attri-butable to equity-holders of the company R'000	Non-control-ling interests R'000	Total equity R'000
Year ended 31 December 2010								
Balance as at 1 January 2010	**42 876**	**(124 289)**	**3 389**	**16 309**	**1 148 964**	**1 087 249**	**96 772**	**1 184 021**
Net profit for the year					**277 682**	**277 682**	**25 855**	**303 537**
Other comprehensive income:								
Actuarial losses					**(10 802)**	**(10 802)**	**(834)**	**(11 636)**
Total comprehensive income for the year					**266 880**	**266 880**	**25 021**	**291 901**
Employee share option scheme:								
– Value of service provided			**3 098**			**3 098**	**137**	**3 235**
– Loss on settlement			**(3 674)**			**(3 674)**		**(3 674)**
Net movement in treasury shares		**8 205**				**8 205**		**8 205**
Transfer of associate profit and dividend				**12 839**	**(12 839)**			
Dividends					**(105 749)**	**(105 749)**	**(8 020)**	**(113 769)**
Balance as at 31 December 2010	**42 876**	**(116 084)**	**2 813**	**29 148**	**1 297 256**	**1 256 009**	**113 910**	**1 369 919**
Year ended 31 December 2009								
Balance as at 1 January 2009	42 876	(124 532)	3 389	36 585	1 061 756	1 020 074	93 590	1 113 664
Net profit for the year					52 210	52 210	10 986	63 196
Other comprehensive income: Actuarial gains					14 722	14 722	486	15 208
Total comprehensive income for the year					66 932	66 932	11 472	78 404
Net movement in treasury shares		243				243		243
Transfer of associate profit and dividend				(20 276)	20 276			
Dividend							(8 290)	(8 290)
Balance as at 31 December 2009	42 876	(124 289)	3 389	16 309	1 148 964	1 087 249	96 772	1 184 021

Statements of changes in equity

For the year ended 31 December 2010
Company

	Share capital and premium R'000	Share-based payment reserve R'000	Retained earnings R'000	Total equity R'000
Year ended 31 December 2010				
Balance as at 1 January 2010	**42 876**	**3 345**	**439 983**	**486 204**
Net profit for the year			**99 480**	**99 480**
Total comprehensive income for the year			**99 480**	**99 480**
Employee share option scheme:				
– Value of service provided		**3 235**		**3 235**
Dividend			**(114 399)**	**(114 399)**
Balance as at 31 December 2010	**42 876**	**6 580**	**425 064**	**474 520**
Year ended 31 December 2009				
Balance as at 1 January 2009	42 876	3 345	472 619	518 840
Net loss for the year			(32 636)	(32 636)
Total comprehensive income for the year			(32 636)	(32 636)
Balance as at 31 December 2009	42 876	3 345	439 983	486 204

Statements of cash flows

For the year ended 31 December 2010

	Notes	GROUP 2010 R'000	GROUP 2009 R'000	COMPANY 2010 R'000	COMPANY 2009 R'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash generated from/(utilised in) operations	20.1	**484 621**	413 255	**(31 683)**	8 533
Finance charges		**(14 075)**	(37 360)		
Taxation paid	20.2	**(112 123)**	(70 663)	**(11 440)**	
Dividends paid	20.3	**(113 769)**	(8 441)	**(114 399)**	
Dividend income from associate		**3 920**	20 695		
Net cash inflow/(outflow) from operating activities		**248 574**	317 486	**(157 522)**	8 533
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisition of property, plant and equipment	7	**(122 926)**	(111 503)		
Acquisition of intangible assets	8	**(1 227)**	(4 653)		
Decrease in interest in subsidiaries excluding impairment				**59 542**	(97 252)
Investment income	2, 3	**18 913**	13 243	**97 980**	88 719
Proceeds on disposal of property, plant and equipment		**2 921**	22 113		
Net cash (outflow)/inflow from investing activities		**(102 319)**	(80 800)	**157 522**	(8 533)
CASH FLOWS FROM FINANCING ACTIVITIES					
Long-term loans raised			196		
Long-term loans repaid		**(22 305)**	(24 413)		
Short-term loans (repaid)/raised		**(74 874)**	1 481		
Decrease in treasury shares	14	**8 205**	243		
Net cash outflow from financing activities		**(88 974)**	(22 493)		
Net increase in cash and cash equivalents		**57 281**	214 193		
Cash and cash equivalents at beginning of the year		**232 543**	18 350		
Cash and cash equivalents at end of the year	13	**289 824**	232 543		

Notes to the annual financial statements

1. SEGMENTAL REVIEW

for the year ended 31 December 2010

	Local						
	Original equipment	**Segment % of revenue**	**After market**	**Segment % of revenue**	**Non-auto**	**Segment % of revenue**	**Total**
Revenue	**2 273 233**	**60**	**895 384**	**23**	**353 710**	**9**	**3 522 327**
Profit before interest and tax	**150 418**		**159 903**		**35 972**		**346 293**
for the year ended 31 December 2009							
Revenue	2 029 137	60	748 355	22	323 168	10	3 100 660
(Loss)/profit before interest and tax	(92 848)		95 099		53 697		55 948

for the year ended 31 December 2010

	Direct exports						
	Original equipment	**Segment % of revenue**	**After market**	**Segment % of revenue**	**Non-auto**	**Segment % of revenue**	**Total**
Revenue	**84 560**	**2**	**111 223**	**3**	**35 126**	**1**	**230 909**
Profit/(loss) before interest and tax	**873**		**8 770**		**(8 012)**		**1 631**
for the year ended 31 December 2009							
Revenue	73 494	2	111 833	3	56 066	2	241 393
Profit/(loss) before interest and tax	8 471		4 807		(836)		12 442

for the year ended 31 December 2010

	Property rental	**Segment % of revenue**	**Local Total**	**Direct exports Total**	**Reconciling items***	**Grand Total**
Revenue	**58 650**	**2**	**3 522 327**	**230 909**	**(58 650)**	**3 753 236**
Profit before interest and tax	**57 774**		**346 293**	**1 631**	**14 010**	**419 708**
Net finance costs						**4 838**
Profit before tax						**424 546**
Included in the above:						
– Depreciation and amortisation						**(101 257)**
– Impairment reversals						**19 687**
for the year ended 31 December 2009						
Revenue	54 447	1	3 100 660	241 393	(54 447)	3 342 053
Profit before interest and tax	54 447		55 948	12 442	19 499	142 336
Net finance costs						(24 117)
Profit before tax						118 219
Included in the above:						
– Depreciation and amortisation						(108 468)
– Impairment charges						(47 082)

* Reconciling items relate to Metair head office companies and property rental.

1. SEGMENTAL REVIEW (continued)

Segment information

Management has determined the operating segments based on the reports reviewed by the board which makes the strategic decisions of the group.

The group has a number of products. In order to determine operating and reportable segments, management reviewed various factors, including geographical location as well as managerial structure.

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

The group has expanded its segmental reporting to include its extensive investment in property. Comparative information has been adjusted accordingly.

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

- Local:
  - Original Equipment
  - Aftermarket
  - Non-auto
- Direct Export:
  - Original Equipment
  - Aftermarket
  - Non-auto
- Property rental

The amounts provided to the board do not include regular measures of segment assets. Segment assets have therefore not been disclosed.

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

Refer to note 8 for the details of the impairment of goodwill on Automould (Pty) Ltd in the original equipment segment in 2009.

Refer to note 7 for the details of the impairment of property, plant and equipment of Hesto Harnesses (Pty) Ltd and Alfred Teves Brake Systems (Pty) Ltd in the original equipment segment in 2009 and the reversals of impairment at Hesto Harnesses (Pty) Ltd and Lumotech (Pty) Ltd in 2010.

There has been no further impact on the measurement of the company's assets and liabilities. The impairment reversals during the current year, amounting to R20 275 000 relate to the OEM segment. The remaining OEM assets amounting to R1 838 000, of Alfred Teves Brake Systems (Pty) Ltd, have been fully impaired in the current year. The impairment of the investment in the associate company Toyoda Gosei (Pty) Ltd of R1 250 000 has been reversed during the year. Toyoda Gosei (Pty) Ltd operates in the OEM segment.

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

The breakdown of such segments are provided on the previous page.

Major Customers

46% (2009: 43%) of total revenue results from sales to a single external customer.

Notes to the annual financial statements

	GROUP		COMPANY	
	2010	2009	**2010**	2009
	R'000	R'000	**R'000**	R'000
2. NET FINANCE				
Interest income:				
On bank deposits	**18 913**	13 243		
	18 913	13 243		
Interest expense:				
Bank borrowings	**(9 414)**	(25 121)		
Finance leases	**(2 350)**	(5 025)		
Preference share dividends	**(2 311)**	(7 214)		
	(14 075)	(37 360)		
Net finance income/(expense)	**4 838**	(24 117)		
3. PROFIT/(LOSS) BEFORE TAXATION				
Profit/(loss) before taxation is stated after taking into account the following:				
Other operating income				
– Dividends from subsidiaries (unlisted)			**94 060**	68 024
– Dividends from associates (unlisted)			**3 920**	20 695
– Management and committee fees received	**1 122**	4 975		
– Government grants	**9 043**	2 834		
– Cash discounts received	**3 153**	2 186		
– Profit on tooling and scrap sales	**16 984**	11 089		
– Bad debts recovered	**3 012**	20 237		
– Rent received	**1 367**	1 003		
– Other financial assets at fair value through profit or loss				
– Fair value losses	**(5 649)**	(3 763)		
– Fair value gains	**5 873**	13 047		
– Rebates, refunds and allowances	**1 105**	1 435		
– Pension fund	**2 668**	1 580		
– Pension fund settlement		8 616		
– Gain on derecognition of financial liability		25 000		
– Foreign exchange price recovery		12 336		
– Other	**10 294**	9 136		
	48 972	109 711	**97 980**	88 719

	GROUP		COMPANY	
	2010	2009	**2010**	2009
	R'000	R'000	**R'000**	R'000
3. PROFIT/(LOSS) BEFORE TAXATION (continued)				
Expenses by nature				
Auditors' remuneration				
– Audit fees	**5 555**	6 383	**12**	7
– Expenses	**29**	65		
– Non-audit assurance fees	**813**	609		
– Non-audit non-assurance fees	**662**	284		
Commission paid	**1 198**	1 384		
Impairment (reversals)/charges in respect of investments in subsidiaries (note 9)			**(11 383)**	84 423
Depreciation and amortisation (notes 7 and 8)	**101 257**	108 468		
Impairment (reversals)/charges (notes 7, 8 and 10)	**(19 687)**	47 082		
Loss on disposal of property, plant and equipment	**261**	5 342		
Operating lease charges				
– Property	**14 672**	14 189		
– Plant and equipment	**13 122**	14 135		
Bad debt write-offs	**1 682**	9 224		
Managerial and technical service fees paid to outside parties	**519**	10 452		
Foreign exchange losses	**14 046**	8 134		
Distribution costs	**123 295**	108 390		
Changes in inventories of finished goods	**18 043**	(41 282)		
Raw materials, consumables used and other overheads	**2 300 988**	2 251 322	**(1 582)**	36 789
Employee benefit expense	**822 804**	765 666	**13**	136
Total cost of sales, distribution costs and other operating and administrative expenses	**3 399 259**	3 309 847	**(12 940)**	121 355
Employee benefit expense				
– Wages and salaries	**727 015**	679 079	**13**	136
– Share-based payment expenses	**3 098**	(5 271)		
– Termination benefits	**7 913**	10 868		
– Social security costs	**31 939**	28 119		
– Pension costs – defined contribution plans	**45 723**	35 728		
– defined benefit plans	**4 204**	14 703		
– Other post-employment benefits (note 24)	**2 912**	2 440		
	822 804	765 666	**13**	136

	GROUP		COMPANY	
	2010	2009	**2010**	2009
	R'000	R'000	**R'000**	R'000
3. PROFIT/(LOSS) BEFORE TAXATION (continued)				
Number of persons employed by the Group at the end of the year:				
Hourly	**4 267**	4 057		
Monthly	**1 285**	1 282		
	5 552	5 339		
Directors' emoluments				
– Executive directors				
– Salaries and allowances	**6 630**	3 675	**6 630**	3 675
– Other benefits	**367**	431	**367**	431
	6 997	4 106	**6 997**	4 106
– Paid by subsidiary company	**(6 997)**	(4 106)	**(6 997)**	(4 106)
– Non-executive directors	**14**	197	**14**	197
– Fees	**1 150**	1 361	**1 150**	1 361
– Paid by subsidiary company	**(1 136)**	(1 164)	**(1 136)**	(1 164)

	COMPANY				
	2010				
Directors' emoluments (continued)	**RS Broadley R'000**	**L Soanes R'000**	**A Joffe * R'000**	**CT Loock R'000**	**BM Jacobs R'000**
– Executive directors					
– Salaries and allowances				**2 524**	**1 533**
– Performance bonuses				**1 812**	**761**
– Pension and provident fund contributions				**166**	**163**
– Company contributions				**37**	**1**
				4 539	**2 458**
– Paid by subsidiary companies				**(4 539)**	**(2 458)**
– Non-executive directors	**2**	**2**	**2**		
– Fees	**150**	**200**	**140**		
– Paid by subsidiary company	**(148)**	**(198)**	**(138)**		

	COMPANY				
			2010		
3. PROFIT/(LOSS) BEFORE TAXATION (continued)					
Directors' emoluments (continued)	**B Molotlegi R'000**	**OME Pooe** R'000**	**A Galiel R'000**	**JG Best R'000**	
– Non-executive directors	**2**	**2**	**2**	**2**	
– Fees	**120**	**120**	**200**	**220**	
– Paid by subsidiary company	**(118)**	**(118)**	**(198)**	**(218)**	
	2009				
	RS Broadley R'000	**L Soanes R'000**	**AD Plummer R'000**	**CT Loock R'000**	**BM Jacobs R'000**
– Executive directors					
– Salaries and allowances				2 287	1 388
– Pension and provident fund contributions				248	148
– Company contributions				34	1
				2 569	1 537
– Paid by subsidiary companies				(2 569)	(1 537)
– Non-executive directors	2	2	181		
– Fees	165	150	181		
– Paid by subsidiary company	(163)	(148)			

	B Molotlegi R'000	**GMC Ryan* R'000**	**A Joffe* R'000**	**OME Pooe** R'000**	**A Galiel R'000**	**JG Best*** R'000**
– Non-executive directors	2	2	2	2	2	2
– Fees	120	120	150	120	180	175
– Paid by subsidiary company	(118)	(118)	(148)	(118)	(178)	(173)

* Paid to Corocapital Limited

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

*** Appointed February 2009

		GROUP		COMPANY	
		2010	2009	**2010**	2009
		R'000	R'000	**R'000**	R'000
4.	**TAXATION**				
	South African normal taxation	**107 178**	54 194		
	Current:				
	– this year	**99 571**	56 335		
	– prior years	**(534)**	(1 753)		
	Deferred:				
	– this year	**8 141**	(388)		
	Secondary taxation on companies	**13 831**	829	**11 440**	
		121 009	55 023	**11 440**	
		%	%	**%**	%
	Reconciliation of taxation rate:				
	Standard rate	**28**	28	**28**	28
	Secondary taxation on companies	**3,3**	0,7	**10,3**	
	Exempt income and non-deductible expenses*	**(3,3)**	18,3	**(28)**	(28)
	Effective rate	**28**	47	**10,3**	
	Calculated deferred tax on losses of subsidiaries	**105 302**	122 944		
	Utilised to offset deferred taxation	**(6 572)**	(12 004)		
	Assessable tax losses available for offset against future taxable income	**98 730**	110 940		
	* Primarily impairment charges/(reversals)				
5.	**EARNINGS PER SHARE**				
	Basic earnings per share represent the income in cents attributable to each equity share, based on the group's net income from ordinary activities divided by the weighted average number of shares in issue during the year excluding treasury shares.	**198**	37		
	Headline earnings per share represent the income in cents attributable to each equity share, based on the group's net income from ordinary activities, excluding significant non-operating items, divided by the weighted average number of shares in issue during the year excluding treasury shares.	**189**	67		

	GROUP		COMPANY	
	2010 R'000	2009 R'000	**2010 R'000**	2009 R'000
5. EARNINGS PER SHARE (continued)				
5.1 Diluted earnings per share				
Basic earnings per share (cents)	**195**			
Headline earnings per share (cents)	**187**			
For the diluted earnings per share calculation the weighted average number of ordinary shares in issue is adjusted to take account of potential dilutive share options granted to employees. The number of shares taken into account is determined as the outstanding deliverable options at the balance sheet date less shares held. No diluted earnings per share is reflected for 2009 as the strike price of the options was higher than the share price as at 31 December 2009.				

	GROUP			
Reconciliation between earnings and headline earnings:	**Earnings 2010 R'000**	**Per share 2010 cents**	**Earnings 2009 R'000**	**Per share 2009 cents**
Earnings per share				
Net profit attributable to ordinary shareholders	**277 682**	**198**	52 210	37
Loss on disposal of property, plant and equipment	**101**	**0**	5 342	4
Net impairment (reversals)/charges	**(19 687)**	**(14)**	47 082	33
Tax effect of impairment reversals/(charges)	**4 562**	**3**	(5 620)	(4)
Impairment reversals/(charges) attributable to non-controlling interests	**2 945**	**2**	(3 628)	(3)
Headline earnings	**265 603**	**189**	95 386	67
Weighted average number of shares in issue ('000)	**140 363**		142 352	
Diluted earnings per share				
Weighted average number of shares in issue ('000)	**140 363**			
Adjustment for dilutive share options ('000)	**1 990**			
Number of shares used for diluted earnings calculation ('000)	**142 353**			

	GROUP		COMPANY	
	2010 R'000	2009 R'000	**2010 R'000**	2009 R'000
6. DIVIDENDS				
A dividend of 15 cents per share in respect of the 2009 year declared on 17 March 2010 and paid on 19 April 2010	**20 879**		**22 880**	
Special dividend of 60 cents per share in respect of the 6 months ended 30 June 2010 declared on 12 August 2010 and paid on 20 September 2010	**84 870**		**91 519**	
	105 749		**114 399**	

A dividend of 65 cents per share was declared on 14 March 2011 in respect of the 2010 financial year.

	Land and buildings R'000	Plant and equipment R'000	Capitalised leased assets R'000	Total R'000
7. PROPERTY, PLANT AND EQUIPMENT				
2010				
Group				
At cost	**227 375**	**1 200 710**	**18 008**	**1 446 093**
Less: Accumulated depreciation	**(14 018)**	**(604 184)**	**(11 005)**	**(629 207)**
Accumulated impairment		**(111 407)**	**(6 289)**	**(117 696)**
	213 357	**485 119**	**714**	**699 190**
2009				
Group				
At cost	204 723	1 109 719	42 189	1 356 631
Less: Accumulated depreciation	(11 917)	(516 501)	(34 188)	(562 606)
Accumulated impairment		(129 844)	(6 289)	(136 133)
	192 806	463 374	1 712	657 892
1 January 2009				
Group				
At cost	201 036	1 014 436	42 189	1 257 661
Less: Accumulated depreciation	(10 881)	(510 936)	(21 843)	(543 660)
	190 155	503 500	20 346	714 001
Reconciliation of movement:				
Group				
Year ended 31 December 2010				
Opening net book value	**192 806**	**463 374**	**1 712**	**657 892**
Additions	**22 650**	**99 788**	**488**	**122 926**
Disposals		**(3 182)**		**(3 182)**
Depreciation	**(2 099)**	**(93 298)**	**(1 486)**	**(96 883)**
Impairment reversal		**18 437**		**18 437**
Closing net book value	**213 357**	**485 119**	**714**	**699 190**
Year ended 31 December 2009				
Opening net book value	190 155	503 500	20 346	714 001
Additions	6 172	105 331		111 503
Disposals	(1 641)	(25 814)		(27 455)
Depreciation	(1 880)	(89 321)	(12 345)	(103 546)
Impairment charge		(30 322)	(6 289)	(36 611)
Closing net book value	192 806	463 374	1 712	657 892

The register of land and buildings is open for inspection by members at the registered offices of Metair Investments or its subsidiaries owning the respective properties.

Certain assets are encumbered as security for liabilities as set out in note 16.

The following items include work in progress:
Land and buildings: R390 100 (2009: R201 241)
Plant and equipment: R47 968 895 (2009: R19 842 333)

7. PROPERTY, PLANT AND EQUIPMENT (continued)

Impairment losses and reversals are recognised in the impairment reversals/(charges) line in the income statement.

Management assessed the recoverable amount of all cash-generating units in 2009, following the economic downturn and impact on the motor manufacturing industry in 2009.

In 2010 management assessed all cash-generating units for indicators of impairment or reversal of impairments. Where indicators were present, testing was performed.

An impairment charge of R1 838 000 was recognised at the Alfred Teves Brake Systems (Pty) Ltd (ATE) original equipment manufacturing (OEM) segment, a reversal of R16 294 000 was recognised at the Hesto (Pty) Ltd OEM segment and a reversal of R3 981 000 was recognised in respect of the Lumotech (Pty) Ltd OEM segment (2009: R36 611 000 impairment charge recognised in respect of the Hesto (Pty) Ltd and ATE OEM segments).

Cash-generating units recoverable amount was determined by applying the value-in-use method. This method was applied for all cash-generating units tested.

The reversal of impairments were primarily due to the increased volumes from OEMs and a general improvement in the economic environment. The impairment at ATE relates to the continued unprofitability of the OEM business. No further impairment was necessary on the remaining cash-generating units.

Further detail on the assumptions used in the impairment assessment is included in note 26 – "Critical accounting estimates and judgements".

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

	Goodwill R'000	Trademarks R'000	Licences R'000	Brand R'000	Customer relationship R'000	Other R'000	Total R'000
8. INTANGIBLE ASSETS							
2010							
Group							
At cost	**33 539**	**1 000**	**24 639**	**11 802**	**5 802**	**1 816**	**78 598**
Less: Accumulated amortisation		**(349)**	**(14 162)**	**(1 265)**	**(1 553)**	**(1 363)**	**(18 692)**
Accumulated impairment	**(33 539)**						**(33 539)**
		651	**10 477**	**10 537**	**4 249**	**453**	**26 367**
2009							
Group							
At cost	33 539	1 000	23 420	11 802	5 802	1 810	77 373
Less: Accumulated amortisation		(283)	(11 162)	(793)	(973)	(1 109)	(14 320)
Accumulated impairment	(33 539)						(33 539)
		717	12 258	11 009	4 829	701	29 514
1 January 2009							
Group							
At cost	33 539	1 000	18 776	11 802	5 802	1 809	72 728
Less: Accumulated amortisation and impairment	(23 068)	(217)	(7 668)	(321)	(393)	(807)	(32 474)
	10 471	783	11 108	11 481	5 409	1 002	40 254
Reconciliation of movement:							
Group							
Year ended 31 December 2010							
Opening net book value		**717**	**12 258**	**11 009**	**4 829**	**701**	**29 514**
Additions			**1 219**			**8**	**1 227**
Amortisation		**(66)**	**(3 000)**	**(472)**	**(580)**	**(256)**	**(4 374)**
Closing net book value		**651**	**10 477**	**10 537**	**4 249**	**453**	**26 367**
Year ended 31 December 2009							
Opening net book value	10 471	783	11 108	11 481	5 409	1 002	40 254
Additions			4 644			9	4 653
Amortisation		(66)	(3 494)	(472)	(580)	(310)	(4 922)
Impairment charge	(10 471)						(10 471)
Closing net book value		717	12 258	11 009	4 829	701	29 514

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

The goodwill balance of 2009 relates to Automould (Pty) Ltd ("Automould").

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period.

Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below.

The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates.

8. INTANGIBLE ASSETS (continued)

Key assumptions used for the value-in-use calculations were as follows:

	2009 Automould
Growth rate	5%
Discount rate – pre-tax	25%
– post-tax	18%

Management determined the budgeted gross margin based on past performance and its expectations of market development. The weighted average growth rates used were consistent with the forecasts included in industry reports. The discount rates used were pre-tax and reflect specific rates relating to the cash-generating unit.

	2009 Automould R'000
The above value-in-use calculation resulted in the following impairment charge:	10 471

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

	GROUP		**COMPANY**	
	2010 R'000	2009 R'000	**2010 R'000**	2009 R'000
9. INTEREST IN SUBSIDIARIES				
Unlisted				
Shares at cost less amounts written off			**52 695**	52 695
Non-current advances to subsidiary companies			**544 741**	544 741
Share-based payment costs			**6 580**	3 345
Provision for impairment			**(224 729)**	(236 112)
			379 287	364 669
Current advances			**91 532**	154 309
			470 819	518 978

The group has issued letters of support to various banks whereby Metair has undertaken not to sell subsidiaries or reduce loan balances due to Metair while various subsidiaries are indebted to the bank.

These non-current loans have no fixed terms of repayment.

Current advances are interest-free and payable on demand.

	GROUP		COMPANY	
	2010	2009	**2010**	2009
	R'000	R'000	**R'000**	R'000
9. INTEREST IN SUBSIDIARIES (continued)				
The investment in subsidiary companies was assessed for impairment and reversal of impairment due to specific impairment indicators brought on by current market conditions. The recoverability of investments and advances were assessed by comparing these values to the recoverable net asset values of subsidiaries. The provision for impairment relates to non-current advances to subsidiary companies. During the 2010 year impairment charges of R11 383 000 were reversed.				
(Directors' valuation of shares held – R2 412 000 000) (2009: R1 092 670 000)				
Aggregate attributable income and losses after tax of subsidiaries:				
Income	**317 862**	170 908		
Losses	**(5 293)**	(131 396)		
Details of subsidiaries are disclosed on page 124.				
10. INVESTMENT IN ASSOCIATES				
Unlisted				
Shares at cost less impairment	**5 088**	3 838	**3 838**	3 838
Share of post-acquisition reserves included in non-distributable reserves	**29 148**	16 309		
Income from associates in current year	**12 839**	(20 276)		
In respect of prior years	**16 309**	36 585		
Total carrying value	**34 236**	20 147	**3 838**	3 838
Reconciliation of movements:				
Balance at beginning of the year	**20 147**	40 423	**3 838**	3 838
Impairment reversal	**1 250**			
Share of profit	**16 759**	419		
Dividends received	**(3 920)**	(20 695)		
Investment in associates	**34 236**	20 147	**3 838**	3 838
Directors' valuation	**34 236**	20 147		

	GROUP		COMPANY	
	2010	2009	**2010**	2009
	R'000	R'000	**R'000**	R'000
10. INVESTMENT IN ASSOCIATES (continued)				
The investment in Toyoda Gosei was fully impaired previously. In the current year a reversal of R1 250 000 was recorded as a result of the company returning to profitability and favourable projected future earnings and cash flows.				
The summarised financial information of material associates is in aggregate as follows:				
Income statement				
Revenue	**436 956**	154 964		
Profit before taxation	**58 332**	7 072		
Taxation	**(17 308)**	(6 217)		
Profit after taxation	**41 024**	855		
Balance sheet				
Assets				
Non-current assets	**3 567**	1 856		
Current assets	**131 474**	55 656		
	135 041	57 512		
Equity and liabilities				
Shareholders' equity	**78 988**	38 985		
Non-current liabilities	**410**	39		
Current liabilities	**55 643**	18 488		
	135 041	57 512		

	Percentage holding	Number of shares held	Group carrying amount R'000	Company cost R'000
2010				
Unlisted				
Tenneco Automotive Holdings SA (Pty) Ltd	**25,1%**	**154 712**		
Toyoda Gosei (Pty) Ltd	**20%**	**200**	**1 250**	
Valeo Systems SA (Pty) Ltd	**49%**	**490**	**31 941**	**2 793**
Vizirama 112 (Pty) Ltd	**33%**	**40**	**1 045**	**1 045**
			34 236	**3 838**
2009				
Unlisted				
Tenneco Automotive Holdings SA (Pty) Ltd	25,1%	154 712		
Toyoda Gosei (Pty) Ltd	20%	200		
Valeo Systems SA (Pty) Ltd	49%	490	19 102	2 793
Vizirama 112 (Pty) Ltd	33%	40	1 045	1 045
			20 147	3 838

The associate companies operate in the automotive industry with the exception of Vizirama 112 (Pty) Ltd. Vizirama is an investment company that holds the patents and owns the tooling utilised for the manufacture of streetlights. The companies are all incorporated in South Africa. Details of associates are disclosed on page 124.

Notes to the annual financial statements

	GROUP		COMPANY	
	2010 R'000	2009 R'000	**2010 R'000**	2009 R'000
11. INVENTORY				
Raw material	**370 293**	301 593		
Work in progress	**38 255**	47 623		
Finished goods	**197 999**	168 875		
	606 547	518 091		
The above inventories are stated net of a provision for obsolescence and slow moving stock of R27 957 907 (2009: R21 416 279).				
The cost of inventories recognised as expense and included in "cost of sales" amounted to R2 072 221 676 (2009: R1 525 314 799).				
12. TRADE AND OTHER RECEIVABLES				
Trade receivables	**368 140**	393 430		
Less: Provision for impairment of trade receivables	**(4 190)**	(8 899)		
	363 950	384 531		
Prepayments	**14 499**	11 319		
Other receivables	**18 877**	32 226	**117**	
	397 326	428 076	**117**	
The fair value of accounts receivable approximates their carrying value.				

Trade receivables can be categorised in the following categories:

2010	**Fully performing**	**Past due and not impaired**	**Impaired and provided for**	**Total**
Original equipment	**139 464**	**28 205**		**167 669**
Export	**16 335**	**17 836**		**34 171**
Aftermarket	**85 222**	**33 475**	**3 624**	**122 321**
Non-automotive	**26 889**	**16 524**	**566**	**43 979**
	267 910	**96 040**	**4 190**	**368 140**
2009				
Original equipment	152 874	31 922	4 796	189 592
Export	28 014	28 005		56 019
Aftermarket	81 423	22 260	4 103	107 786
Non-automotive	25 216	14 817		40 033
	287 527	97 004	8 899	393 430

12. TRADE AND OTHER RECEIVABLES (continued)

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

	2010 R'000	2009 R'000
Rand	**369 743**	380 276
British Pound	**543**	300
Euro	**15 268**	31 663
US Dollar	**8 345**	15 253
Australian Dollar	**3 427**	584
	397 326	428 076

No interest is applicable to accounts receivable balances.

The provision for impairment can be analysed as follows:

2010						2009				
Total	**Original equipment**	**Export**	**After-market**	**Non-automotive**	**Provision for impairment**	Original equipment	Export	After-market	Non-automotive	Total
8 899	**4 796**		**4 103**		At 1 January	550	20 731	623	2 523	24 427
566				**566**	Provision for receivables impairment	4 796		4 043		8 839
(5275)	**(4 796)**		**(479)**		Unused amounts reversed	(550)	(20 731)	(563)	(2 523)	(24 367)
4 190			**3 624**	**566**	At 31 December	4 796		4 103		8 899

The ageing profile of trade receivables is presented below:

2010						2009				
Total	**Original equipment**	**Export**	**After-market**	**Non-automotive**	**Ageing of trade receivable**	Original equipment	Export	After-market	Non-automotive	Total
361 776	**167 870**	**33 333**	**119 529**	**41 044**	Up to 3 months	186 246	55 014	104 710	38 296	384 266
5 249	**(318)**	**838**	**2 340**	**2 389**	3-6 months	982	999	2 546	1 445	5 972
1 115	**117**		**452**	**546**	Over 6 months	2 364	6	530	292	3 192
368 140	**167 669**	**34 171**	**122 321**	**43 979**		189 592	56 019	107 786	40 033	393 430

The creation and release of provision for impaired receivables have been included in "other operating expenses" in the income statement. Unwind of discount is included in "finance costs" in the income statement. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

The other classes within trade and other receivables do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above.
The group does not hold any collateral as security. Refer to note 21.2 regarding credit quality of assets.

	GROUP		COMPANY	
	2010	2009	**2010**	2009
	R'000	R'000	**R'000**	R'000
13. CASH AND CASH EQUIVALENTS				
For the purposes of the cash flow statement, cash and cash equivalents consists of the following:				
Cash at bank and on hand	**305 572**	282 205		
Bank overdrafts	**(15 748)**	(49 662)		
	289 824	232 543		
The effective interest rate on short-term bank deposits was 5,66% (2009: 8,11%) and the effective interest rate on bank overdrafts was 11,79% (2009: 11,55%). Refer to note 21.2 regarding credit quality of assets.				
14. SHARE CAPITAL AND PREMIUM				
Authorised:				
187 500 000 ordinary shares of 2c each	**3 750**	3 750	**3 750**	3 750
Issued				
152 531 875 (2009: 152 531 875) ordinary shares of 2c each	**3 051**	3 051	**3 051**	3 051
Share premium	**39 825**	39 825	**39 825**	39 825
	42 876	42 876	**42 876**	42 876
Share premium				
Balance at the beginning and end of the year	**39 825**	39 825	**39 825**	39 825
Treasury shares				
Balance at the beginning of the year	**(124 289)**	(124 532)		
Shares disposed/(acquired) by the Metair Share Trust	**8 205**	(8 590)		
Shares disposed by The Metair Share Incentive Trust	**58 500**			
Shares (acquired)/disposed by Business Venture Investments No. 1217 (Pty) Ltd	**(58 500)**	8 833		
Balance at the end of the year	**(116 084)**	(124 289)		
Treasury shares are held as follows: (number of shares)				
Metair Share Trust	**1 293 687**	2 254 906		
The Metair Share Incentive Trust		10 000 000		
Business Venture Investments No. 1217 (Pty) Ltd	**10 180 273**	180 273		
	11 473 960	12 435 179		

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

Share options

A share purchase option scheme exists with 1 293 687 (2009: 2 254 906) ordinary shares reserved for the purpose of the scheme, and under the control of the directors.

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

	2010		2009	
	Average offer price per share	**Options (thousands)**	Average offer price per share	Options (thousands)
At 1 January	**R4,74**	**2 255**	4,49	2 515
Forfeited			0,72	(92)
Delivered	**R5,29**	**(297)**		
Exercised and delivered	**R4,45**	**(664)**	1,39	(168)
At 31 December	**R4,77**	**1 294**	4,74	2 255

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

2010 Number of shares	2009 Number of shares	**Option price**	**Date granted**	**Date exercisable**
31 875	31 875	R1,00	07/01/00	07/01/05
	33 750	R1,40	08/01/01	08/01/05
	101 250	R1,40	08/01/01	08/01/06
34 375	34 375	R2,36	07/01/02	07/01/06
230 625	313 125	R2,36	07/01/02	07/01/07
410 812	699 531	R4,34	01/04/03	01/04/08
586 000	1 041 000	R6,36	05/04/04	05/04/09

663 719 options were exercised during the year.

The share options are exercisable immediately after the option has been granted provided this does not fall in a closed period, or a prohibited period as determined by the JSE Limited, but not later than 10 years after such date. Delivery of the shares to the participant can only take place on the expiry of five years from the date the option was granted provided this does not fall in a closed period or a prohibited period as determined by the JSE Limited.

Options expire if not taken up within 10 years from date of the grant. No options previously granted to directors in the group expired during the year. All outstanding options at 31 December 2010 and 2009 were exercisable.

Options under the scheme were granted at the closing price ruling on the JSE Limited on the previous day.

The fair value of options granted, determined by using the Black-Scholes valuation model, was R1,87 per share. The significant inputs into the model were a share price of R6,36 per share at the grant date, standard deviation of expected share price returns of 10%, dividend yield of 10%, option life of five years, and an annual risk-free interest rate of 6,3%. The volatility measured as the standard deviation of expected share price returns is based on statistical analysis of daily share prices over the last five years.

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

961 219 shares (2009: 447 500 shares) were transferred/(issued) during the year to the Metair Share Trust. The market value of these shares as at 31 December 2010 was R12,30 (2009: R5,30) per share.

The trust held 1 293 687 (2009: 2 254 906) shares in Metair Investments Limited at year-end.

	2010	2009
Number of shares held by the Metair Share Trust in respect of share option scheme	**1 293 687**	2 254 906
Market value of shares held by the Metair Share Trust in respect of share option scheme	**R15 912 350**	R11 951 002

Share-based payment costs charged for the year were R0 (2009: R0).
The share purchase option scheme was discontinued end-2004 and no further options have been granted since that date.

14.2 Cash-settled share-based payment scheme

The share option scheme in 14.1 above has been replaced with a cash-settled share appreciation right scheme with effect from 1 January 2005.

Share appreciation rights were granted to executive directors and employees. These represent rights to receive cash equal in value to the appreciation of the Metair share price between the date on which the rights are granted and the date on which they are exercised.

The fair value of the rights granted, determined by using the Black-Scholes valuation model, was R3,22 per right. The significant inputs into the model were a weighted average share price of R12,30 (2009: R5,30) at the grant date, volatility of 40% (2009: 40%), dividend yield of 6,1% (2009: 0%), option life of five years and an annual risk-free rate of 5,3% (2009: 6%).

Date granted	**Total grants issued**	**Total grants cancelled**	**Total grants cashed in**	**Total outstanding**	**Weighted average grant price**
08 November 2006	2 225 000	(625 000)	(200 000)	1 400 000	10,52
01 December 2005	2 187 500	(687 500)	(200 000)	1 300 000	9,24
01 April 2005	1 261 250	(420 000)	(270 000)	571 250	8,48

Mr CT Loock still holds 200 000 grants in the cash-settled share-based payment scheme which is due to be cashed in 2011.

Share-based payment costs charged for the year was R817 296 (2009: R739 449).

The scheme was replaced by The Metair Share Incentive Trust during 2007 and no further rights have been issued since that date.

14.3 The Metair Share Incentive Trust

During 2007 The Metair Share Incentive Trust was launched. The Metair Share Incentive Trust acquired 10 million shares in Metair Investments Limited for a consideration of R100 million. The financing provided to the Trust was 75% guaranteed by Metair. The participants in the share incentive scheme receive share appreciation rights equal in value to the appreciation of the Metair share price, after settlement of the Trust's liabilities.

During the 2009 financial year the trust was dissolved as the strike price of the underlying options was higher than the market price.

Accordingly, there has been no IFRS 2 share-based payment charge in the current and previous year.

A new scheme was approved during December 2009 to replace this incentive scheme.

14.4 The Metair Investments Limited Share Plan (equity settled share-based payment scheme)

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

Annual allocations of share appreciation rights, awards of performance shares and grants of bonus shares are governed by Metair's remuneration policies.

a) Share appreciation rights

Annual allocations of share appreciation rights will be made to executives and selected managers. They will be available to be settled, subject to any performance criteria that may have been stipulated at allocation in equal thirds on the third, fourth and fifth anniversaries but need not be exercised until the 6th anniversary, at which time they will be automatically settled.

On settlement, the value accruing to participants will be the appreciation of Metair's share price. The appreciation may be calculated as the full appreciation in the share price, or that appreciation over and above a prescribed hurdle rate which may have been stipulated at allocation.

Movements in the number of rights granted are as follows:

	2010		2009	
	Number of grants	**Weighted average grant price R**	Number of grants	Weighted average grant price R
Balance at beginning of year	**5 172 394**	**5,24**		
Granted	**627 589**	**11,88**	5 172 394	5,24
Balance at end of year	**5 799 983**	**5,96**	5 172 394	5,24
IFRS 2 share-based payment charge		**1 730 000**		107 433
Rights outstanding at the end of the year vest in the following years, subject to the fulfilment of performance conditions.				
Year ending 31 December:				
2012		**5 172 394**		5 172 394
2013		**627 589**		
		5 799 983		5 172 394

14.4 The Metair Investments Limited Share Plan (equity settled share-based payment scheme) (continued)

b) Performance shares

Annual conditional awards of performance shares will be made to participants. Performance shares will vest on the 3rd anniversary of their award to the extent that the specified performance criteria over the intervening period has been met.

The Board dictates the performance criteria for each award which will be selected from the return on equity, return on assets, cash generation and compounded annual growth in headline earnings per share.

The performance conditions applied to the performance shares awarded in 2009 is return on equity targets.

Movements in the number of shares awarded are as follows:

	2010 Number of shares	2009 Number of shares
Balance at beginning of year	**988 235**	
Granted		988 235
Balance at end of year	**988 235**	988 235
	R	R
IFRS 2 share-based payment charge	**1 038 145**	68 262
Share awards outstanding at the end of the year vest in the following years, subject to the fulfilment of performance conditions.		
Year ending 31 December:		
2012	**988 235**	988 235
	988 235	988 235

14.4 The Metair Investments Limited Share Plan (equity settled share-based payment scheme) (continued)

c) Bonus shares

On an annual basis, participants will receive a grant of bonus shares, the value of which matches, according to a specified ratio, the annual cash incentive accruing to the executive. All bonus shares will vest after three years conditional only on continued employment.

Movements in the number of bonus shares awarded are as follows:

	2010		2009	
	Number of shares	**Weighted average award price R**	Number of shares	Weighted average award price R
Granted	**278 751**	**7,45**		
Balance at end of year	**278 751**	**7,45**		
IFRS 2 share-based payment charge		**330 817**		
Share awards outstanding at the end of the year vest in the following years, subject to the fulfilment of performance conditions.				
Year ending 31 December:				
2013		**278 751**		
		278 751		

d) Valuation of share incentive grants

The fair value of the share appreciation rights was determined using a modified binomial tree model. The performance and bonus shares granted in terms of the share plan are the economic equivalent of awarding a Metair share (without dividend rights for the period from grant date to vesting date) at zero strike. Therefore the value of each performance share and bonus share is equal to the share price on the grant date less the present value of future dividends expected over the vesting period.

14.4 The Metair Investments Limited Share Plan (equity settled share-based payment scheme) (continued)

d) Valuation of share incentive grants (continued)

The table below sets out the assumptions used to value the grants.

2010	**Share appreciation rights**	**Performance shares**	**Bonus shares**
Spot price	**R12,25**	***N/A**	**R7,45**
Strike price	**R11,88**	***N/A**	**N/A**
Volatility	**49,38%**	***N/A**	**N/A**
Dividend yield	**3,09%**	***N/A**	**4,67%**
Valuation	**R8 322 962**	**R3 117 280**	**R1 355 908**
* No performance shares were issued in 2010.			
2009			
Spot price	R5,42	R5,42	N/A
Strike price	R5,24	N/A	N/A
Volatility	48,35%	N/A	N/A
Dividend yield	7,49%	7,49%	N/A
Valuation	R6 123 382	R3 117 280	

The total IFRS 2 employee share-based payment expense for the year was R3 098 462 (2009: R175 695).

e) Allocations to Metair executive directors

All share appreciation rights, bonus shares and performance shares were awarded to executive directors on the same terms and conditions as those offered to other employees of the group.

2010	**Share appreciation rights**	**Performance shares**	**Bonus shares**	**Total**
CT Loock	**101 177**		**54 061**	**155 238**
BM Jacobs	**46 500**		**15 113**	**61 613**
2009				
CT Loock	1 305 869	128 668		
BM Jacobs	648 925	64 920		

14.5 Options exercised by executive directors

There were no options exercised by executive directors during the year.

The executive directors hold no share options granted in terms of the Metair Share Trust incentive scheme (refer 14.1).

14.6 Interest of directors

At 31 December 2010 members of the board of directors had a direct and indirect beneficial and non-beneficial interest in the company's ordinary share capital as set out below (there has been no change since that date):

	31 December 2010								31 December 2009							
	Beneficial				**Non-beneficial**				Beneficial				Non-beneficial			
	Direct		**Indirect**		**Direct**		**Indirect**		Direct		Indirect		Direct		Indirect	
Director	**Number**	**%**	**Number**	**%**	**Number**	**%**	**Number**	**%**	Number	%	Number	%	Number	%	Number	%
Non-executive directors																
GMC Ryan*											9 869 178	6,47				
Independent non-executive directors																
L Soanes	240 000	0,16							240 000	0,16						
Executive directors																
CT Loock									100 000	0,07						
Total	240 000	0,16							340 000	0,23	9 869 178	6,47				

* Resigned 1 January 2010.

		GROUP		**COMPANY**	
		2010 R'000	2009 R'000	**2010 R'000**	2009 R'000
15.	**NON-DISTRIBUTABLE RESERVES**				
	Non-distributable reserves comprise:				
	Interest in distributable and non-distributable reserves of associate companies	**29 148**	16 309		
	Balance at the beginning of the year	**16 309**	36 585		
	Transfers from/(to) retained earnings	**12 839**	(20 276)		
	Balance at the end of the year	**29 148**	16 309		
	Transfer from/(to) retained earnings consists of:				
	Share of associated companies' after-tax income	**16 759**	419		
	Dividends received	**(3 920)**	(20 695)		
		12 839	(20 276)		

	GROUP		COMPANY	
	2010	2009	**2010**	2009
	R'000	R'000	**R'000**	R'000
16. BORROWINGS				
Secured				
– Instalment sale agreement secured over motor vehicles with a book value of R317 999 bearing interest at 9%. Repayable in monthly instalments of R6 981.	**308**			
– Mortgage bond secured over plant with a book value of R3 687 000 (2009: R3 687 000) currently bearing interest at prime less 2% (2009: 9%). Repayable in monthly instalments of R19 210 (2009: R20 448) until 2012.	**1 544**	1 651		
– Instalment sale agreement secured over plant with a book value of R9 497 659 (2009: R12 162 599) bearing interest at prime minus 1,5% in 2010 and 2009. Repayable in annual instalments of R6 529 612 (2009: 6 678 583) until August 2013.	**15 738**	20 796		
– Capitalised finance lease secured over plant with a book value of R24 083 (2009: R271 694) currently bearing interest at 9,90% (2009: 13,75%). Repayable in monthly instalments of R7 605 (2009: R10 573) until May 2012.	**114**	307		
– Instalment sale agreement secured over plant with a book value of R0 (2009: R0) currently bearing interest at 9,0% (2009: 10,5%). Repayable in monthly instalments R148 797 (2009: R151 500).	**3 442**	4 826		
– Instalment sale agreement secured over plant with a book value of R14 078 000 (2009: R17 524 000) bearing interest at prime less 1% in 2010 and 2009. Repayable in monthly instalments of R382 137 (2009: R440 693) until October 2012.	**3 963**	8 603		
– Instalment sale agreement secured over plant with a book value of R6 432 000 (2009: R6 774 000) bearing interest at prime less 1% in 2010 and 2009. Repayable in monthly instalments of R136 622 (2009: R138 758) until October 2013.	**4 062**	5 337		

	GROUP		COMPANY	
	2010	2009	**2010**	2009
	R'000	R'000	**R'000**	R'000
16. BORROWINGS (continued)				
– Instalment sale agreement secured over plant with a book value of R6 674 343 (2009: R8 038 000) bearing interest at prime less 2,25% in 2010 and 2009. Repayable in monthly instalments of R251 279 (2009: R278 000) until February 2013.	**6 062**	8 540		
– Instalment sale agreement secured over plant with a book value of R7 723 858 (2009: R10 268 000) bearing interest at prime less 2,75% in 2010 and 2009. Repayable in monthly instalments of R303 247 (2009: R340 000) until March 2013.	**7 576**	10 561		
– Instalment sale agreement secured over plant with a book value of R8 722 136 (2009: R15 450 000) bearing interest at prime less 2,75% in 2010 and 2009. Repayable in monthly instalments of R348 421 (2009: R390 000) until March 2013.	**8 705**	12 117		
– Instalment sale agreement secured over plant with a book value of R3 522 084 (2009: R4 230 000) bearing interest at prime less 2,75% in 2010 and 2009. Repayable in monthly instalments of R99 457 (2009: R275 000) until July 2013.	**2 822**	3 777		
	54 336	76 515		
Cumulative redeemable preference shares		75 000		
– R75 000 000 issued to Rand Merchant Bank bearing cumulative preference dividends at 71,6% of prime repayable in 2010.		75 000		
These shares were issued in order to fund the purchase of 10 million Metair shares acquired by The Metair Share Incentive Trust. Refer to note 14.3.				
The preference shares were redeemed during 2010. The shortfall between The Metair Share Incentive Trust outstanding debt and the balance recovered through the disposal of the shares held was made good by Metair.				
	54 336	151 515		
Current portion included in current liabilities	**(22 424)**	(97 298)		
	31 912	54 217		

	GROUP		COMPANY	
	2010 R'000	2009 R'000	**2010 R'000**	2009 R'000
16. BORROWINGS (continued)				
Maturity of borrowings (excluding finance lease liabilities)				
Not later than 1 year	**20 722**	95 714		
Between 2 and 5 years	**29 750**	50 668		
	50 472	146 382		
Finance lease liabilities – minimum lease payments:				
Not later than 1 year	**1 983**	2 125		
Later than 1 year and not later than 5 years	**2 266**	3 828		
	4 249	5 953		
Future finance charges on finance leases	**(385)**	(820)		
Present value of finance lease liabilities	**3 864**	5 133		
The present value of all finance lease liabilities may be analysed as follows:				
Not later than 1 year	**1 702**	1 584		
Later than 1 year and not later than 5 years	**2 162**	3 549		
	3 864	5 133		
Borrowing facilities				
The group has the following contracted borrowing facilities:				
Floating rate:				
Expiring beyond 1 year	**62 179**	80 282		
Expiring within 1 year	**563 010**	677 469		
The borrowing powers of the company are unlimited in terms of its Articles of Association.				
The carrying amounts of non-current borrowings approximate their fair values.				
The carrying amount of the above borrowings are denominated in South African Rands.				

	GROUP		COMPANY	
	2010	2009	**2010**	2009
	R'000	R'000	**R'000**	R'000
17. DEFERRED TAXATION				
Deferred income tax is calculated on all temporary differences under the liability method using a principal tax rate of 28% (2009: 28%). The following amounts are shown in the consolidated balance sheet:				
Deferred tax assets	**(39 514)**	(34 970)		
Deferred tax liabilities	**92 473**	83 778		
Net deferred tax liability	**52 959**	48 808		
The movement on the deferred income tax account is as follows:				
At beginning of year	**48 808**	43 286		
Income statement charge/(credit)				
– current year	**8 141**	(388)		
Tax (credited)/charged to equity	**(3 990)**	5 910		
At end of year	**52 959**	48 808		
Deferred income tax assets in respect of tax losses carried forward are recognised to the extent that realisation of the related tax benefit is probable.				
Deferred tax assets:				
– Deferred tax asset to be recovered after more than 12 months	**(36 840)**	(34 000)		
– Deferred tax asset to be recovered within 12 months	**(2 674)**	(970)		
	(39 514)	(34 970)		
Deferred tax liabilities:				
– Deferred tax liability to be recovered after more than 12 months	**90 361**	82 335		
– Deferred tax liability to be recovered within 12 months	**2 112**	1 443		
	92 473	83 778		

17. DEFERRED TAXATION (continued)

Group

Deferred tax assets and liabilities, deferred tax charge/(credit) in the income statement and deferred tax charge/(credit) in equity are attributable to the following items:

Deferred tax liabilities

2010

R'000	**Pension and post-employ-ment benefits**	**Plant and equipment allowances**	**Intangibles**	**Other**	**Total**
Opening balance	**6 357**	**74 221**	**5 105**	**(1 905)**	**83 778**
Charged/(credited) to the income statement	**183**	**13 075**		**(975)**	**12 283**
Credited to equity	**(3 579)**			**(9)**	**(3 588)**
Closing balance	**2 961**	**87 296**	**5 105**	**(2 889)**	**92 473**

2009

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

Deferred tax assets

2010

R'000	**Pension and post-employ-ment benefits**	**Assessed losses set off**	**Provision for doubtful debts**	**Warranty claims**	**Provisions**	**Total**
Opening balance	**(2 319)**	**(12 004)**	**(494)**	**(9 480)**	**(10 673)**	**(34 970)**
(Credited)/charged to the income statement	**(622)**	**5 432**	**10**	**1 680**	**(10 642)**	**(4 142)**
Credited to equity	**(402)**					**(402)**
Closing balance	**(3 343)**	**(6 572)**	**(484)**	**(7 800)**	**(21 315)**	**(39 514)**

17. DEFERRED TAXATION (continued)

Deferred tax assets (continued)

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

Aggregated based on subsidiary companies:

	2010 R'000	2009 R'000
Deferred tax assets		
Deferred tax liabilities	**52 959**	48 808

	GROUP		COMPANY	
	2010 R'000	2009 R'000	**2010 R'000**	2009 R'000
18. TRADE AND OTHER PAYABLES				
Trade creditors	**247 636**	226 740		
Accrual for leave pay	**14 670**	15 090		
Sundry creditors and accruals	**240 333**	199 954	**254**	162
	502 639	441 784	**254**	162
The fair value of trade and other payables approximates their carrying value.				
At year-end an amount of R2 163 835 (2009: R3 995 354) was overdue.				
The carrying amounts of the group's trade and other payables are denominated in the following currencies:				
Yen	**51 166**	41 568		
US Dollar	**6 827**	8 358		
Euro	**14 012**	42 002		
British Pound	**212**	297		
Thai Bhat	**3 820**	2 037		
Rand	**426 602**	347 522	**254**	162
	502 639	441 784	**254**	162
No interest is payable on these amounts.				

19. PROVISIONS FOR LIABILITIES AND CHARGES

Warranty

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

Executive bonuses

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

	2010			
GROUP	**Executive bonus R'000**	**Warranty R'000**	**Other R'000**	**Total R'000**
Balance at beginning of the year	**6 685**	**42 868**	**11 323**	**60 876**
Charged to the income statement				
– Additional provision/(provisions reversed)	**10 776**	**(4 826)**	**2 188**	**8 138**
Utilised during the year	**(5 424)**	**(1 255)**	**(9 152)**	**(15 831)**
Balance at end of the year	**12 037**	**36 787**	**4 359**	**53 183**

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

Other provisions in 2009 consist mainly of a provision of R6 000 000 retained in respect of the IFRS 2 share-based payment liability in anticipation of the final wind-up of the incentive scheme, during 2010.

	2009	
COMPANY	Share scheme guarantee R'000	Total R'000
Charged to the income statement		
– Additional provision	36 450	36 450
Balance at end of the year	36 450	36 450

The share scheme guarantee provision was fully utilised in 2010. No provisions were made in 2010.

	GROUP		COMPANY	
	2010	2009	**2010**	2009
	R'000	R'000	**R'000**	R'000
20. NOTES TO CASH FLOW STATEMENTS				
20.1 Reconciliation of profit before taxation to cash generated from/(utilised in) operations				
Profit/(loss) before taxation	**424 546**	118 219	**110 920**	(32 636)
Adjustment for:				
Gain on derecognition of financial liability		(25 000)		
Depreciation and amortisation	**101 257**	108 468		
Impairment (reversal)/charge	**(19 687)**	47 082	**(11 383)**	84 423
Loss on disposal of property, plant and equipment	**261**	5 342		
Share-based payment expenses	**(576)**		**3 235**	
Pension fund	**(2 668)**	(10 196)		
Income from subsidiaries and associates	**(16 759)**	(419)	**(97 980)**	(88 719)
Income from investments	**(18 913)**	(13 243)		
Finance charges	**14 075**	37 360		
Operating profit/(loss) before working capital changes	**481 536**	267 613	**4 792**	(36 932)
Working capital changes:				
(Increase)/decrease in inventory	**(88 456)**	250 922		
Decrease/(increase) in trade and other receivables	**30 887**	(29 781)	**(117)**	9 015
Increase/(decrease) in trade and other payables	**60 654**	(75 499)	**(36 358)**	36 450
Cash generated from/(utilised in) operations	**484 621**	413 255	**(31 683)**	8 533
20.2 Taxation paid				
Taxation paid is reconciled to the amount disclosed in the income statement as follows:				
Amounts overpaid/(unpaid) at beginning of year	**9 700**	(5 552)		
Income statement charge (note 4)	**(112 868)**	(55 411)	**(11 440)**	
Amounts overpaid at end of year	**(8 955)**	(9 700)		
	(112 123)	(70 663)	**(11 440)**	
20.3 Dividends paid				
Balance due at the beginning of the year		(151)		
To shareholders	**(105 749)**		**(114 399)**	
To non-controlling interests	**(8 020)**	(8 290)		
	(113 769)	(8 441)	**(114 399)**	

21. FINANCIAL INSTRUMENTS

21.1 Financial instruments by category

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

R'000	Loans and receivables	Assets at fair value through profit and loss	Total
31 December 2010			
Assets as per balance sheet			
Derivative financial instruments		**23**	**23**
Trade and other receivables	**382 827**		**382 827**
Cash and cash equivalents	**305 572**		**305 572**
Total	**688 399**	**23**	**688 422**

R'000	Other financial liabilities at fair value through profit and loss	Other financial liabilities carried at amortised cost	Total
Liabilities as per balance sheet			
Borrowings		**54 336**	**54 336**
Derivative financial instruments	**14 607**		**14 607**
Bank overdraft		**15 748**	**15 748**
Trade and other payables		**487 969**	**487 969**
Total	**14 607**	**558 053**	**572 660**

R'000	Loans and receivables	Assets at fair value through profit and loss	Total
31 December 2009			
Assets as per balance sheet			
Derivative financial instruments		160	160
Trade and other receivables	416 757		416 757
Cash and cash equivalents	282 205		282 205
Total	698 962	160	699 122

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

21. FINANCIAL INSTRUMENTS (continued)

21.2 Financial risk management

The group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the group's financial performance. The board provides written principles for overall risk management, as well as written policies containing specific areas such as foreign exchange risk.

A. Market risk

i. Foreign exchange risk

The group operates internationally and is therefore exposed to exchange risk arising from various currency exposures. These consist primarily of exposures with respect to the Euro, US Dollar and the Japanese Yen.

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

Uncovered future foreign exchange exposures at year end can be analysed as follows:

	Reflected in the balance sheet				**Purchase orders not yet reflected as liabilities in the balance sheet**			
	2010		2009		**2010**		2009	
	Foreign amount R'000	**Rand equiva-lent R'000**	Foreign amount R'000	Rand equiva–lent R'000	**Foreign amount '000**	**Rand equiva-lent R'000**	Foreign amount '000	Rand equiva–lent R'000
US Dollars	**283**	**1 888**	393	2 924	**(460)**	**(2 995)**	(1 034)	(7 994)
Euro	**686**	**6 142**	1 065	11 400	**(3 405)**	**(30 594)**	(3 523)	(40 554)
Japanese Yen	**(420 714)**	**(34 555)**	(416 839)	(33 511)	**(283 825)**	**(22 829)**	(63 973)	(5 406)
Australian Dollars			13	83	**(21)**	**(148)**		
British Pounds	**(17)**	**(178)**	(25)	(300)	**(113)**	**(1 328)**	(43)	(410)
Thai Bhat	**(17 236)**	**(3 820)**	(1 573)	(2 073)				
Total		**(30 523)**		(20 877)		**(57 894)**		(54 364)

(Amounts in brackets represent liabilities.)

At 31 December 2010, if the Rand had weakened/strengthened by 10% against the US Dollar, with all other variables held constant, post-tax profit for the year would have been R151 800 (2009: R689 500) higher/lower, mainly as a result of foreign exchange gains/losses on translating foreign denominated trade receivables and trade payables and the mark-to-market valuation of forward exchange contracts.

At 31 December 2010, if the Rand had weakened/strengthened by 10% against the Japanese Yen, with all other variables held constant, post-tax profit for the year would have been R5 116 600 (2009: R4 156 800) higher/lower, mainly as a result of foreign exchange gains/losses on translating foreign denominated trade receivables and trade payables and the mark-to-market valuation of forward exchange contracts.

21 FINANCIAL INSTRUMENTS (continued)

21.2 Financial risk management (continued)

At 31 December 2010, if the Rand had weakened/strengthened by 10% against the British Pound, with all other variables held constant, post-tax profit for the year would have been R33 600 (2009: R1 019 800) higher/lower, mainly as a result of foreign exchange gains/losses on translating foreign denominated trade receivables and trade payables and the mark-to-market valuation of forward exchange contracts.

At 31 December 2010, if the Rand had weakened/strengthened by 10% against the Euro, with all other variables held constant, post-tax profit for the year would have been R125 600 (2009: R2 039 200) higher/lower, mainly as a result of foreign exchange gains/losses on translating foreign denominated trade receivables and trade payables and the mark-to-market valuation of forward exchange contracts.

At 31 December 2010, if the Rand had weakened/strengthened by 10% against the Thai Bhat, with all other variables held constant, post-tax profit for the year would have been R382 000 (2009: R203 700) higher/lower, mainly as a result of foreign exchange gains/losses on translating foreign denominated trade receivables and trade payables at the mark-to-market valuation of forward exchange contracts.

At 31 December 2010, if the Rand had weakened/strengthened by 10% against the Australian Dollar, with all other variables held constant, post-tax profit for the year would have been R342 700 (2009: R0) higher/lower, mainly as a result of foreign exchange gains/losses on translating foreign denominated trade receivables and trade payables at the mark-to-market valuation of forward exchange contracts.

ii. Cash flow and fair value interest rate risk

The group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the group to cash flow interest rate risk. Borrowings issued at fixed rates expose the group to fair value interest rate risk. The group's borrowings are denominated in Rand.

The group is exposed to interest rate risk as it borrows and places funds primarily at floating interest rates. Management evaluates the group's borrowings and exposures on a regular basis and utilises fixed and floating rates as it deems appropriate.

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

At 31 December 2010, if the average interest rates on borrowings had been 1% higher with all other variables held constant, post-tax profit for the year would have been R1 356 000 (2009: R815 000) lower.

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

	2010	2009
6 months or less	**15 748**	49 662

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

21 FINANCIAL INSTRUMENTS (continued)

21.2 Financial risk management (continued)

iii. Price risk

The group is not exposed to equity securities price risk as the group does not have investments in equities classified on the consolidated balance sheet either as available-for-sale or at fair value through profit and loss.

B. Credit risk and quality

Credit risk arises for cash and cash equivalents, derivative financial instruments, deposits with banks and outstanding receivables.

The granting of credit is controlled by a formal application process and rigid account limits. Trade debtors consist of a small number of large national and international organisations in the automotive, industrial and mining market sectors. Ongoing credit evaluations are performed on the financial position of these debtors. This evaluation takes into account its financial position, past experience and other factors.

It is the group's policy to limit derivative counterparties and cash transactions to high-credit-quality financial institutions.

Potential concentrations of credit risk consist mainly within trade receivables. Trade debtors are presented net of the provision for impairment.

Credit quality can be analysed as follows:

Trade receivables	**2010**	2009
Counterparties without external credit rating:		
Group 1	**223**	937
Group 2	**360 399**	365 288
Group 3	**3 328**	18 306
	363 950	384 531

Group 1 – new customers (less than 6 months).

Group 2 – existing customers (more than 6 months) with no defaults in the past.

Group 3 – existing customers (more than 6 months) with some defaults in the past. All defaults were fully recovered.

The following balances were held with A1+ rated South African banks:

	2010	2009
Total	**305 572**	282 205

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

C. Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities.

The group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained. Repayments of long-term borrowings are structured so as to match the expected cash flows from the operations to which they relate.

The group utilises the credit facilities of various banking institutions and has been able to operate within these facilities. This trend is expected to continue into the foreseeable future to fund growth in the group. The group is considering providing security to maintain or increase its credit facilities.

21 FINANCIAL INSTRUMENTS (continued)

21.2 Financial risk management (continued)

Borrowing facilities disclosed in note 16 as well as projected profitability levels are expected to provide adequate liquidity levels to support operational cash flows.

Analysis of financial liabilities and net settled derivative financial liabilities – maturities

The table below analyses the group's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

As at 31 December 2010	**Less than 1 year**	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**
Borrowings	**23 423**	**25 877**	**9 744**	**851**
Trade and other payables	**487 969**			
As at 31 December 2009				
Borrowings	103 128	44 204	33 257	1 053
Trade and other payables	426 694			

Analysis of derivative financial instruments which will be settled on gross basis into relevant maturity groupings

Details of the outstanding foreign exchange contracts, which will be settled on a gross basis, follows in note 21.5.

21.3 Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date (level 1). The quoted market price used for financial assets held by the group is the current bid price.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the balance sheet date (level 2).

All the group's financial assets and liabilities at fair value through profit or loss are classified as "level 2" at balance sheet date.

The carrying value less impairment provision of trade receivables and payables approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the group for similar financial instruments.

21.4 Capital risk management

The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

21 FINANCIAL INSTRUMENTS (continued)

21.4 Capital risk management (continued)

The group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including "current and non-current borrowings" as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as "equity" as shown in the consolidated balance sheet plus net debt.

The gearing ratios at 31 December 2010 and 2009 were as follows:

	2010	2009
Total borrowings (notes 13 and 16)	**70 084**	201 177
Less: Cash and cash equivalents (note 13)	**(305 572)**	(282 205)
Net debt	**(235 488)**	(81 028)
Ordinary shareholders equity	**1 256 009**	1 087 249
Total capital	**1 020 521**	1 006 221
Gearing ratio	**(23%)**	(8%)

21.5 Derivative financial instruments

	GROUP			
	2010 R'000		2009 R'000	
At 31 December	**Assets**	**Liabilities**	Assets	Liabilities
Forward foreign exchange contracts	**23**	**14 607**	160	9 835
	23	**14 607**	160	9 835

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

Imports	**R amount**	**Foreign amount**	**Average forward rate**	**Currency used**	**Period to maturity**
US Dollar	42 124	5 961	7	USD	25 January 2011-29 April 2011
Euro	87 397	9 162	9	EURO	12 January 2011-29 April 2011
Japanese Yen	142 832	1 640 386	0,08	JPY	14 January 2011-28 April 2011
Australian Dollar	942	126	7	AUD	26 January 2011-23 March 2011
Great British Pound	3 222	281	11	GBP	31 January 2011-28 February 2011
	276 517				

Exports	**R amount**	**Foreign amount**	**Average forward rate**	**Currency used**	**Period to maturity**
US Dollar	8 322	1 229	7	USD	10 January 2011-31 March 2011
Euro	11 836	1 302	9	EURO	24 January 2011-14 February 2011
Australian Dollar	272	40	7	AUD	1 January 2011-14 February 2011
	20 430				

	GROUP		COMPANY	
	2010	2009	**2010**	2009
	R'000	R'000	**R'000**	R'000
22. CONTINGENT LIABILITIES				
Letters of support in respect of secured loans and overdrafts of subsidiaries	**3 775**	3 675	**3 675**	3 675
Lease commitments	**2 312**	2 925		
	6 087	6 600	**3 675**	3 675

The Alfred Teves Brake Systems (Pty) Ltd funding granted by First National Bank has been secured by a letter of suretyship for R45 million from Metindustrial (Pty) Ltd for the obligations of the company.

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

Refer to note 25 for details on subordination agreements with subsidiaries.

	GROUP		COMPANY	
	2010	2009	**2010**	2009
	R'000	R'000	**R'000**	R'000
23. COMMITMENTS				
Capital commitments	**167 325**	53 384		
Contracted:				
Plant, machinery, tools, jigs and dies	**58 513**	28 398		
Authorised by the directors but not yet contracted:				
Plant, machinery, tools, jigs and dies	**108 812**	24 986		
Unexpired portion of operating lease contracts	**106 606**	129 182		
Payable within one year	**21 631**	20 463		
Payable later than 1 year and not later than 5 years	**66 879**	64 010		
Payable thereafter	**18 096**	44 709		
	273 931	182 566		

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

24. RETIREMENT BENEFIT INFORMATION

The policy of the group is to provide retirement benefits for its employees. The Metair Group Pension Fund is a defined benefit pension fund providing retirement and other benefits to employees and their dependents, who are not members of one of the provident funds.

Amounts recognised in the balance sheet:

	GROUP	
	2010	2009
	R'000	R'000
Post-employment medical benefit liability	**(21 329)**	(19 246)
Defined benefit asset	**6 504**	19 962
	(14 825)	716

Post-employment medical benefits

Certain of the companies in the group operated post-employment medical benefit schemes until 31 December 1996. Employees who joined the group after 1 January 1997 will not receive any co-payment subsidy from the group upon reaching retirement.

The method of accounting and frequency of valuation are similar to those used for defined benefit pension schemes.

In addition to the assumptions used for the pension schemes, the main actuarial assumption is a long-term increase in health costs of 5,5% (2009: 6%) per year.

	GROUP	
	2010	2009
	R'000	R'000
The amounts recognised in the income statement are as follows:		
Current service costs	**191**	683
Interest costs	**2 721**	1 757
	2 912	2 440
Movement in the liability recognised in the balance sheet:		
At beginning of year	**19 246**	17 810
Total expense per income statement as above	**2 912**	2 440
Contributions paid	**(328)**	(735)
Actuarial gain recognised in equity	**(501)**	(269)
At end of year	**21 329**	19 246
The amounts recognised in equity are as follows:		
Recognised actuarial gain	**(501)**	(269)

The effect of a 1% movement in the assumed medical cost trend rate is as follows:

	Increase	Decrease
Effect on the aggregate of the current service cost and interest cost	2 307	1 806
Revised defined benefit obligation	23 636	19 523
The principal actuarial assumptions used were:	2010	2009
Discount rate for obligation	8%	9%

24. RETIREMENT BENEFIT INFORMATION (continued)

Pension schemes

The policy of the group is to provide retirement benefits for its employees.

Participation in retirement benefit plans is, however, not compulsory but 94% (2009: 97%) of the group's employees are members of the Metair Group Pension Fund (a defined benefit plan) or provident funds. The Metair Group Pension Fund is valued by an independent actuary every three years using the projected unit credit method. The latest actuarial valuation was carried out as at 30 April 2009 and the fund was found to be in a sound financial position. All future surpluses are allocated to the employer surplus account. An asset calculated in terms of IAS 19: Employee Benefits in respect of the surplus was therefore recognised. The Metair Group Pension Fund is governed by the Pension Fund Act which requires actuarial valuations every three years. The next actuarial valuation will be completed by 30 April 2012.

	GROUP	
	2010 R'000	2009 R'000
Reconciliation of pension movement		
The amounts recognised in the balance sheet are determined as follows:		
Present value of funded obligations	**(127 595)**	(166 257)
Fair value of plan assets	**134 099**	186 219
Asset in the balance sheet	**6 504**	19 962
The movement in the defined benefit obligation for the year is as follows:		
Beginning of year	**166 257**	394 146
Current service cost	**962**	8 770
Interest cost	**15 355**	24 483
Contributions by plan participants	**379**	3 717
Actuarial losses/(gains)	**3 914**	(2 229)
Benefits paid	**(59 272)**	(254 014)
Settlement		(8 616)
End of year	**127 595**	166 257
The movement in the fair value of plan assets for the year is as follows:		
Beginning of year	**186 219**	383 061
Expected return on plan assets	**18 481**	27 648
Actuarial (losses)/gains	**(12 213)**	18 620
Employee and employer contributions	**884**	10 904
Benefits paid	**(59 272)**	(254 014)
End of year	**134 099**	186 219
The amounts recognised in the income statement are as follows:		
Current service costs	**962**	8 771
Interest costs	**15 355**	24 481
Expected return on assets	**(18 480)**	(27 647)
Contributions by plan participants	**(505)**	(7 185)
Settlement		(8 616)
	(2 668)	(10 196)

24. RETIREMENT BENEFIT INFORMATION (continued)

Settlement of Metair Pension Fund

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

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

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

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

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

The net pension fund asset/(liability) for the current annual and previous four annual periods can be analysed as follows:

	2010 R'000	2009 R'000	2008 R'000	2007 R'000	2006 R'000
Present value of funded obligations	**(127 595)**	(166 257)	(394 146)	(407 047)	(382 242)
Fair value of plan assets	**134 099**	186 219	383 061	428 063	383 882
Asset/(liability) in the balance sheet	**6 504**	19 962	(11 085)	21 016	1 640
The principal actuarial assumptions used were:					
Discount rate for obligation	**8%**	9%			
Expected return on plan assets	**9%**	10%			
Salary increase	**6%**	7%			
Pension increase	**4%**	4%			
Inflation	**5%**	6%			
Actual average return on plan assets	**5,4%**	16,5%			

Assumptions regarding future mortality experience are based on published statistics.

a) Post-retirement – PA 90 tables, rated down two years

b) Pre-retirement – SA 85-90 (ultimate) mortality rates

It was assumed that 90% of members will be married at retirement or death prior to retirement and that males were older than their female spouse by an average of four years.

Expected contributions to the post-employment benefit plan for the year ending 31 December 2011 are R710 000.

Asset description

The expected return on assets is based on an average balanced portfolio, unless there is a specific different long-term investment strategy. Short-term tactical investment positions are ignored (since these can be amended over time) or the effect of recent market movements on the current investment distribution (since these can change on a daily basis). The long expected return used is 4%, compared to the current snapshot result of 3,8%.

	Long-term	**Real return**	**Weighted average**	**Short-term**	**Real return**	**Weighted average**
Equity (foreign and domestic)	70%	4,5%	3,2%	77%	4,5%	3,5%
Bonds	30%	3,0%	0,9%	11%	3,0%	0,2%
Cash and deposits				12%	0,5%	0,1%
			4,1%			3,8%

	GROUP		COMPANY	
	2010	2009	**2010**	2009
	R'000	R'000	**R'000**	R'000
25. SUBORDINATION AGREEMENTS				
The company has subordinated loans to the following subsidiaries in favour of and for the benefit of the other creditors for the purpose of banking facilities in lieu of recapitalisation of subsidiaries:				
Metindustrial (Pty) Ltd			**182 000**	182 000
Smiths Plastics (Pty) Ltd			**147 000**	147 000
Lumotech (Pty) Ltd			**54 332**	54 332
Metair Share Trust			**3 000**	12 500
The Metair Share Incentive Trust				47 000
FYF Funding Investments (Pty) Ltd				25 000
Business Venture Investments No. 1217 (Pty) Ltd				1 200
			386 332	469 032

26. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Warranties

Warranty estimates and assumptions are based on the extrapolation of past claims experience over the warranty period.
This is applied to warrantable sales. Specific occurrences are used as guides for these assumptions.

Factors that could impact the estimated claim information include the success of the group's productivity and quality initiatives, as well as parts and labour costs.

Impairment

Associate investment

The group previously impaired its associated investment in Toyoda Gosei (Pty) Ltd due to their unprofitability. During the current year a return to profitability has resulted in a partial reversal of the impairment of the cost of the investment. The calculation was based on the projected future earnings and cash flows and is reassessed annually.

Property, plant and equipment

During 2009 the group had impaired certain tangible assets due to specific impairment indicators. During the current year certain of these impairments have been reversed as set out in note 7. The reversals were based on value-in-use calculations.

Value-in-use calculations were based on projected future earnings, estimated growth rates and discount rates adjusted for specific cash-generating unit risks.

26. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Property, plant and equipment (continued)

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

– Production volumes in 2011 would grow compared to 2010 based on GDP growth forecasted, adjusted for general economic conditions and the introduction of new vehicle models by OEMs.

– From 2012 volumes would grow based on forecasted GDP growth, adjusted for general economic conditions, industrial expectations and the introduction on new vehicle models by OEMs.

– The group would be able to recover certain inflation-related cost increases from its customers.

Growth in earnings applied by management range variably per annum over the five-year forecast period.

A long-term growth rate of 5% (2009: 3,5% to 5%) was applied by management beyond the five-year forecast period.

Pre-tax discount rates applied were 24% (2009: 24,65% to 26,39%), post-tax discount rates were 17,25% to 17,50% (2009: 17,75% to 19%) depending on the size and the risk profile of each cash-generating unit.

If the growth rate applied decreased by 1%, the impairment reversal would have decreased by R3 981 400 (2009: increase charge R4 269 000). If the discount rates applied increased by 1%, the impairment reversal would have decreased by R3 918 400 (2009: charge R5 093 000).

27. RELATED PARTIES

Information on emoluments paid to executive and non-executive directors have been presented in note 3.

Information on loans granted to subsidiaries has been presented in note 9. Dividend income from subsidiaries has been presented in note 3. Director's shareholding and share incentives granted have been presented in note 14.

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

	2010 R'000	2009 R'000
Purchases of goods and services:		
Denso Corporation	**24 147**	26 938
Yazaki Corporation and its subsidiaries	**171 897**	190 218
	196 044	217 156
Outstanding balance at year-end:		
Yazaki Corporation and its subsidiaries	**28 521**	33 966
	28 521	33 966

Investments in subsidiaries and associates

Incorporated in South Africa	Type	Issued share capital		% Direct (indirect) interest		Cost of shares	
		2010 R'000	2009 R'000	**2010 %**	2009 %	**2010 R'000**	2009 R'000
SUBSIDIARIES							
Motor component manufacturing							
Smiths Manufacturing (Pty) Ltd	ordinary			**75**	75	**4 500**	4 500
Metindustrial (Pty) Ltd	ordinary	**500**	500	**100**	100		
Lumotech (Pty) Ltd	ordinary	**1 200**	1 200	**100**	100	**20 000**	20 000
Hesto Harnesses (Pty) Ltd	ordinary	**1**	1	**75**	75	**1**	1
Smiths Plastics (Pty) Ltd	ordinary			**100**	100	**28 194**	28 194
Unitrade 745 (Pty) Ltd	ordinary			**100**	100		
Smiths Electric Motors (Pty) Ltd	ordinary			**(100)**	(100)		
Kimitar Investments (Pty) Ltd	ordinary			**(100)**	(100)		
First National Battery Industrial (Pty) Ltd	ordinary			**(75)**	(75)		
Tlangi Investments (Pty) Ltd	ordinary			**(50)**	(50)		
Automould (Pty) Ltd	ordinary			**(100)**	(100)		
Alfred Teves Brake Systems (Pty) Ltd	ordinary			**(100)**	(100)		
Management services							
Metair Management Services (Pty) Ltd	ordinary			**100**	100		
Business Venture Investments No 1217 (Pty) Ltd	ordinary			**100**	100		
FYF Funding Investments (Pty) Ltd	ordinary			**100**	100		
Properties							
SMSA Property (Pty) Ltd	ordinary	**3 000**	3 000	**(100)**	(100)		
ILM Investments (Pty) Ltd	ordinary	**1**	1	**(100)**	(100)		
Honeypenny (Pty) Ltd	ordinary			**(100)**	(100)		
Climate Control Properties (Pty) Ltd	ordinary			**(100)**	(100)		
						52 695	52 695
ASSOCIATES							
Tenneco Automotive Holdings SA (Pty) Ltd	ordinary			**25,1**	25,1		
Valeo Systems South Africa (Pty) Ltd	ordinary			**49**	49	**2 793**	2 793
Tuniwell (Pty) Ltd	ordinary			**(40)**	(40)		
Toyoda Gosei (Pty) Ltd	ordinary			**(20)**	(20)	**1 250**	
Vizirama 112 (Pty) Ltd	ordinary			**33**	33	**1 045**	1 045
						5 088	3 838

Investments in subsidiaries and associates

continued

	2010 R'000	2009 R'000
Indebtedness by subsidiaries to the holding company before impairment:		
Metindustrial (Pty) Ltd	**236 370**	236 368
Metair Management Services (Pty) Ltd	**18 429**	127 821
Lumotech (Pty) Ltd	**59 707**	59 707
Unitrade 745 (Pty) Ltd	**10 247**	10 247
Smiths Plastics (Pty) Ltd	**238 417**	238 417
The Metair Share Incentive Trust		45
Business Venture Investments 1217 (Pty) Ltd	**54 662**	2 134
Metair Share Trust	**18 441**	24 311
	636 273	699 050

Notice to shareholders

METAIR INVESTMENTS LIMITED
(Incorporated in the Republic of South Africa)
(Registration Number 1948/031013/06)
JSE share code: MTA ISIN: ZAE 000090692
("Metair" or "the company")

NOTICE TO SHAREHOLDERS

NOTICE IS HEREBY GIVEN that the annual general meeting of shareholders of Metair Investments Limited will be held in the boardroom, Wesco House, 10 Anerley Road, Parktown, Johannesburg, on Wednesday, 4 May 2011, at 14:00 for the following purposes:

Ordinary business

1. To consider and approve the annual financial statements for the year ended 31 December 2010.
2. To re-elect Mr OME Pooe as director, who retires in terms of the Articles of Association, but, being eligible, has offered himself for re-election (note 1).
3. To re-elect Mr BM Jacobs as director, who retires in terms of the Articles of Association, but, being eligible, has offered himself for re-election (note 1).
4. To re-elect Mr B Molotlegi as director, who retires in terms of the Articles of Association, but, being eligible, has offered himself for re-election (note 1).
5. To approve the remuneration of non-executive directors with effect from 1 January 2011 (refer to page 33 of the annual report).
6. To re-appoint PricewaterhouseCoopers Inc., with the designated audit partner being Mr L de Wet, as independent auditors of the company for the ensuing year as recommended by the Board Audit and Risk Committee.

7. Special business

To consider, and, if deemed fit, to pass, with or without modification, the resolutions set out below:

Ordinary resolution number 1

To resolve that the unissued ordinary share capital of the company be placed under the control of the directors of the company who are hereby authorised, subject to sections 221 and 222 of the Companies Act, 1973, and the Listings Requirements of the JSE Limited, to allot and issue such shares on such terms and conditions and at such times as the directors may at their discretion deem fit until the next annual general meeting.

Ordinary resolution number 2

To resolve that the members of the Board Audit and Risk Committee as set out below be and are hereby appointed in accordance with the recommendations of King III. The membership as proposed by the board of directors is Mr JG Best (chairman), Ms A Galiel and Mr L Soanes, all of whom are independent non-executive directors.

Ordinary resolution number 3

To resolve that the company's remuneration policy and its implementation, as set out in the Corporate Governance Report contained in the annual report (refer to page 31 to 33) be approved through a non-binding advisory note.

Special resolution number 1

GENERAL AUTHORITY TO REPURCHASE THE COMPANY'S SECURITIES

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

- Any repurchase of securities must be effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the company and the counter-party;
- This general authority be valid until the company's next annual general meeting, provided that it shall not extend beyond 15 months from the date of passing of this special resolution (whichever period is shorter);
- Repurchases may not be made at a price greater than 10% above the weighted average of the market value of the securities for the five business days immediately preceding the date on which the transaction was effected;
- At any point in time, the company may only appoint one agent to effect any repurchase;
- An announcement be published as soon as the company has cumulatively repurchased 3% of the initial number (the number of that class of shares in issue at the time that the general authority is granted) of the relevant class of securities and for each 3% in aggregate of the initial number of that class acquired thereafter, containing full details of such repurchases;
- Repurchases may not be made by the company and/or its subsidiaries during a prohibited period as defined by the Listings Requirements of the JSE unless a repurchase programme is in place where the dates and quantities of securities to be traded during the relevant period are fixed and full details of the programme have been disclosed in an announcement over SENS prior to the commencement of the prohibited period; and
- The company may not enter the market to proceed with the repurchase of its ordinary shares until the company's sponsor has confirmed the adequacy of the company's working capital for the purpose of undertaking a repurchase of securities in writing to the JSE.

The directors are of the opinion that, after considering the effect of the maximum repurchase permitted and for a period of 12 months after the date of the annual general meeting:

- The company and the group will be able, in the ordinary course of business, to pay their debts;
- The assets of the company and the group will be in excess of the liabilities of the company and the group, the assets and liabilities being recognised and measured in accordance with the accounting policies used in the latest audited annual group financial statements;
- The share capital and reserves are adequate for the ordinary business purposes of the company and the group;
- The working capital of the company and the group will be adequate for ordinary business purposes."

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

Notice to shareholders

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

Directors and management – refer to page 7.
Major shareholders of the company – refer to page 24.
Directors' interests in the company's securities – refer page 25.
Share capital – refer page 96.

Litigation statement
The directors are not aware of any legal or arbitration proceedings, pending or threatened against the group, which may have or have had, in the 12 months preceding the date of this notice, a material effect on the group's financial position.

Directors' responsibility statement
The directors, whose names are given on page 7 of this Annual Report, collectively and individually, accept full responsibility for the accuracy of the information pertaining to the above special resolution number 1 and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that the aforementioned special resolution contains all the information required by the JSE Limited.

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

Voting rights
Duly completed proxy forms must be received by the company at its registered office or by the Transfer Secretaries (Computershare Investor Services (Pty) Limited, 70 Marshall Street, Johannesburg, 2001 / PO Box 61051, Marshalltown, 2107) by no later than 29 April 2010 at 14:00.

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

By order of the board.

SM Vermaak
Secretary
Johannesburg
10 March 2011

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

NOTE

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

Mr OME Pooe

Mr Pooe is appointed as Royal Bafokeng Holdings Limited's public affairs executive. He began his career as a lawyer with Bell Dewar and Hall and was later appointed director responsible for advising clients on all aspects of employment law. He joined AngloGold Limited in 1999 as legal counsel advising on corporate commercial agreements.

He was appointed to the Metair board in April 2007 as non-executive chairman.

Mr BM Jacobs

Mr Jacobs is a chartered accountant and completed his articles with PricewaterhouseCoopers Inc. He has held various senior financial positions with companies, including Pillsbury, Tiger Brands and Foodcorp.

He was appointed as the Metair group finance director in December 2008.

Prince B Molotlegi

Prince Molotlegi has in the last decade achieved significant management and marketing experience. The latter combined with his Hilton College schooling and accredited tertiary education, have aided in the assembly of his current modest business portfolio.

Positions held include marketing manager of Xtrata Alloys and head of the Bafokeng administration. In April 2005, Merchant West Chartered Finance was founded and he was appointed to its board of directors. He also served on the board of Impala Platinum Limited.

He was appointed to the Metair board as non-executive director in April 2007.

Shareholders' diary

Financial year-end	December
Annual general meeting	May

REPORTS AND PROFIT STATEMENTS

Interim report	August
Annual report and financial statements	March

ORDINARY DIVIDENDS

Declared	March
Payment	April

Shareholders are reminded to notify the transfer secretaries of any change in address.

Form of proxy

Annual general meeting of shareholders

METAIR INVESTMENTS LIMITED
(Incorporated in the Republic of South Africa)
(Registration Number 1948/031013/06)
JSE share code: MTA ISIN: ZAE 000090692
("Metair" or "the company")

Important note concerning this form of proxy:

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

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

A shareholder entitled to attend and vote at the meeting may appoint one or more proxies of his/her own choice to attend, speak, and, on a poll, vote in his/her stead at the annual general meeting of the company to be held at 14:00 on Wednesday, 4 May 2011 at Wesco House, 10 Anerley Road, Parktown, Johannesburg. A proxy need not be a shareholder of the company.

I, ____

(name in block letters)

of (address) ____

____

being holder/s of ____________ ordinary shares in the company, do hereby appoint:

1. ____ or failing him/her

2. ____ or failing him/her

3. the chairman of the annual general meeting as my/our proxy to attend, speak and, on a poll, vote on my/our behalf at the annual general meeting which will be held for the purpose of considering and, if deemed fit, passing, with or without modification, the ordinary and special resolutions to be proposed thereat and at any adjournment thereof, and to vote for or against the resolutions or abstain from voting, in accordance with the following instructions:

Voting instruction:

Please indicate with an "X" in the appropriate spaces how votes are to be cast	In favour	Against	Abstain
1. Adoption of financial statements	☐	☐	☐
2. Re-election of Mr OME Pooe as a director	☐	☐	☐
3. Re-election of Mr BM Jacobs as a director	☐	☐	☐
4. Re-election of Prince B Molotlegi as a director	☐	☐	☐
5. Approval of non-executive directors' remuneration	☐	☐	☐
6. Re-appointment of auditors			
7. Special business:			
Ordinary resolution number 1			
Placing of unissued shares under the control of the directors	☐	☐	☐
Ordinary resolution number 2			
Appointment of group audit committee members	☐	☐	☐
Ordinary resolution number 3			
Approval of remuneration policy	☐	☐	☐
Special resolution number 1			
General authority to repurchase the company's securities	☐	☐	☐

Signed at ______________________________ on ____________________ 2011.

Signature : ____

Assisted by me (where applicable) _________________________________

This form of proxy should be lodged at the registered office of the company (Wesco House, 10 Anerley Road, Parktown, Johannesburg) or at the Transfer Secretaries (Computershare Investor Services (Pty) Limited, 70 Marshall Street, Johannesburg, 2001 / PO Box 61051, Marshalltown, 2107) by no later than Friday 29 April 2011 at 14:00.

Please read the notes on the reverse side hereof

Form of proxy

NOTES:

1. A shareholder may insert the name of a proxy or the names of two alternative proxies of the shareholder's choice in the space(s) provided, with or without deleting "the chairman of the general meeting", but any such deletion must be initialled by the member. The person whose name stands first on the form of proxy and who is present at the general meeting will be entitled to act as proxy to the exclusion of those whose names follow.

2. Please insert an "X" in the relevant spaces according to how you wish your votes to be cast. However, if you wish to cast your votes in respect of a lesser number of shares than you own in the company, insert the number of ordinary shares held in respect of which you desire to vote. Failure to comply with the above will be deemed to authorise the proxy to vote or to abstain from voting at the annual general meeting as he/she deems fit in respect of all the member's votes exercisable thereat. A shareholder or his/her proxy is not obliged to use all the votes exercisable by the shareholder or by his/her proxy, but the total of the votes cast and in respect whereof abstention is recorded may not exceed the total of the votes exercisable by the shareholder or by his/her proxy.

3. Forms of proxy must be lodged with or posted to the transfer secretaries, Computershare Investor Services (Pty) Limited, Ground Floor, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107) so as to be received by not later than 14:00 on Friday, 29 April 2011.

4. The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the annual general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof.

5. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy unless previously recorded by the company's transfer secretaries or waived by the chairman of the annual general meeting.

6. Any alternation or correction made to this form of proxy must be initialled by the signatory(ies).

7. A minor must be assisted by his/her parent or guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by the transfer secretaries of the company.

8. The chairman of the annual general meeting may reject or accept a form of proxy which is completed and/or received, other than in accordance with these instructions and notes, provided that he/she is satisfied as to the manner in which the shareholder concerned wishes to vote.

Metair Investments Limited
Wesco House
10 Anerley Road
Parktown
Johannesburg

www.metair.co.za

Produced by
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WWW.METAIR.CO.ZA