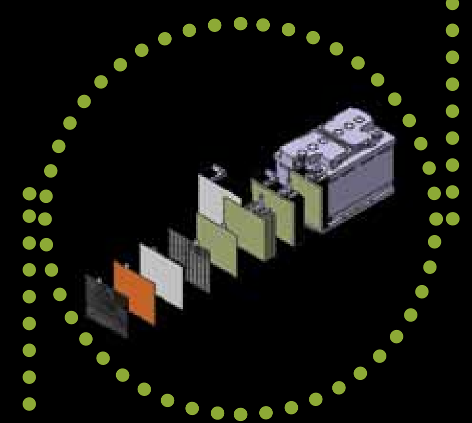
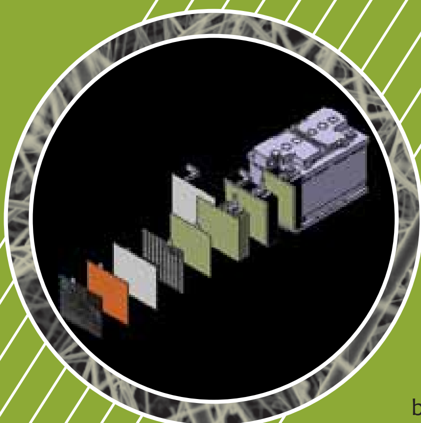
Metair Investments Limited



Integrated Annual Report 2011



Cover image

Last year's cover image was that of a spirit level, which captured the precision and balance that focused the group in 2010. This year's image of a craftsman performing fine adjustments through a magnifying glass, hones in on the importance of human focus and adjustment for the current year. The balance established in the prior year is now being finely adjusted to optimise the business for the future. As the image shows, this optimisation depends on the right people with the right focus using the right tools. These tools are necessary not only to develop appropriate products for the future, but to measure the company's progress against its strategic goals.

METAIR

Who we are

Metair Investments Limited (Metair) is a publicly owned company listed on the Johannesburg Stock Exchange. Headquartered in Johannesburg, it holds and manages a portfolio of companies that manufacture and distribute products predominantly for the automotive industry. Metair started life more than 30 years ago as a supplier to Toyota SA, then a sister company. Today, the group produces and supplies components to all of the major Original Equipment Manufacturers (OEMs) in South Africa. The group also manufactures and distributes spare parts for use in the motor vehicle aftermarket, and non-automotive products for various other sectors of industry. The group's properties are owned and managed by the respective operating subsidiaries.

Division	Activity
Original Equipment (OE)	Manufactures and distributes components used in the assembly of new vehicles.
Aftermarket	Manufactures and distributes aftermarket automotive products, such as batteries, brake pads and spark plugs.
Non-automotive	Manufactures and distributes products mostly related to telecoms, utility, mining, retail and materials/ products handling sectors.
Property	The group's properties are owned and managed by the respective operating subsidiaries.

Scope and boundaries

This integrated report covers the financial activities of Metair for the period 1 January to 31 December 2011 in the annual financial statements and other matters are covered up to the date of this report. It lays out our incremental progress in integrating material non-financial issues alongside financial issues facing the group, in line with the principles recommended in the King Report on Governance for South Africa, 2009 (King III).

Our previous annual report covered the period 1 January to 31 December 2010 for the annual financial statements and other matters up to the date of the report. Apart from the increased range of non-financial sustainability disclosures in this report, there have been no significant changes to our business that would affect our reporting since that time, and no information provided in earlier reports has been restated.

As at the end of 2011, Metair operated entirely within the borders of South Africa. The group consists of six subsidiaries (Smiths Manufacturing, Lumotech, Metindustrial, Smiths Plastics, Unitrade and Hesto Harnesses) and three associates (Valeo, Tenneco and Vizirama). Indirectly, Metair owns an additional two subsidiaries (Automould and Alfred Teves Brake Systems) and one associate (Toyoda Gosei). Our businesses operate autonomously and while financial information is included from all subsidiaries and associates in line with international accounting standards, reference should be made to the relevant sections of this report to ascertain which of the operations are included in the sustainability information disclosed. For example, the transformation information on page 30, the carbon footprint information on page 36 and the human capital section starting on page 33 include all subsidiaries and their material holdings, but exclude associates.

While this report covers the financial year to 31 December 2011, the information disclosed in the environmental section relies on carbon footprint data drawn up for the 12 months ending 31 December 2010. The consolidated BBBEE information referred to in the transformation section uses the latest available externally verified information which relates to December 2010 as disclosed in the full table in Appendix III on page 58.

In preparing this report we have followed the recommendations of the International Integrated Reporting Council (IIRC) Discussion Paper on Integrated Reporting as it applies to our business. Sustainability information in this integrated report has been presented in alignment with the Global Reporting Initiative (GRI) G3 reporting guidelines. Our GRI declaration appears on page 50 and the GRI Index on page 53. In line with the recommendations of King III, we have engaged SustainabilityServices.co.za as external assurance providers on the sustainability information included in this integrated report. Their report appears on page 51.

All targets, intentions and forecasts stated in this report are accurate based on the information we have available to us at the time of writing. We are well aware that these may be invalidated should current conditions change significantly and will report back on our progress in our next Integrated Annual Report.

Contents

Our vision

"We 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 strategy

	Strategy component	Relevance
1.	Continue to target balance in the business	Ensures the business is not overly reliant on a limited number of customers, products and industries.
2.	Nurture the Original Equipment (OE) business and expand the Original Equipment Manufacturer (OEM) customer base	Maintains the legacy business of the company, focussing on quality, delivery and cost-competitiveness. Long-term contracts give earnings certainty and manufacturing expertise. Expanding the customer base and product line within OE helps ensure balance. Grow through securing replacement business with all OEMs.
3.	Focus intently on cost	The OE business is dependent on maintaining global cost-competitiveness.
4.	Secure and grow the aftermarket product range	Growth through quality, delivery, distribution and improved product offering. Generates annuity revenue from the manufactured car parc as well as accessing the imported vehicle market through generic parts.
5.	Pursue the acquisition of a complementary business to leverage off our technologies, efficiencies and product range in the aftermarket and non-automotive business	Broadens product and earnings base and entrench balance in the business.

Financial highlights

For the year ended 31 December

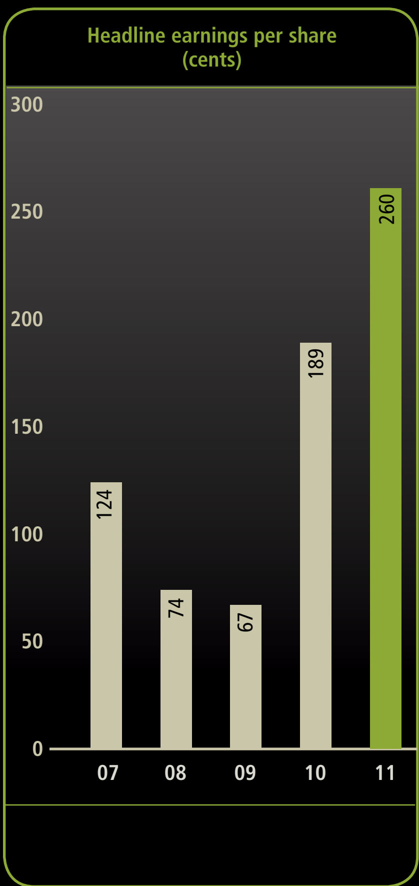
	2011 R'000	2010 R'000	2009 R'000	2008 R'000	2007 R'000
Revenue	**4 294 152**	3 753 236	3 342 053	4 180 398	2 984 293
Profit before taxation	**602 000**	424 546	118 219	74 777	287 185
Impairment charges/(reversals)	**7 900**	(19 687)	47 082	122 590	
Interest paid	**7 858**	11 764	30 146	43 725	9 856
Preference dividend		2 311	7 214	7 660	7 182
Profit/(loss) attributable to ordinary shareholders	**408 365**	277 682	52 210	(13 080)	174 509
Total equity	**1 701 408**	1 369 919	1 184 021	1 113 664	1 190 132
Interest-bearing debt	**52 085**	54 336	76 515	99 251	27 126
Cumulative redeemable preference shares			75 000	100 000	100 000
Property, plant and equipment	**762 752**	699 190	657 892	714 001	702 417
Current assets	**1 640 808**	1 321 899	1 238 232	1 290 793	1 079 221
Total assets	**2 482 126**	2 088 196	2 000 717	2 133 401	1 906 625
Number of shares in issue	**152 532**	152 532	152 532	152 532	152 532
Weighted average number of shares in issue	**141 217**	140 363	142 352	141 707	142 085
Net asset value per share (cents)*	**1 119**	890	776	729	775
Basic earnings per share (cents)	**289**	198	37	(9)	123
Headline earnings per share (cents)	**260**	189	67	74	124
Dividends per share (cents) declared and paid**	**65**	75		40	40
Dividend cover (times) (calculated on headline earnings)	**4,0**	2,5		1,8	3,1
Net profit as a percentage of average total shareholders' funds (ROE)***	**29,4**	23,8	5,5	0,3	17,2
Total shareholders' funds as a percentage of total assets	**68,5**	65,6	59,2	52,2	62,4
Interest cover (times)	**75**	30	4	2	17
Staff complement	**5 951**	5 552	5 339	7 188	6 506
BBBEE aggregate group score	**585**	544	435		

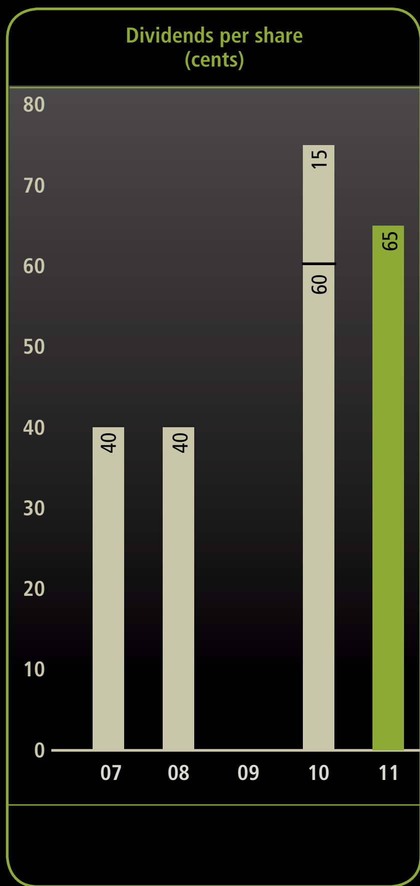
Notes:

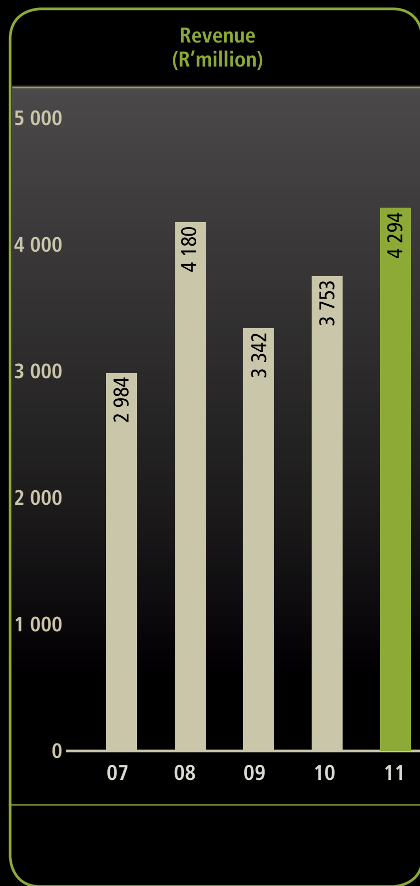
* Calculated on ordinary shareholders' equity and number of shares in issue excluding treasury shares.

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

*** The group's definition of ROE changed in 2010 from profit before interest and tax as a % of ordinary shareholders' equity. Prior year calculations have been adjusted accordingly.


Headline earnings per share
(cents)
300
250
200
150
100
50
0
124
74
67
189
260
07
08
09
10
11


Dividends per share
(cents)
80
70
60
50
40
30
20
10
0
40
40
60
15
65
07
08
09
10
11


Revenue
(R'million)
5 000
4 000
3 000
2 000
1 000
0
2 984
4 180
3 342
3 753
4 294
07
08
09
10
11

Group structure

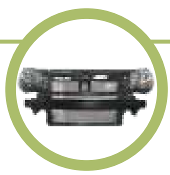
Material Metair holdings

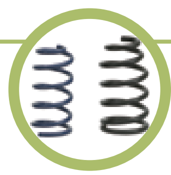
The information on the next four pages shows the major divisions and the percentage of Metair's holding in the division.

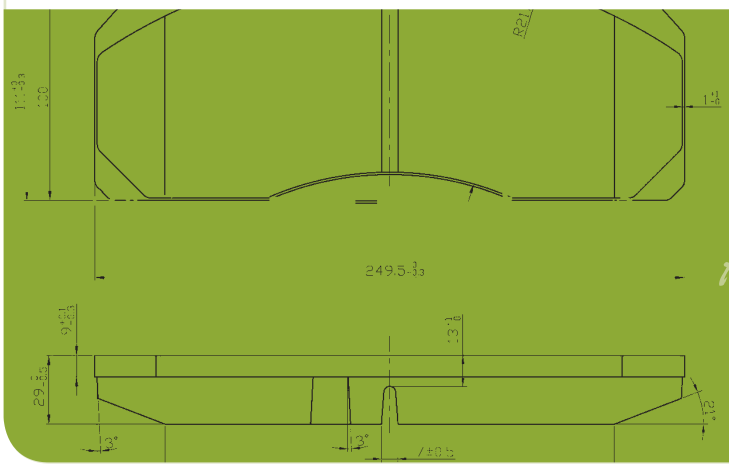
METAIR

Metindustrial

Valeo Systems South Africa (Pty) Ltd	49%
First National Battery (Metindustrial)	100%
Supreme Springs and ATE (Metindustrial)	100%
Lumotech	100%
Tenneco Automotive Holdings SA	25,1%







Attention to the smallest detail

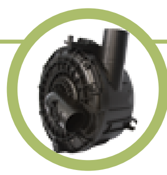
The products we manufacture include heating and cooling systems, shock absorbers, springs, lead acid batteries, lighting and signalling devices, plastic mouldings, wiring harnesses, front-end modules and brake pads.

Smiths Manufacturing

75%

Smiths Plastics, Automould and Toyoda Gosei

100%

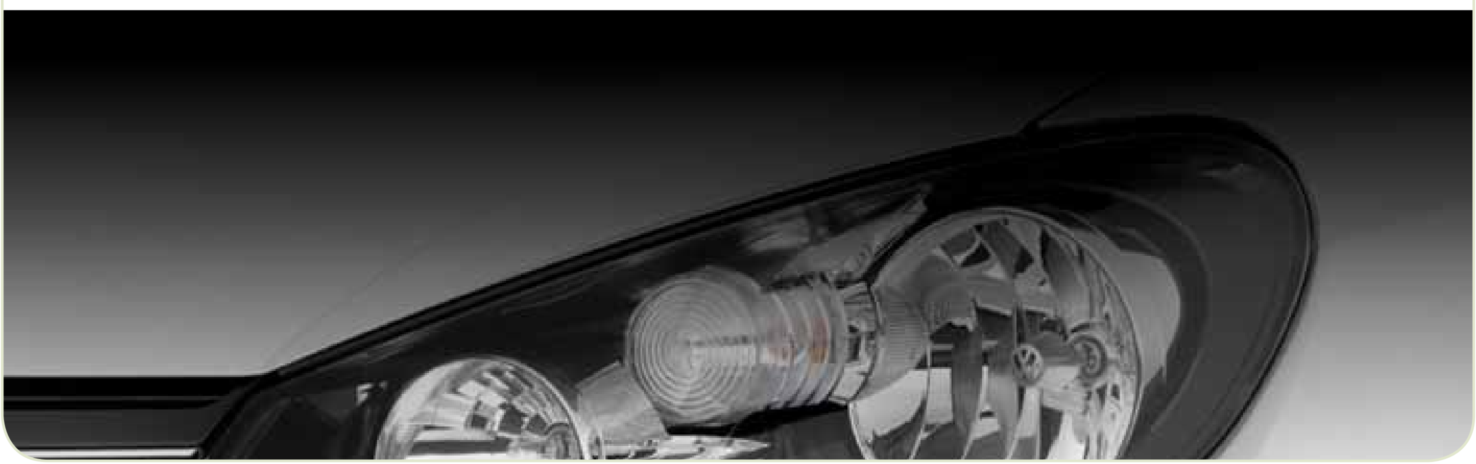


Unitrade

100%

Hesto Harnesses

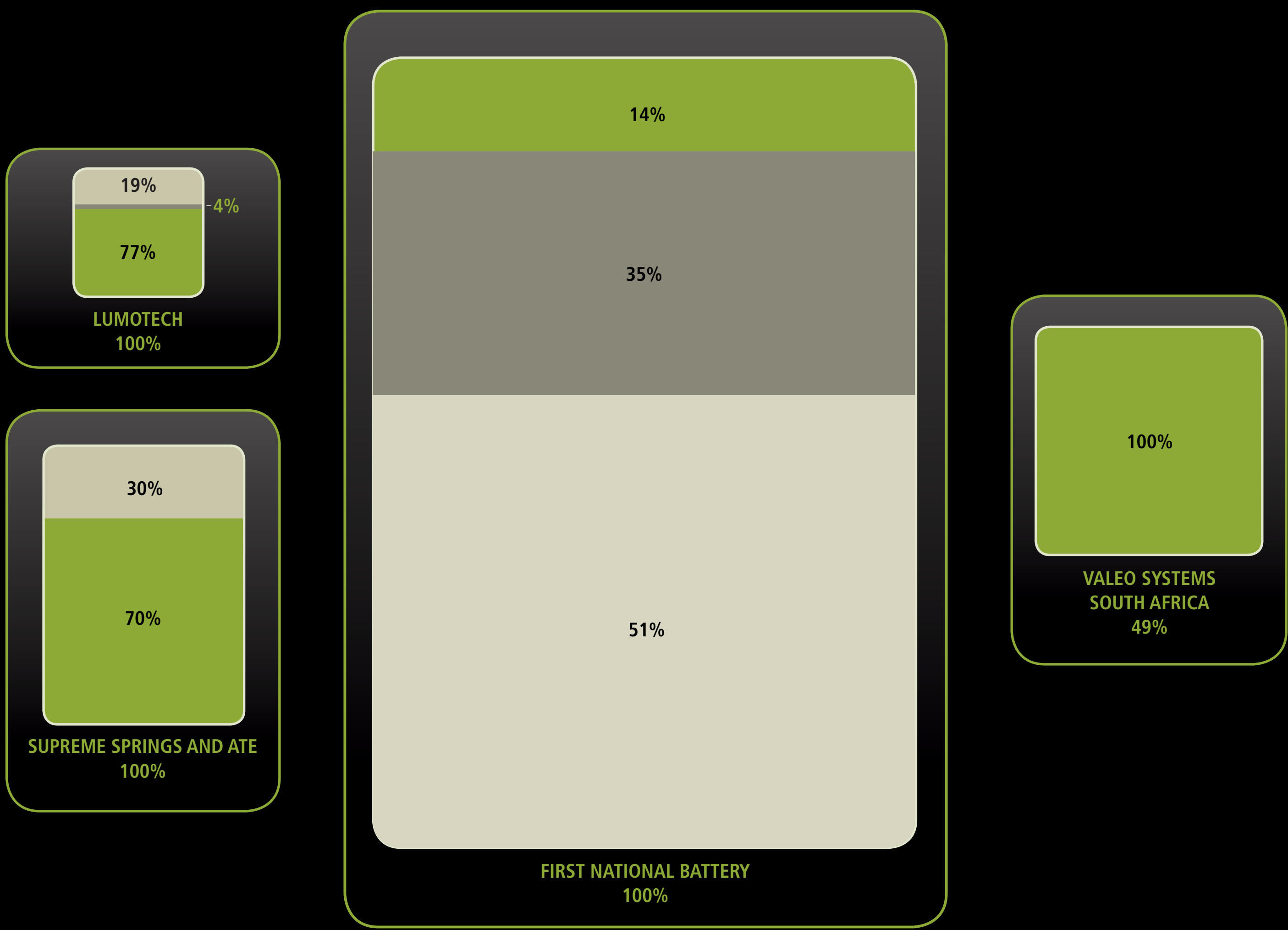
74,9%



What we do

Material operations, market segments and products

This chart shows the relative revenue contribution, product split, Metair's holding in the division, major products and location of operations.



LUMOTECH
100%
Headlights
Plastic injection mouldings
Lamps
Wheel trims
Horns
Tail lights
Streetlights
Warehouse lights

Uitenhage

FIRST NATIONAL BATTERY
100%
Batteries
Solar systems
Back-up systems
Standby systems
Charging systems
Battery Centre franchise

Port Elizabeth, Cape Town, Durban, Carletonville, Benoni, Rustenburg, Klerksdorp

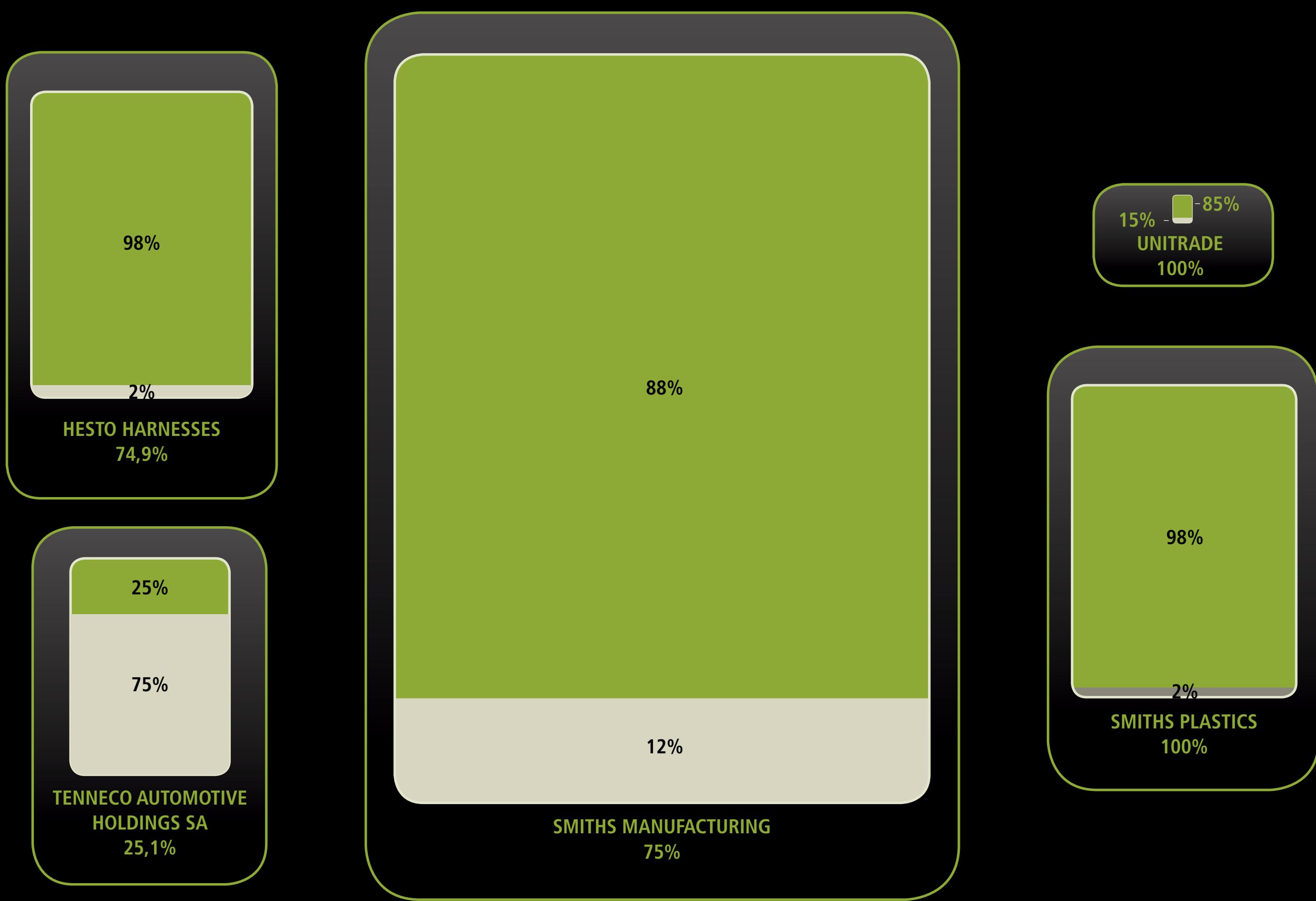
SUPREME SPRINGS AND ATE
100%
Coil springs
Leaf springs
Stabilisers
Torsion bars
Brakes
Calipers
Brake pads

Nigel, Boksburg

VALEO SYSTEMS SOUTH AFRICA
49%
Front-end modules

Uitenhage

KEY: ● Original equipment ● Aftermarket ● Non-automotive



TENNECO AUTOMOTIVE HOLDINGS SA
25,1%
Shock absorbers
Struts
Track control arms

Port Elizabeth

HESTO HARNESSES
74,9%
Wiring harnesses

Stanger

SMITHS MANUFACTURING
75%
Climate control systems
Air-conditioning systems
Cooling modules
Radiators
Air cleaners
Wiper systems
Electronic control units
Alternator and starter

Pinetown, Durban

UNITRADE
100%
Automotive cable
Automotive wire

Stanger

SMITHS PLASTICS, AUTOMOULD AND TOYODA GOSEI
100%
Plastic injection mouldings

Pinetown, Durban

Material issues

The material issues listed below reflect the major challenges and opportunities that face the group. We define an issue as material where it has the potential to significantly affect the long-term sustainability of our business. Our material issues are derived from our risk assessment process and our interactions with stakeholders. The material issues integrate non-financial considerations alongside financial to ensure timely and thorough consideration of all relevant issues.

Material issues	Sub-issues	Relevance	Strategy components	Stakeholders	Governance structure
Competitiveness	• Competition from low-cost countries • Country competitiveness of South Africa • Entry of international competitors • Labour • Energy supply • Raw material supply • Product quality	Metair competes in a global industry against competitors in low-cost manufacturing environments. Quality and cost-efficiency are important differentiators	2. Nurture and expand OEM business 3. Focus intently on costs	All stakeholders	Board and executive committee monitor efficiencies
Macroeconomic factors	• World debt crisis • Natural disasters • Currency volatility	International developments affect Metair's customers and the economic environments in which they operate	1. Target balance in the business 2. Nurture and expand OEM business	All stakeholders	Board and executive committee develop and execute strategies to respond to international developments
Balanced business	• Balance across customers • Balance across industries • Balance between customer requirements and a sustainable economic return • Chemical balance of products	Metair's strategy is to minimise risk through diversification, by proactively managing customer relationships and best-practice manufacturing processes	1. Target balance in the business 2. Nurture and expand OEM business 4. Secure and grow aftermarket product range 5. Acquisitions	• Strategic shareholders • Minority shareholders and analysts • Customers (existing and potential) • Government • Employees and trade unions	Board and executive committee monitor balance and develop and execute strategies to balance the business
Business partnerships	• International business partners • Customer relationships • Government relationships • Supply chain relationships • Governance	Metair's business depends on close relationships with key stakeholders	1. Target balance in the business 2. Nurture and expand OEM business 3. Focus intently on costs 4. Secure and grow aftermarket product range	• Customers (existing and potential) • Suppliers and trading partners • Government • Employees and trade unions • Regulatory bodies • Industry bodies (NAACAM, NAAMSA) • Media	Board and executive committee manage relationships with key stakeholders

Material issues	Sub-issues	Relevance	Strategy components	Stakeholders	Governance structure
Transformation	• Representative management, shareholding and workforce • Corporate social investment	Transformation is a moral imperative, a customer requirement and good business practice	2. Nurture and expand OEM business 3. Focus intently on costs	• Strategic shareholders • Minority shareholders and analysts • Customers (existing and potential) • Suppliers and trading partners • Government • Employees and trade unions • Regulatory bodies • Industry bodies (NAACAM, NAAMSA) • Board and executive committee	Employment equity and transformation committees develop strategies and measure progress against stated targets. Human resource functions execute strategies
Human capital	• Labour productivity and efficiency • Labour relations • Labour cost • Health and safety	Labour is a key input in Metair's cost efficiency and competitiveness and must be closely managed	1. Target balance in the business 2. Nurture and expand OEM business 3. Focus intently on costs	• Customers (existing and potential) • Suppliers and trading partners • Government • Employees and trade unions • Regulatory bodies • Industry bodies (NAACAM, NAAMSA) • Media • Consultants and service providers	Remuneration committee, board and executive committee develop human capital strategy, manage key relationships and monitor progress against stated KPIs and targets
The environment	• Energy consumption • Carbon footprint • Waste management • Water • Environmentally-friendly products	Metair aims to be a responsible corporate citizen and manages its impact on the environment accordingly	1. Target balance in the business 2. Nurture and expand OEM business 3. Focus intently on costs	• Strategic shareholders • Minority shareholders and analysts • Customers (existing and potential) • Suppliers and trading partners • Government • Employees and trade unions • Regulatory bodies • Industry bodies (NAACAM, NAAMSA) • Media • Consultants and service providers	Board and executive committee develop environmental strategy and monitor progress against targets

What we said – what we did

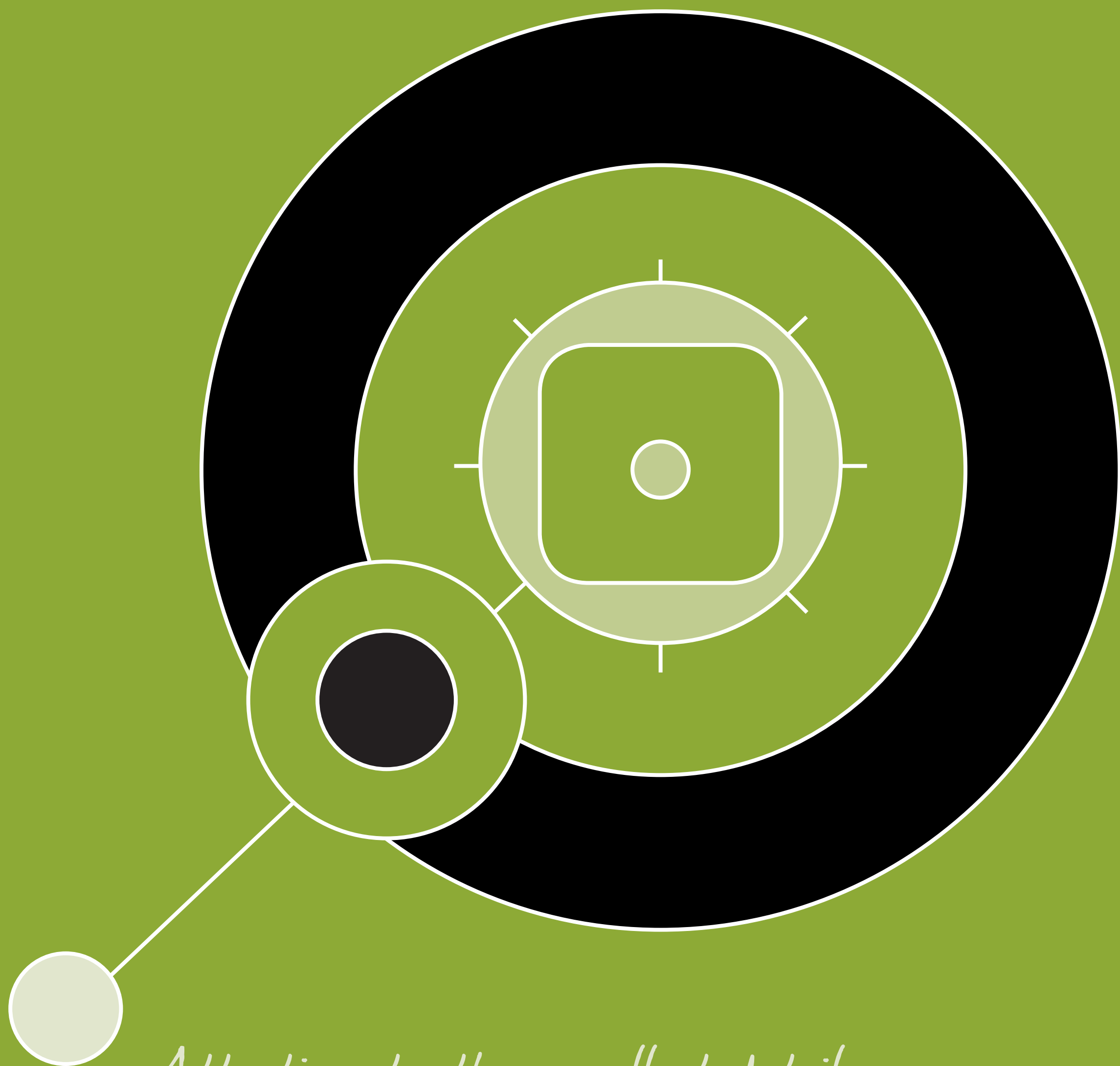
Last year we identified 10 key performance elements for Metair and each group company. The table below reflects our progress against these during 2011 and shows KPIs for 2012.

Key Performance Indicators (KPIs) 2010	Performance in 2011	KPIs for 2012
1. Grow aftermarket and target non-auto acquisitions.	Aftermarket revenues increased by 2,5% despite the fire at FNB. Potential acquisition target identified.	1. Continue to grow aftermarket and target non-auto acquisitions.
2. Continue realistic, responsible, Cost-Index Manufactured process with customers.	Customers lobbied to accept realistic Cost-Index Landed Manufactured vs Cost-Index Manufactured (CIM).	2. Continue realistic, responsible Cost-Index Manufactured process with customers.
3. Secure next model business from all OE customers.	Next model business secured for Ford and Volkswagen.	3. Secure next model business from all OE customers and innovative multipurpose vehicle letters of intent.
4. Utility strategy for the group.	Energy and water usage strategy completed and plans are now being developed to manage utilities efficiently.	4. Continue to develop utility strategy for the group.
5. Improve BBBEE and EE compliance and commitment (targeted a 49 point improvement for 2010 and Level Four compliance by 2014).	144 point improvement for the year. Five of nine subsidiaries already at Level 4 or below. Employment equity and skills development still need attention.	5. Improve BBBEE and EE compliance and commitment (Level Four compliance by 2014).
6. Balanced approach to be followed.	Ongoing. Growth in aftermarket and non-auto business, as well as the acquisition strategy could continue to improve the balance of the business.	
7. Continue lobbying for government support for the motor industry.	Ongoing interactions with government through representation on industry bodies.	6. Continue lobbying for government support for the motor industry.
8. Improve margin on non-auto business.	Margin on non-auto business improved to 12,9% from 7,1% in 2010.	
9. Ensure correct partnership with joint venture partners.	Ongoing relationship management to ensure effective partnerships. Short-term competitive issues have been resolved.	7. Ensure correct partnership with joint venture partners.
10. Engage union on wage increases and productivity.	Ongoing engagement to understand employee and union concerns and provide industry context for cost containment.	
11.		8. Pursue acquisitions.
12.		9. Improve investor relations to raise Metair's investment profile.
13.		10. Implement capital investment review programme successfully.

In addition, we also set a number of specific goals in the sustainability section of last year's report.

Stated goal for 2011	Performance in 2011	Goals for 2012
1. All group companies to achieve OHSAS* 18001 accreditation by 2015 as a desirable.	Goals set for 2016.	All group companies to achieve OHSAS 18001 accreditation by 2016.
2. Complete full group baseline carbon footprint during 2011.	Achieved. Reported on page 36.	
3. 10% reduction in electricity usage in 2011.	All units except for FNB (fire) and Lumotech (new machinery) achieved a 10% reduction in production-adjusted electricity units.	
4. 10% reduction in total in-house transport distance travelled.	In progress.	
5. Roll out new vision.	Achieved. New vision roadshows conducted in 2011.	
6. Target a reduction in carbon footprint.	Target development in progress	Develop appropriate industrial usage indicators for carbon footprint, electricity consumption, waste management and water usage.
7. Compile and report on combined group EE.	Achieved. Reported on page 31.	
8. Disclose detail on training and skills development.	Achieved. Reported on page 33.	
9. Disclose detail on CSI.	Achieved. Reported on page 32.	
10.		Zero fatalities, zero disabling and lost-time incidents.
11.		Group absenteeism and staff attrition rate average below 4%.
12.		7 point improvement on employment equity component of BBBEE scorecard.
13.		Group training spend target: R8,7 million.
14.		129 learnerships in the group.

* Occupational Health and Safety Standard



Attention to the smallest detail

Start/Stop Battery

First National Battery's Ultimate AGM Start/Stop Battery won the Gold Award at the Automechanika SA Innovation Awards 2011.

A Valve Regulated Lead Acid (VRLA) battery that uses Absorbent Glass Matt (AGM) technology, the battery can deliver up to 30% more current than the equivalent conventional lead acid model. It is the only AGM battery produced in South Africa and the first of its design to be produced in the southern hemisphere.

Directors and officers of the company

OME POOE (53)
Non-executive chairman
B Proc Management Development Programme Certificate in Advanced Corporate and Securities Law

CT LOOCK (47)
Managing director
B Eng (Industrial)

BM JACOBS (44)
Finance director
B Comm B Acc CA (SA)

A JOFFE (43)
Non-executive director
B Comm (Hons) GDA CA (SA)

RS BROADLEY (79)
Independent non-executive director
Advanced Technical Certificate (Engineering)

L SOANES (75)*
Independent non-executive director
National Certificate of Engineering

B MOLOTLEGI (39)
Non-executive director

A GALIEL (42)
Independent non-executive director
CA (SA) CFA

JG BEST (63)
Lead independent non-executive director
AICMA ACIS MBA

SM VERMAAK (46)
Company secretary
BComm (Fin M) AIRMSA

* British

COMPANY SECRETARY
SM Vermaak

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

REGISTERED OFFICE
10 Anerley Road
Parktown
Johannesburg 2193

REGISTRATION NUMBER
1948/031013/06

Chairman's statement

In the past year we set out to achieve balance in the various aspects of our business. I am satisfied with the progress that has been achieved in the execution of our strategy as detailed in the managing director's report which appears on page 18 of this report. In the coming year we will continue to make the necessary fine adjustments to optimise our business and to ensure its long-term and sustainable growth.

BALANCE

Our strategy consists of five broad goals that guide our actions. The first of these goals is to target balance in the business. This includes balancing our customer base, our product lines, financial and non-financial sustainability issues, as well as fully understanding the chemical balance in our products.

ORIGINAL EQUIPMENT

The legacy original equipment (OE) business is still the biggest revenue contributor to the group. It remains crucial to our business; the long-term nature of our customer contracts not only brings earnings certainty but also exposes us to world best practice in manufacturing. The challenge with our OE business remains attaining some measure of diversification both in the customers to whom we supply and the product range. We have seen much improvement in achieving this diversification over the past two years.

COST FOCUS

Our customers hold us to the highest international quality standards and demand that we achieve this at globally competitive costs. This means we must ensure that our systems and processes are highly efficient and our workforce healthy, highly skilled, motivated and productive.

AFTERMARKET

Aftermarket business provides annuity revenue to the group. As the South African car parc continues to grow, the vehicles sold at the peak of the industry during 2006 and 2007 now move into the aftermarket product horizon of Metair and will continue to do so over the next two to three years. By expanding into generic products the group can also access the growing number of imported vehicles.

Non-automotive products such as the new energy-efficient lighting products, tracking units and heat pumps benefit from technology developed in the OE business and represent further opportunity for product diversification of the group in the future.

FUTURE DIRECTION

International carbon emission protocols continue to drive the move to low-emission engines. We believe that the likely future direction of the industry lies in the combination of diesel particle fuel management systems and Start/Stop battery technology. Using the expertise developed as the leading producer of mining cap lamps, we will produce the first OE Start/Stop battery on our FNB production line in the first half of 2012. Leading world producers forecast annual future demand for these batteries to exceed 35 million units as from 2016.

MARKET CONDITIONS

The environment within which we do business will continue to present a challenge. International OE market conditions remain uncertain. This year saw the effects of the earthquake and tsunami in Japan, floods in Thailand and a fire at our First National Battery division. The world debt restructuring affects the sourcing and manufacturing decisions of the major OEMs and therefore has an effect on our operations.

Local vehicle production and sales appear to be heading towards recovery. Vehicle production grew 12% for 2011 and NAAMSA forecasts sales growth of 8% for 2012, although the South African market will continue to be linked to international developments.

The demands of competing in the automotive industry mean that environmental awareness is deeply embedded in our operations and that we be should be mindful of the environmental requirements of the destination countries of the products we produce. European environmental standards make it incumbent on us to account for the chemical makeup of each part we supply. The group is well placed to fully comply with these requirements. Environmental sustainability, transformation and employee health and safety are key considerations in supply chain selection for global customers. Metair applies the same stringency to its own sourcing selection processes.

As detailed in our corporate governance report, the group recognises its social and moral obligations to society. We apply the highest ethical standards to our conduct and subscribe to the principles laid out in the King Report on Governance for South Africa, 2009 (King III).

I am satisfied with the performance of the company. Particularly satisfying is the financial performance which has been achieved in a challenging operating environment. We have also made steady progress towards our Broad Based Black Economic Empowerment targets. We will continue to work towards maintaining and improving on the progress made to date.

I would like to thank the management team and staff for their dedication and commitment during the year. I would also like to thank all our stakeholders for their continuing loyalty and support.

The short-term outlook for the automotive industry remains stable. I believe that the underlying drivers remain sound and that effective execution of our strategy will deliver a long-term sustainable future for the group.

OME Pooe
Chairman

The demands of competing in the automotive industry mean that environmental awareness is deeply embedded in our operations.

Managing director's report

Metair has produced an excellent set of financial results for the year ended 31 December 2011. Headline earnings per share increased by 38% to 260 cents (2010: 189cps) and the group achieved a normalised return on equity of 27,0% (2010: 22,6%). Cash generation was excellent and earnings before interest, tax, depreciation and amortisation was R692,6 million (2010: R501,3 million).

2011 was a year in which the whole of the South African automotive industry showed incredible resilience as aftermarket demand increased and new vehicle production (the Original Equipment (OE) sector) recovered to over 500 000 from 449 000 in 2010. This resilience was evident in spite of a number of "black swan" events which impacted negatively on the macro-economic environment and/or Metair. Some of these "black swan" events were:

- the earthquake and tsunami in Japan in March which fortunately had a limited impact on the South African automotive manufacturing industry relative to other jurisdictions throughout the world;
- the fire at the Benoni facility of our First National Battery (FNB) division in April, which destroyed half of our formation capacity. Swift management action helped to minimise lost production and FNB was back at full capacity by the end of the year. We view this incident as "constructive destruction" as it provided us with an opportunity to modernise and improve the plant;
- the floods in Thailand in September/October that delayed the launch of at least one major model release scheduled for 2011; and
- the ongoing world debt crisis which has led to a number of Original Equipment Manufacturers (OEMs) relocating production volumes to plants in their own or peripheral countries to support the manufacturing bases in those countries. As a result, South African OE manufacturing facilities lost volume to plants in Spain and North America.

Government's Automotive Production and Development Programme (APDP) incentive structure that replaces the previous Motor Industry Development Programme (MIDP) provides the industry with enhanced stability and local production commitment until at least 2020. It also includes support for the important aftermarket sector previously neglected by the MIDP. The APDP started to take effect during 2011 as several manufacturers launched new production platforms that will counter some of the lost volumes described above.

MATERIAL ISSUES

In line with the principles included in the International Integrated Reporting Council (IIRC) discussion paper on integrated reporting, and the Global Reporting Initiative's (GRI) G3 guidelines, we group the significant issues that we face into seven broad areas. These are summarised below and discussed in greater detail in the relevant sections of this integrated report. Each of these issues is interconnected and they guide our approach to managing the group in an integrated and sustainable way.

Competitiveness

As a supplier into a global industry, Metair is in competition with companies from around the world, many of which operate in lower-cost environments than South Africa. OEMs can move their sourcing to these lower-cost countries if we can't deliver to our customers' quality and cost expectations. This forces us to constantly improve our production processes so that we can meet these world-class benchmarks – a challenge we embrace. It also requires us to engage our employees and unions as important stakeholders in the company to get their buy-in and understanding of the realities of operating in this industry in terms of productivity and wage expectations.

Labour is only one aspect of the relative competitiveness of South Africa – other considerations include, inter alia, certainty of raw material and energy supply, and the rising cost of electricity and transportation costs. For example, clearing a container in South Africa costs around $380 – our competitors in China get the same service for $80. We are encouraged by President Zuma's recent State of the Nation address in which infrastructure competitiveness was highlighted as a priority for government.

Maintaining and improving on our cost and quality competiveness is a key performance indicator that has and will continue to be a crucial focus of management.

Macroeconomic environment

As touched on briefly at the start of my report, the last few years have shown how international crises and distant natural disasters can directly impact our business.

The volatility of the rand against the dollar and yen has also been a challenge for export competitiveness.

Balanced business

Metair started trading more than 30 years ago as a supplier of products to Toyota SA, which was until recently a sister company. As a result, the majority of Metair's business was in the OE manufacturing space and reliant on a few customers. In order to improve the sustainability of our business we have followed a deliberate strategy of bringing more balance to the group, its client base and product lines. We are now represented with all seven OEMs producing in South Africa and have significantly expanded the OE product lines we supply. While the OE business remains core to the group's strategy, we are focussed on growing the aftermarket and non-automotive areas of the business to diversify our earnings base.

Business partnerships

Partnerships are key to our business. Many of Metair's subsidiaries operate in partnership with international businesses that provide manufacturing expertise, technology and experience. We also have very close relationships with our customers, especially the OEMs, where the ability to negotiate appropriate cost-recovery models is fundamental to maintaining a mutually beneficial and sustainable business relationship.

The automotive industry in South Africa is reliant on government incentive programmes. Through our involvement in the National Association of Automotive Component and Allied Manufacturers (NAACAM) and in cooperation with the National Association of Automobile Manufacturers of South Africa (NAAMSA) we have been intricately involved with government in the development of the APDP, which will shape the future of the industry in South Africa. It is therefore essential that while we strongly represent our interests, we continue to maintain good relations with government.

Our customers scrutinise our products extremely closely for quality and chemical content and we do the same with our supply chain to make sure that we can deliver on our customers' expectations.

These relationships and our broader business methodology are guided by our approach to corporate governance and ethics, aligned with the principles of King III, as laid out in the governance report on page 39.

Transformation

Our transformation score showed a significant improvement this year, far exceeding our expectations. This improvement was driven by a better performance in management control, preferential procurement and enterprise development and the group met its three-year transformation goals in just one year. Two of our companies are BBBEE Level Three contributors and three are Level Four. Areas where targets were not attained will be focussed on in subsequent periods in an effort to catch up on any shortfalls.

Our Corporate Social Investment programme is also progressing well and more detail can be found on page 32 of this report.

Human capital

In order to meet our quality and cost efficiency benchmarks we need to attract, develop and retain employees who represent the group's high standards and commitment. Labour relations are extremely important especially in those operations where cost constraints applied by our customers are particularly onerous. The continuing restructuring of our plastics division has been difficult and we thank all parties involved for their patience and their understanding of the business realities that make this process necessary.

Managing director's report

The environment

Environmental considerations are driven by our commitment to operate a sustainable business and limit our environmental impact. This is reinforced by our customers' requirements for full transparency on what goes into our products. We supply into some of the most stringent environmental regimes in the world and our processes continue to meet the required high standards of environmental responsibility.

We conducted a carbon footprint exercise on all of our operations this year.

REVIEW OF OPERATIONS

Original Equipment

The seven OEMs in South Africa produced over 500 000 vehicles in 2011, a 43% recovery off the 2009 low vehicle production base of 354 000 vehicles.

We continue to invest in our OE segment. We invested R59 million to meet the needs of new customers as well as addressing competitiveness for existing customers and R37 million was spent on maintenance capital.

The OE sector remains an integral part of our business and we will continue to work closely with our customers to maintain and improve our quality and cost competitiveness.

Aftermarket, non-automotive and export segments

Group operations have become focused on supporting our vision and strategy as we directed our focus to where vehicles are sold and where we can leverage our technology. In the past we tended to focus primarily on where the vehicles were produced. The total vehicle parc in South Africa continued to grow strongly as a result of the high new-vehicle sales experienced in 2006, 2007 and 2008. This has resulted in an increase in aftermarket sector sales of annuity products, most notably batteries, but also products such as brakes, filters, spark plugs, and heat-exchange-product spares. The aftermarket performance was supported by our non-automotive market product penetration with lighting and battery products.

New products

Start/Stop battery

The culmination of more than 20 years of continuous product enhancement and development and a specific technology decision 6 years ago saw the successful launch of our Start/Stop battery product range in 2011. Development and testing work based on the latest German Automotive Society (VDA) engineering specification for Start/Stop batteries has been ongoing for the last three years with two leading German OEMs approving the product. This resulted in FNB being awarded its first series production order for Start/Stop batteries in February 2012. A planned 'worldwide series production release' approval will enable FNB to sell its Start/Stop batteries in the global OE and aftermarkets. The group believes that world carbon footprint reduction decisions will result in a significant shift in the requirements for Start/Stop batteries from 2015/2016 and we are ideally positioned to participate in this paradigm shift.

Other products

Progress in the expansion of our other product lines continues. We will be launching a new vehicle tracking unit in 2012 for aftermarket and OEM use. The unit has been developed in partnership with a leading South African electronics company and uses market-leading technology developed in our plastics division.

We are constantly looking for ways we can make use of the expertise and technology gained in our automotive manufacturing units to create new and innovative products, especially in those areas that can benefit from green technology. Our Envirolight energy-efficient streetlights are now being rolled out in a number of municipalities in South Africa and we are investigating the viability of producing a heat pump using the technology developed in our heat exchanger division.

Metair produced an excellent performance this year despite several major unexpected events that impacted on our business. We are committed to maintaining our focus on executing our strategy.

Acquisitions
We have consistently stated that the group will target strategic acquisitions in the aftermarket sector where we can take advantage of our technological expertise and balance sheet.

Sustainability
Long-term sustainability has been integrated throughout our organisation by the realities of operating in the global automotive industry. We see the direct financial impact on our bottom line of sustainability thinking. If we do not carefully control hazardous materials, or if we make our products in ways that are environmentally unfriendly, we risk losing business with our customers. Our future product lines and the future of the business depend on products that reduce energy usage and have a low environmental impact. To be sustainable as a business, we need to be globally cost competitive, which in turn means we continuously engage our employees and ensure that the requirements are in place for them to produce as efficiently and cost-effectively as possible.

PROSPECTS

The South African automotive market is inextricably linked to global developments and while we see the OE market as being flat for 2012, we expect some growth from the aftermarket sector on the back of strong sales of new vehicles in the years preceding the global financial crisis. Despite the many challenges facing the industry, we believe that the group should maintain itself in 2012.

We thank all of our stakeholders for their commitment and support over the 2011 financial year and look forward to their continued support in 2012.

CT Loock
Managing director

Financial review

	2011 R'million	2010 R'million	% Change
Revenue	**4 294**	3 753	14,4%
Gross profit	**917**	794	15,5%
Profit before taxation	**602**	425	41,6%
Impairment (charges)/reversals	**(8)**	20	140%
Profit attributable to ordinary shareholders	**408**	278	46,8%
Total equity	**1 701**	1 370	24,2%
Interest-bearing debt excluding cash	**52**	54	(3,7%)
Property, plant and equipment	**763**	699	9,2%
Current assets	**1 641**	1 322	24,1%
Total assets	**2 482**	2 088	18,9%
Net asset value per share (cents)*	**1 119**	890	25,7%
Basic earnings per share (cents)	**289**	198	46,0%
Headline earnings per share (cents)	**260**	189	37,6%

*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 14% from R3 753 million to R4 294 million, primarily as a result of the increase in vehicle production figures and local non-auto sales growth. Gross profit margin improved from 21,2% to 21,4% due to volume increases across OEMs, cost control and the continued good performances for aftermarket and non-auto.

Other operating income increased from R48,9 million to R166,2 million mainly due to insurance proceeds relating to the fire at our FNB division of R122,6 million.

The financial effects of the fire that occurred at our FNB battery division in the month of April 2011 require detailed explanation. Included in operating profit is R47,4 million from business interruption insurance (our best estimate). Shown separately is the profit on the property, plant and equipment portion of the insurance claim. This amount, also our best estimate, is recorded as R42,6 million. We expect the insurance claim to be finalised in the first half of 2012.

Distribution costs increased from R123,3 million to R132,8 million principally as a consequence of increased volumes in the aftermarket segment. Administrative cost increases largely resulted from inflationary reasons coupled with increases in various expenses relating to volume increases as well as certain once-off costs such as due diligence costs.

Operating profit increased from R402,9 million to R576,2 million. Included in the operating profit are impairment reversals of R19,7 million in 2010 compared to a charge of R1,1 million in 2011 relating to write-off of a technical fee. Excluding the impact of impairment reversals and the profit on the insurance recovery relating to property, plant and equipment, operating profit was R534,7 million in 2011 compared to R383,3 million in 2010, an increase of 40%.

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 R16,8 million to R19,3 million predominantly due to the increase in vehicle volumes.

The tax charge of R150,9 million includes current tax of R123,2 million, deferred tax of R13,9 million and secondary tax on companies of R13,7 million. This resulted in an effective tax rate of 25% (2010: 28%).

Financing income contributed a positive R6,4 million compared to R4,8 million in 2010.

Headline earnings increased by 38% to R367,8 million. Headline earnings are arrived at after adjusting for impairment charges (reversals) and profits (or losses) on the disposal of property, plant and equipment including the insurance recovery. Headline earnings per share have increased by 38% to 260 cents.

The board is currently considering the declaration of a dividend and a further announcement will be made in this regard. The dividend policy for the immediate future will be two to four times earnings cover, depending on the capital requirements, expansion, diversification and acquisition objectives of the business. Previously, cover was three to four times earnings.

FINANCIAL POSITION REVIEW

Net Asset Value per share increased from 890 cents to 1 119 cents per share on the strong results for the year.

Working capital was well controlled during the year. Net working capital as a percentage of sales increased from 13,4% in 2010 to 15,8% in 2011 as a result of inventory that has increased due to higher production volumes and trade receivables increasing due to an accrual of R92 million for insurance proceeds relating to the fire at FNB.

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 decreased from R484,6 million in 2010 to R449,6 million in 2011. Cash outflows from investing activities decreased from R102,3 million to R88,2 million due to an increase in capital expenditure that was more than offset by the insurance claim. Cash repayment of debt of approximately R14 million during the year has left the group with a minimal amount of gross interest-bearing borrowings (excluding overdraft) at R52 million (2010: R54 million). Cash balances in the group net of overdrafts is at a healthy R397 million (2010: R290 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 for future growth, while simultaneously ensuring that the group's resources are optimally utilised.

Capital expenditure in 2011 amounted to R162 million versus R124 million in the prior year.

The spend was targeted at increasing capacity and technology at our battery business in East London. This was necessitated by the fire at the First National Battery division which resulted in capital expenditure being spent from insurance proceeds. Further investment in expansion and efficiency in the OE segment included the increase in capacity for the planned launch of a light commercial vehicle in 2011. In addition, capital expenditure was spent as a result of Metair increasing its OE customer base. Further capex was spent for vertical integration relating to our OE business to address competitiveness issues.

Capital expenditure for 2012 will focus on completing the technology and capacity improvements at our First National Battery business. In addition to this, a significant amount of capex will be spent on OE as a result of model changes coming into effect in future years combined with the capital expenditure to meet our commitment to improve our competitiveness.

A summary of the group's capital expenditure for 2012 is set out below. This capital expenditure will be funded out of existing cash reserves and cash generated from operations.

The group's focus on cost-saving initiatives, cash management and working capital management will continue in 2012.

2012 Capital expenditure (R'000)

	Maintenance	Expansion/competitive and efficiency improvement	Total
OE	72 607	73 505	146 112
Aftermarket	11 992	17 210	29 202
Property	22 564	9 608	32 172
Total	**107 163**	**100 323**	**207 486**

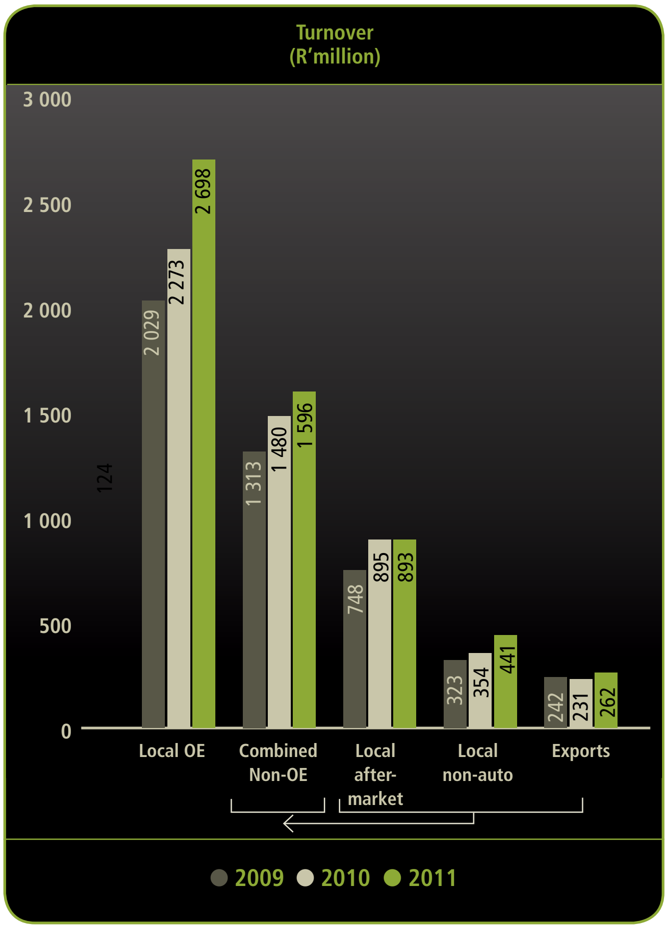
The reconciling items, which relate to Metair head office and property rental, have not been eliminated in the graphs that follow.

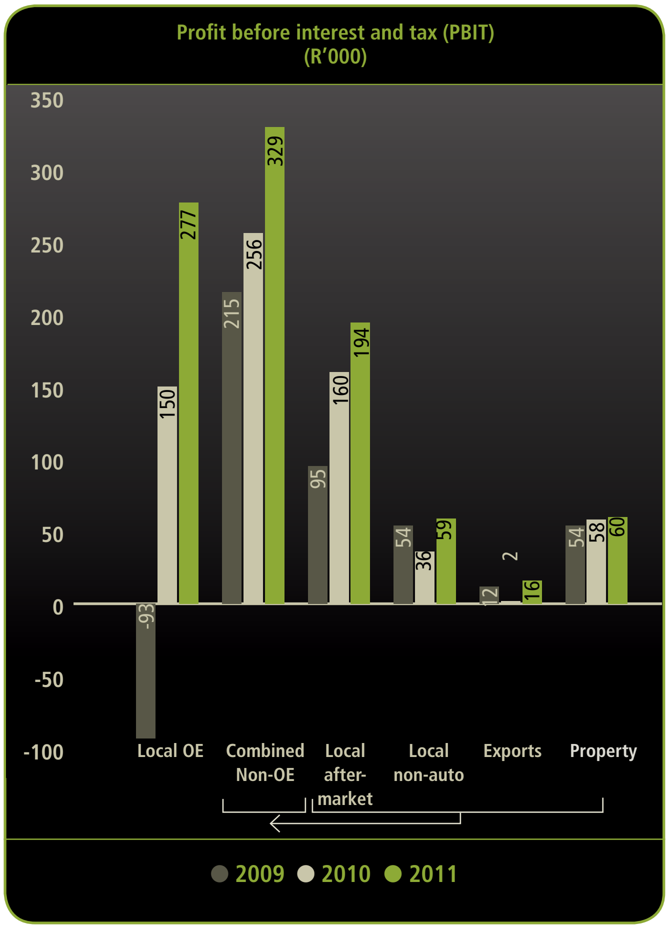
Balance in the business was achieved at profit level with R329 million profit from the combined aftermarket, non-automotive, exports and property sectors.

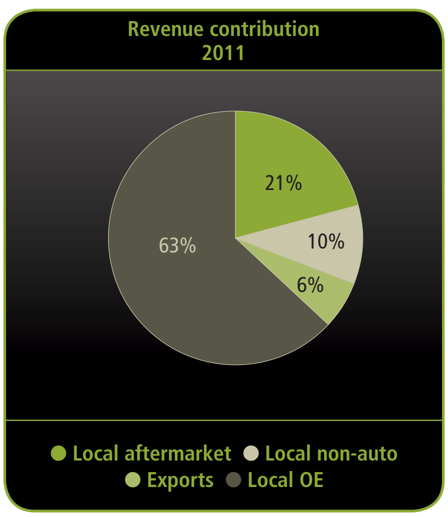
The original equipment (OE) division continues to generate the majority of turnover. The contribution from non-automotive product grew this year and all segments saw a rebound in margin. Export performance increased due to the higher turnover despite the strength of the rand for the majority of the year. The combined turnover from aftermarket, non-auto and the export segments grew by 8% to R1 596 million.

Operational review

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







ORIGINAL EQUIPMENT (OE)

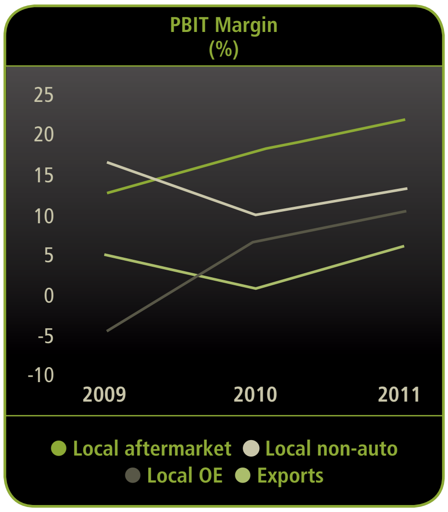
The original equipment part of the business manufactures parts used in the manufacture of motor vehicles.

Local vehicle production grew by 12% to 505 094 in 2011 while exports grew to 271 654. Naamsa is forecasting sales for 2012 of 588 500 vehicles, an increase of 8%.

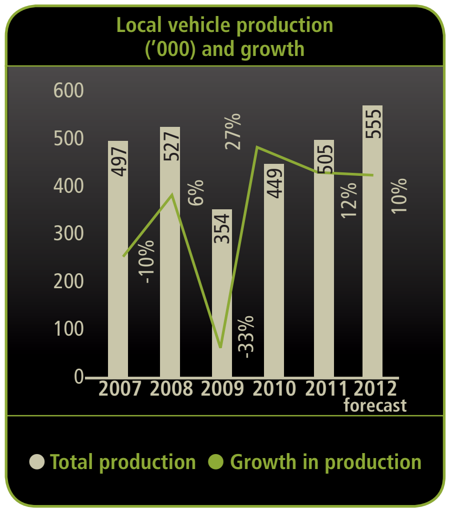
The government's Automotive Production and Development Programme (APDP) phases in as the old Motor Industry Development Programme (MIDP) phases out by 2013. The APDP provides certainty for the OE industry until at least 2020 and the industry is optimistic about the potential for future growth and South Africa as a manufacturing destination. The continued high levels of imported vehicles, an unintended consequence of the MIDP, remain a challenge for the OE industry although it offers opportunity in the aftermarket sector. Total vehicle sales for 2011 grew 16% to 545 593 (2010: 470 934) of which 57% were imports.

Rand volatility continued during 2011 with the Rand trending on the strong side during the period.

The launch of the new product offering from Ford mentioned in last year's report was

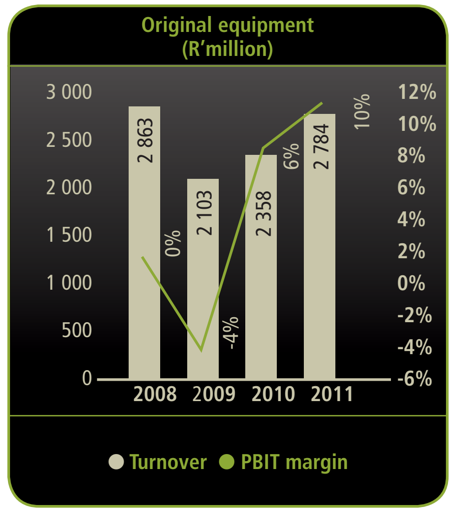


PBIT Margin (%)



Local vehicle production ('000) and growth

Source: Naamsa



Original equipment (R'million)

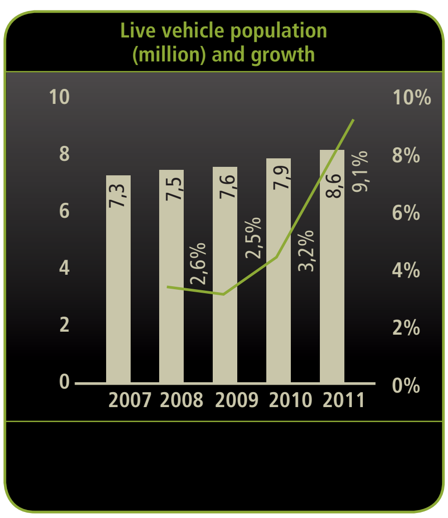
delayed due to floods in Thailand and will now launch in the first half of 2012.

The OE business did well during the year with turnover (including exports) rising to R2 784 million, an increase of 18% on last year's R2 358 million, on the increased OE production. Margins also recovered on the higher volumes. This part of the business benefits from long product lifecycles which make volumes and revenues generally predictable under normal circumstances.

2008 and 2009 were, of course, exceptional times in all industries, but especially in the automotive industry when world production volumes came under extreme pressure.

AFTERMARKET

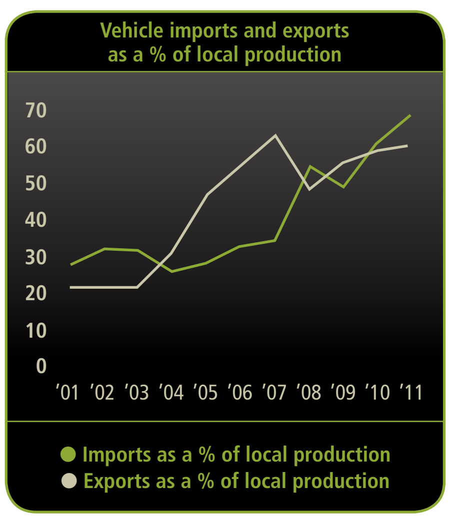
The aftermarket business manufactures and distributes automotive parts used to service vehicles through their lifecycle. Batteries and brake pads make up the bulk of this business, which also includes shock absorbers, lights, radiators and air conditioners.



Live vehicle population (million) and growth

Source: National Traffic Information System

There are approximately 8,6 million registered vehicles on South African roads and we estimate that there are around one million more unregistered vehicles on farms and game farms. The total vehicle population has been growing between two and four percent for the last four years. This growing pool of vehicles needs servicing and aftermarket products. New vehicle sales start to impact on the aftermarket business after a lag of between two and four years. The high vehicle sales in 2007 and 2008 should therefore continue to support growth, although this growth is likely to be slower due to the lower levels of vehicle sales in 2009 and 2010.



Vehicle imports and exports as a % of local production

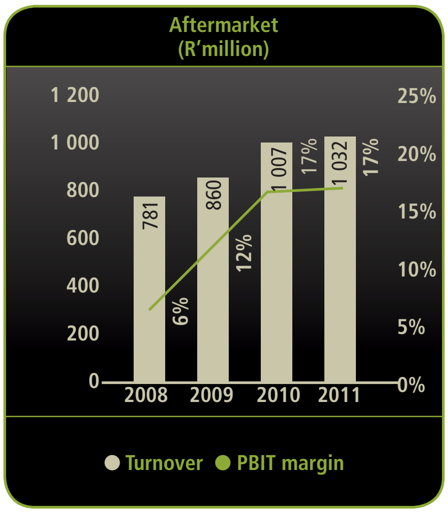
Source: NAAMSA

Exports of motor vehicles manufactured in South Africa have seen a significant rise over the last 10 years. These represent vehicles that Metair supplied parts to and that have now left the country and are no longer potential aftermarket customers. However, imports have grown at a similar pace and we can access this market through manufacturing generic batteries, brakes, filters, sparkplugs and air conditioning products.

Turnover (including exports) was marginally up (2,5%) to R1 032 million (2010: R1 007 million), although this

Operational review

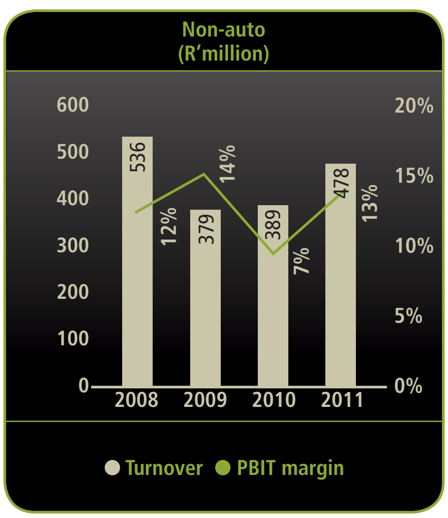
increase is muted by the fire at FNB and the consequent loss of business. Margins remained stable at 17% (2010: 17%) excluding the effect of insurance profits related to property, plant and equipment. While the aftermarket segment (including exports) comprised approximately 24% of group revenue, operating profit was 36% of group total, due to the higher relative operating margins.



NON-AUTOMOTIVE

Our non-automotive business sells products mostly related to telecommunications, utility, mining, retail and materials / products handling sectors.

Revenue (including exports) fell in 2010 due to slowing demand in the standby batteries

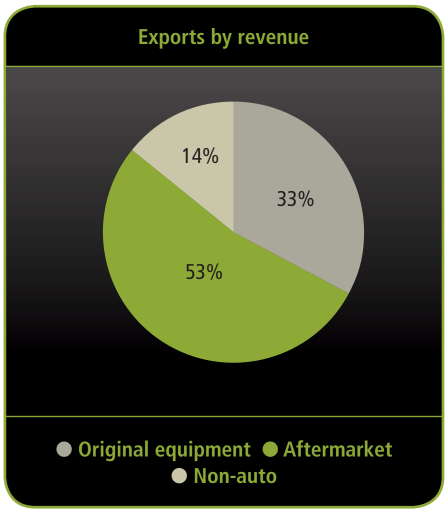


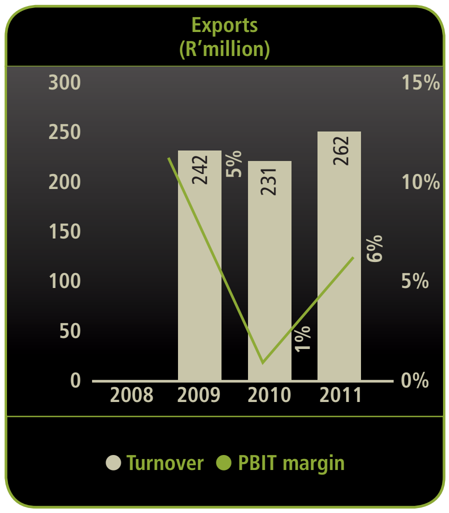
and mining sectors, but recovered well in 2011, rising 23% to R478 million (2010: R389 million).

Profit more than doubled to R62 million from R28 million in 2010 on higher sales volumes and a recovery in margins due to increased volumes and improved pricing.

EXPORTS

Exports consist mainly of aftermarket and OE product exported to Europe.





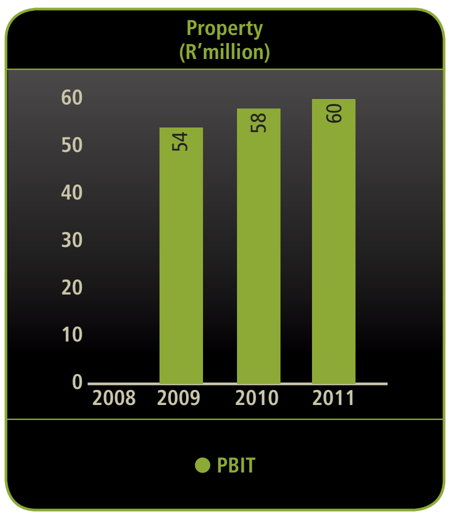
Exports remained under pressure due to the strength of the rand during the period, but recovered in the last quarter of the year as the rand weakened. Turnover rose 13% to R262 million and profit recovered to R16 million from 2010's R1,6 million.

Prior to 2009, exports were not split out separately, so no comparative is shown for 2008.

PROPERTY

Metair's manufacturing operations are located in strategic areas and consequently most locations are owned by our subsidiaries. This has resulted in the group building a significant property portfolio.

Profit in the property division relates to market-related rental cost in the subsidiaries on the properties used. Rental allocation rose 4% to R61 million in 2011.

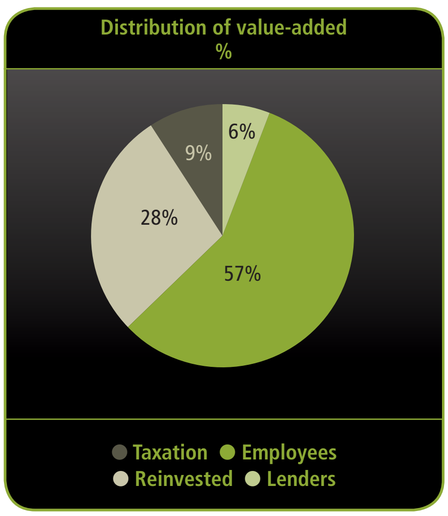


Prior to 2009, rental cost from the property portfolio were not split out separately, so no comparison is shown for 2008.

Value-added statement

	%	GROUP 2011 R'000	2010 R'000
WEALTH CREATED			
Revenue		**4 294 152**	3 753 236
Less: Net cost of products and services		**(2 694 518)**	(2 428 537)
Value added		**1 599 634**	1 324 699
Add: Income from investments		**33 635**	35 627
Wealth created		**1 633 269**	1 360 371
WEALTH DISTRIBUTION	%		
Employees			
Salaries, wages and other benefits	57	**934 260**	822 804
Providers of capital	6	**99 608**	117 513
Interest on borrowings	0	**7 858**	11 764
Dividends to shareholders	6	**91 750**	105 749
Government taxation and levies	9	**150 906**	121 009
Retained in the group	28	**448 494**	299 045
To provide for the maintenance of capital	6	**89 150**	101 257
To provide for expansion	22	**359 345**	197 788
	100	**1 633 269**	1 360 371
Total number of employees		**5 951**	5 552

The value added statement shows how the value the company and its employees create through their activities is distributed amongst key stakeholders of the group. Wealth created is calculated as turnover less the cost of products and services plus income from investments. Major recipients of the distribution include employees (57%), government through taxation and levies (9%) and providers of capital (6%). Of the 28% retained in the group, 22% is set aside to provide for future expansion.



Stakeholder communications

Metair endorses the stakeholder inclusive approach to governance recommended by King III and recognises the interests and concerns of our key stakeholders. Stakeholders are identified as those groups that affect Metair or are affected by our operations. The group's strategy for stakeholder engagement is set out in the Stakeholder Engagement Policy.

Internal stakeholders interact with management through meetings, forums, feedback sessions, electronic communication and the independently monitored Tip-Offs Anonymous hotline.

External stakeholders liaise with the group through our website, direct contact, through industry bodies such as NAACAM, and can access publicly available corporate information through the group company secretary.

The group has identified the following material stakeholder categories:

- Strategic shareholders
- Minority shareholders and analysts
- Customers (existing and potential)
- Suppliers and trading partners
- Business partners
- Government
- Employees and trade unions
- Regulatory bodies
- Industry bodies (NAACAM, NAAMSA)
- Media
- Consultants and service providers

Metair's vision, refined in 2010 and laid out on page 3 of this report was presented to our stakeholders during the year through a roadshow and guides the strategy and aspirations of the group.

ONGOING STAKEHOLDER COMMUNICATIONS

Customers

We work very closely with our OEM customers throughout the year. Crucial concerns of customers include that we maintain the highest quality and delivery standards while staying cost-competitive against global peers. Metair is assessed against quality reviews from the major manufacturers and is also ISO 9001 and TS 16949 accredited (see Appendix II, page 57). We engage with customers to ensure that they understand the need to take a balanced approach to measuring quality and delivery against pricing when awarding new business and evaluating options on current business.

The South African automotive manufacturing industry faces a huge challenge to remain globally cost-competitive. We operate in an inflationary local environment where there is an expectation of annual cost increases that are not necessarily accepted by our customers who operate in other low-inflation environments. Where local manufacturers operate with a very strong free market currency, our competitor suppliers' countries mostly have deflation and currencies that are kept weak by government intervention. The persistently strong rand is a major concern and we continue to engage with customers to use a realistic long-term exchange rate, recognise the benefits offered by the government incentive programmes and consider social responsibility issues when evaluating sourcing decisions.

Sourcing reviews based solely on cost considerations currently use a Cost Index Manufactured (CIM) model which benchmarks the cost index against the lowest-cost global manufacturers. Expectations are often for CIMs of one or less compared to suppliers from India or China and are unrealistic in the South African context. In these instances, manufacturers may be pushed to compromise on quality in order to ensure some temporary economic return – an approach that we do not subscribe to. We are pleased that our major clients are beginning to move to a Cost Index Landed (CIL) model, which overlays the logistical cost of imported competitors' products in price comparisons.

Suppliers

We interact with suppliers on an ongoing basis through the ordinary course of business. We also regularly audit our suppliers to verify their BBBEE scores, product quality and ability to deliver on time. We plan to broaden these audits to include an assessment of suppliers' carbon footprints.

Communities

Our operating companies interact with the communities around them through various corporate social investment initiatives. Our Corporate Social Investment (CSI) programme is discussed more fully on page 32 of this report.

Government

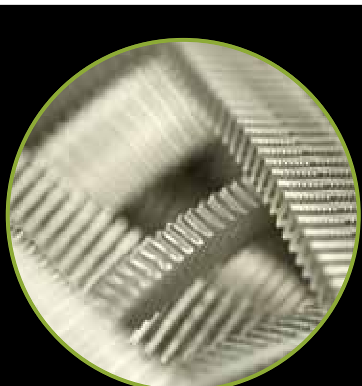
Government is an important stakeholder in the automotive industry because of its influence on the creation and application of the incentive schemes that ensure the long-term viability of the industry in the country. Governments in many countries view the automotive sector as strategically important to developing and retaining engineering expertise as well as to create and retain jobs. Through our presence in the National Association of Automotive Component and Allied Manufacturers (NAACAM) and in cooperation with the National Association of Automobile Manufacturers of South Africa (NAAMSA) we have been heavily involved in the development of the Automotive Production and Development Programme (APDP) and the Industrial Policy Action Plan (IPAP).

Business partners

Unit	Partner	Partner holding
Value Systems South Africa	Valeo	51%
Tenneco Automotive Holdings (SA)	Tenneco	74,9%
Hesto Harnesses	Yazaki	25,1%
Smiths Manufacturing	Denso	25%

Five of Metair's nine major operating units are 100% owned by the group, the other four operate as joint ventures with various stakes held by our international partners.

Our relationships with these partners are crucial for our success as their presence brings manufacturing expertise and experience from these global automotive suppliers into the group. As mentioned in last year's report, the post-2008 global recession combined with the strong rand environment made South Africa attractive as a direct market and there was a threat that some of these partners may become competitors. These issues have subsequently been resolved and are not a concern at the moment.



The South African automotive manufacturing industry faces a huge challenge to remain globally cost-competitive. We operate in an inflationary local environment where there is an expectation of annual cost increases that are not necessarily accepted by our customers who operate in low-inflation environments.

Transformation

Metair is committed to the transformation of our group. We cannot entrench our position as a socially responsible company or a relevant industry representative without working to improve our transformation profile. We choose to use the generic broad based black economic empowerment (BBBEE) scores as our transformation indicator. BBBEE scores are a key consideration with OEM customers when evaluating sourcing decisions.

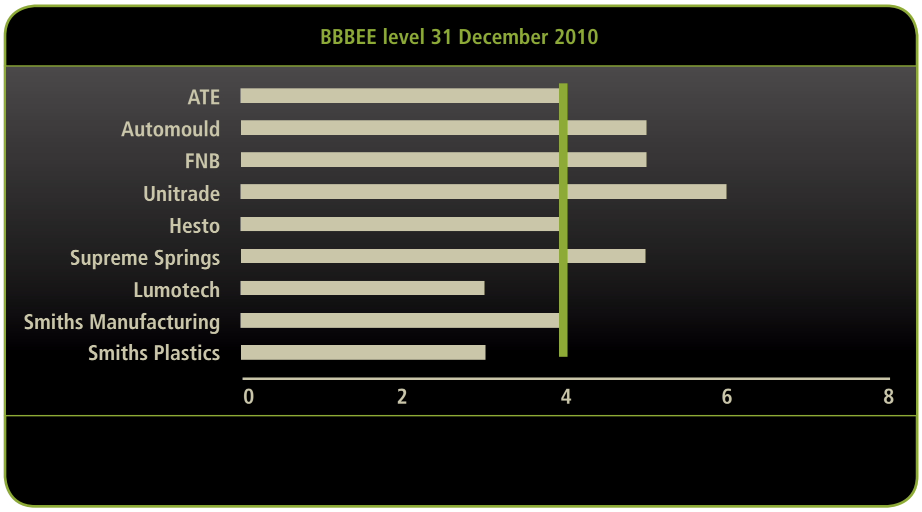
We use the Department of Trade and Industry (dti) Codes of Good Practice (CoGP) as the basis for measuring our progress in transformation and BBBEE compliance. 20% of executive variable remuneration is linked to achieving designated BBBEE targets across the group.

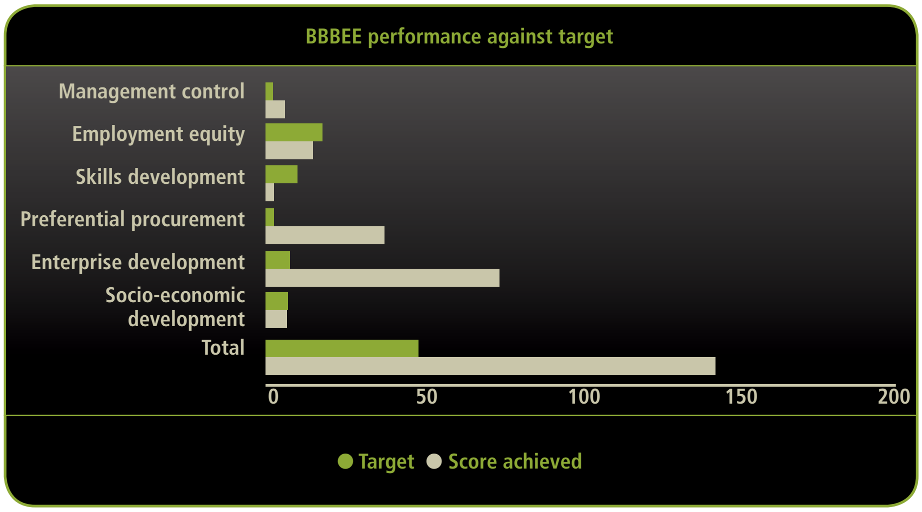
Each major division (excluding associates) measures its BBBEE compliance against the dti CoGP generic scorecard and the individual company points are aggregated to provide a total score for the group. The combined group scorecard is shown in Appendix III on page 58.

The aggregate score represents the total of the latest available verified scores for each of the subsidiaries which relate to the scores at 31 December 2010. Not all operating subsidiaries have completed 2011 assessments.

Our target is to achieve Level 4 BBBEE compliance by 2014. In last year's report we set a goal for the current reporting period of achieving a 49 point increase in our aggregate score against our 2009 baseline of 435 points with a focus on employment equity and skills development. This targeted increase excluded any weighting of the ownership component of the scorecard.

We achieved an overall improvement of 144 points (excluding the ownership component) in total to end 2010 with an aggregate BBBEE score of 585 (Appendix III). Most of the improvement came from improved scores in preferential procurement and enterprise development. Employment equity and skills development remain a focus area for the group.





OWNERSHIP

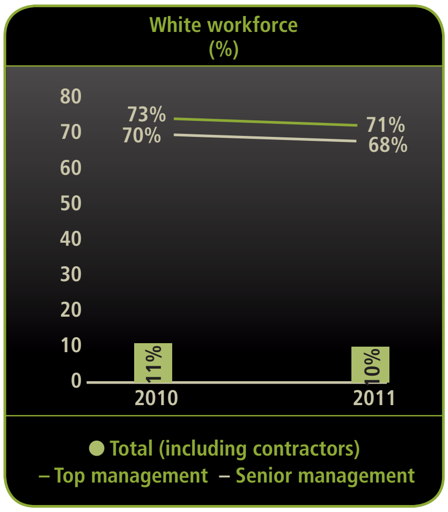
In 2007, Royal Bafokeng Holdings acquired a 12,43% stake in Metair and exercise voting rights for 24,85% of that which gives Metair a score of 21 points to transfer to the operating subsidiaries.

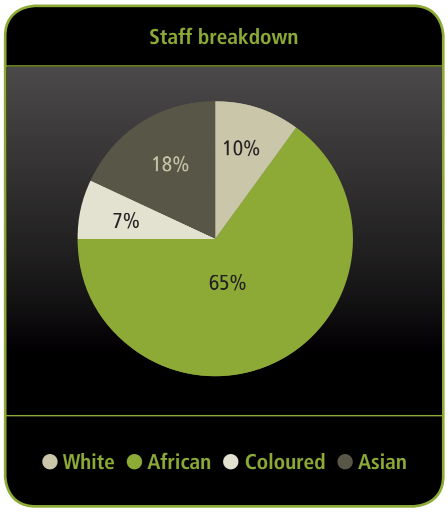
MANAGEMENT CONTROL

Management control remains a challenge for the group. We are committed to transforming the profile of top management, but in a technical industry such as ours equity candidates with the necessary qualifications and experience are extremely hard to find. We believe that our focus on employment equity and skills development will enable us to develop the necessary internal candidates, but this will take time.

An analysis of our 2011 year-end workforce data shows that through the restructurings in the group, the percentage of white employees in the top and senior management fell slightly to 71% and 68% respectively. Across the group, white employees made up 10% of the total workforce.

We targeted a 2,5 point improvement in our aggregate management control score for this year and achieved an improvement of 6,4 points. We anticipate





that the improvements in senior staff representation will reflect in the next round of BBBEE verification of the 2011 figures which will be conducted during 2012.

EMPLOYMENT EQUITY

Employment equity is another similarly challenging area for the group for the same reasons. Technical positions in the group require experience and qualifications, which are scarce in certain demographic sectors.

Each subsidiary has developed its own five-year employment equity plan in consultation with staff and union representatives. Reports are submitted in accordance with the Employment Equity Act. Employment equity and transformation committees monitor and measure performance against the plan and corrective action is taken where necessary. Barriers, such as skills shortages among previously disadvantaged groups are addressed through accelerated skills development programmes, learnership programmes and internal and external training. These are more fully described on page 33 of the human capital section.

We targeted an improvement of 18 points for employment equity but the challenges we face resulted in only a 15 point improvement. We will look to improve this score in the future by focussing on targeted learnerships and continuing to invest in the development of internal candidates.

SKILLS DEVELOPMENT

Skills development is crucial to our ability to compete in a technical industry such as ours. Our approach is expanded on in the human capital section that follows on page 33. While our overall score improved by three points over the period, this was less than our target of 10 points.

The relatively small increase in skills development score reported reflects the 2010 skills development spend. This should be seen in the context of the total investment in training in 2011, which increased 38% to R9,4 million. The benefits of this increased training should reflect in the next round of BBBEE scorecard verifications that will cover the 2011 period.

PREFERENTIAL PROCUREMENT

We have made good progress on preferential procurement by focussing our efforts on suppliers with sound BBBEE credentials, particularly at Lumotech, ATE and Automould. We delivered a 38 point improvement in this area, well ahead of our target of three points for the year.

ENTERPRISE DEVELOPMENT

Enterprise development showed the biggest overall points improvement (75 points) with six of our nine major subsidiaries scoring a full 15 points. A large part of this improvement is due to the identification of certain suppliers as targets for enterprise development.

There are many enterprise development projects at various group companies, including the Essence of Mangete project at Unitrade (see below) and the subcontracting of on-site canteens at Supreme Springs to black-owned enterprises.

ESSENCE OF MANGETE

Essence of Mangete is a small enterprise that manufactures cosmetic and domestic oils from lemongrass, which they sell nationally. Product is grown on site and purchased from small community farmers. In 2011, Unitrade upgraded the electrical installation of their distilling unit to a safe and compliant standard.

In 2012 Unitrade will provide housing for the equipment to improve production, which will help to increase community involvement and benefit.

Transformation

SOCIO-ECONOMIC DEVELOPMENT

We targeted a 7,5 point increase for our socio-economic development score and achieved a 6,9 point increase.

Social investment happens at operating company and group level. Each group company allocates 1% of profit to support various community projects, including investments in bursaries and reading projects.

Several of the operating company CSI projects focus on schools as an effective way to benefit local communities:

- Unitrade took on the challenge of upgrading Iziphozethu primary school in Stanger. At the start of the programme, only 30% of the classrooms were being used for teaching as the rest had been vandalised. Following the restoration of the classrooms, the school has grown from 80 pupils to 382.
- FNB upgraded classrooms and other facilities at the Ekukhanyeni primary school in Wattville, Benoni.
- FNB sponsored three school libraries in the Duncan Village township (East London) in addition to supplying a sponsorship for the ITEC library which is utilised by previously disadvantaged schools.
- FNB also provided funding for 10 students who are attending a mathematics and science summer school.
- Smiths Manufacturing upgraded classrooms and provided computers to various schools in the Ethekwini municipality area. They also implemented classroom libraries through READ for Gr R, Gr 1 and Gr 2 learners at the Umlazi primary school .

At a group level, 1% of group profit is allocated to support community projects. Our main focus is the New Jerusalem Children's Home Container Housing Project in Ivory Park, Thembisa. Located on a smallholding, the project provides holistic and integrated residential care to 80 orphaned, abandoned, abused, traumatised, vulnerable and HIV-positive children.

Metair contributed to financing the first house in the project, which will be home to two family units of 13 children and a houseparent each. This house is constructed out of 28 recycled shipping containers, incorporates recycled and reused materials and has solar water heating. It forms part of the project's overall environmental sustainability plan. We have been fortunate in securing the support of the Dr Albert Wessels Trust to provide funding for a Montessori pre-school which will equip these children with reading and writing skills so that they enter primary school with an advantage.

During the year the group also supported a feeding scheme with Royal Bafokeng Holdings.

TRANSFORMATION TARGETS FOR 2012

- Achieve group Level 4 BBBEE compliance by 2014.

The New Jerusalem Children's Home container house was completed in December 2011.

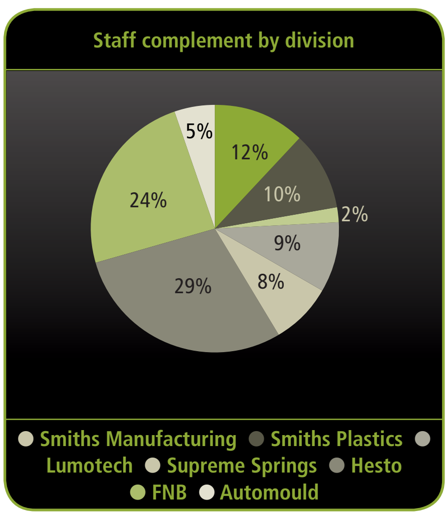
Human capital

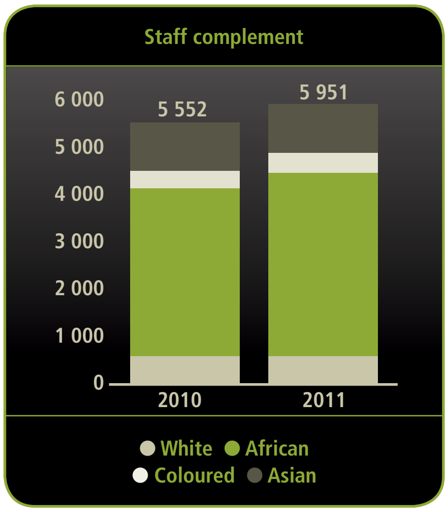
The biggest challenge we face is the issue of continued cost-competitiveness. This requires highly efficient manufacturing processes and highly skilled, motivated and disciplined employees. We recognise our employees as key stakeholders in the business and aim to provide a working environment that is safe and healthy and where productivity and commitment are fostered and rewarded.

Each group company has a human resources function and is responsible for managing its own human capital issues. Plants measure employee productivity through individual performance management systems. Employment equity is an important issue for the group and is discussed in more detail in the section on Transformation.

Just over half the employees of the group work at two divisions, Hesto and FNB.

Group staff complement (including contractors) increased 7% to 5 950 in 2011 with white representation falling from 11% to 10% of staff as a result of a focus across the group on improving our employment equity targets.





LABOUR RELATIONS

We measure employee morale across the group by monitoring metrics such as attendance, grievances, disciplinary procedures, staff turnover and health and safety statistics. There is an external tip-off system in place for employees to register complaints and concerns on any matter.

The majority of the group is covered in terms of Chapter III of the motor industry bargaining council. Metindustrial's First National Battery Division is covered at plant level and Automould is covered by the Steel and Engineering Industries Federation of South Africa (SEIFSA). Union engagement takes place at national, provincial and company level through formalised recognition agreements. The industry entered into a three-year wage agreement in 2010 following extensive negotiations and strikes. During the 2011 SEIFSA wage negotiations workers entered into a two week strike before a final settlement was reached in July 2011. It is necessary for a company like ours to have the flexibility to adjust for changes in industry demand to remain cost-competitive. Our international competitors rely heavily on flexible labour and we need to make sure we can adjust our cost base quickly for changes in demand. We continue to make use of flexible labour despite its unpopularity with our customers and government.

The group is currently busy with a section 189 labour restructuring in Smiths Plastics. This restructuring is necessary for the continued competitiveness of this division. Where any unit cannot compete on a cost basis with the best in the world and our customers choose not to support us at a higher cost, our commitment to our broader stakeholders to ensure a fair economic return means we have to exit that business. Where retrenchments are necessary they are implemented in line with formal agreed and legislated reduction guidelines. During 2010, 106 people were retrenched and 54 retrenchments were made in 2011.

ATTRACTION, RETENTION AND DEVELOPMENT

We operate in a technical environment which requires world-class engineering and technical skills. These skills are not easy to find and extremely difficult to hold onto. We aim to be the employer of choice in our industry and we invest heavily in skills development and training. This, however, makes us a target for competitors to poach key talent. We take the view that our investment in training is not wasted should an employee be poached from us as their skills and experience go towards uplifting the overall skills base in South Africa to everyone's benefit. We find that many of the skilled employees who leave us return at a later stage with broader industry knowledge and new technical skills.

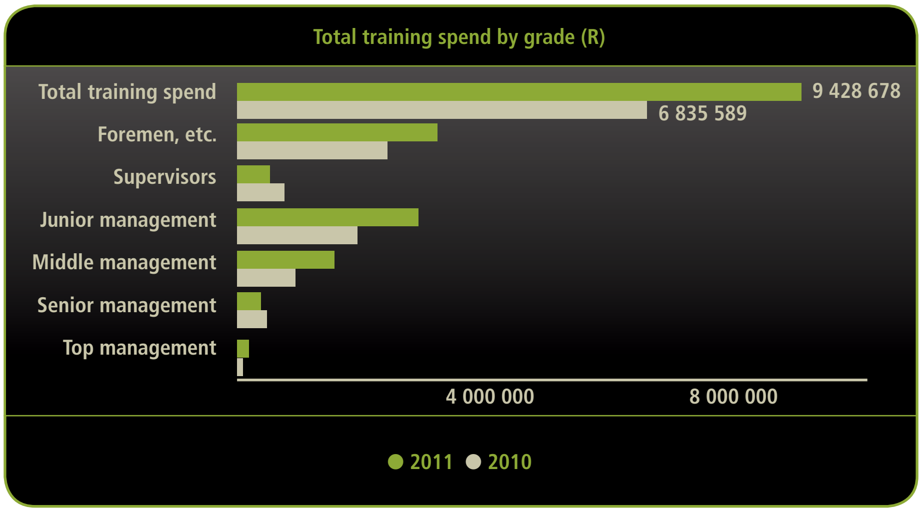
We offer competitive packages and career opportunities for promising staff and, where opportunities arise, we look to move key employees around within the group to offer broader experience.

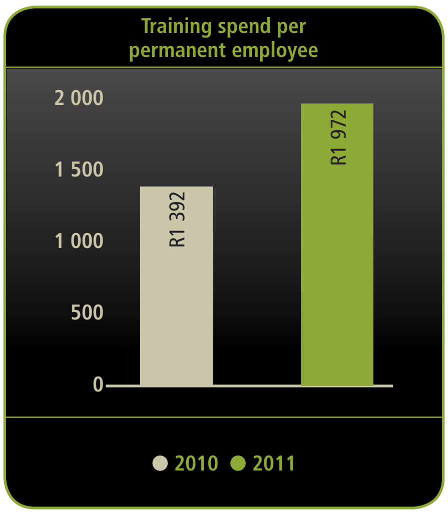
Skills development

Our investment in training increased 38% in 2011 to R9,4 million. Over 70% of training spend is allocated to lower grades in order to develop our employees more rapidly.

There was a strong emphasis on skills development during 2011, which saw the average training spend per employee

Human capital



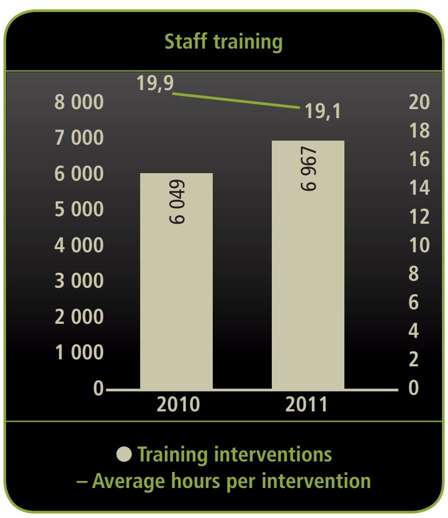


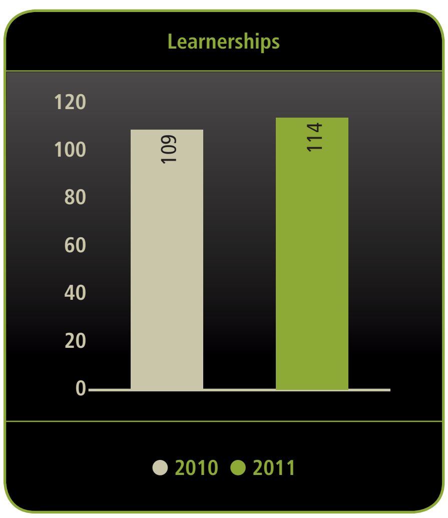
increasing 42% to R1 972 from R1 392 in 2010.

The number of training interventions increased by 15% to 6 967 in 2011 and the average length of training per intervention decreased slightly to 19 hours.

Budgeted training spend for 2012 is R8,7 million. While this represents a decline from the actual training spend in 2011, the training budget excludes anticipated SETA refunds which will be ploughed back into staff training when received.

Learnerships represent an important part of our approach to skills development and 114 employees were enrolled in group learnership programmes during the year (2010: 109).





HEALTH AND SAFETY

Our employees cannot operate efficiently and effectively if they do not have a safe work environment and good health. Our customers take a keen interest in the work practices of their supply chain and closely monitor our approach to health and safety as well as our performance. We have formal health and safety policies in place as well as systems and processes to implement and monitor these.

We focus on three key areas:

- Zero fatality rate
- Target ISO 18001 compliance
- Target compliance with all legal requirements (for example the Occupational Health and Safety Act)

We monitor health and safety incidents and near misses. Each company has a benchmark Lost Time Injury Frequency Rate against which it is measured. The minutes of the monthly divisional health and safety committee meetings are included in the group executive committee packs for revision.

There is a standard health and safety procedure around every potentially dangerous substance in the workplace. Procedures around substances banned by EU directive 2000/53/EC (lead, mercury, cadmium and hexavalent chromium) are much more stringent. Lead is the only one of these banned substances used at our facilities, as discussed below.

Two of our operations, Smiths Manufacturing and Tenneco are accredited under the occupational health and safety standard OHSAS 18001. Our revised aim is for all group companies to be OHSAS 18001 accredited by 2016.

At First National Battery, lead is used in the manufacturing process. There are stringent safety procedures in place to limit exposure. Employees are tested on joining the company and regularly retested for blood lead levels. Where these rise above acceptable levels, employees are removed from areas where there is a chance of further exposure. We test employees more frequently than required by the applicable legislation and also apply a stricter tolerance to blood lead levels than legislated in order to protect our employees.

HIV/AIDS

Metair's major operations offer Voluntary Counselling and Testing (VCT) for HIV/AIDS. Occupational health sisters identify suspected cases and encourage testing. Some subsidiaries provide transport to local hospitals so that employees can collect antiretroviral medication (ARVs).

FNB is in the process of implementing an HIV/AIDs programme in East London through Siyakhana, which will be rolled out in 2012. Siyakhana will offer testing, counselling as well as ARVs to employees on the programme.

Awareness programmes are run through initiatives such as competitions, promotions, banners, public speaking on wellness days and World Aids Awareness Day. Associates are actively encouraged to join the medical aid programmes so they can access AIDS management programmes.

HUMAN CAPITAL TARGETS FOR 2012

- Our health and safety target is for zero disabling and time loss incidents and each subsidiary has set a specific LTIFR target.
- The absenteeism and staff attrition rate for the group should average below 4%.
- Employment equity targets need to improve by 7 points on the BBBEE scorecard.
- Group training spend target to be R8,7 million.
- Number of learnerships in the group to increase to 129.

The number of training interventions increased by 15% to 6 967 in 2011. Learnerships represent an important part of our approach to skills development and 114 employees were enrolled in group learnership programmes.

Environment

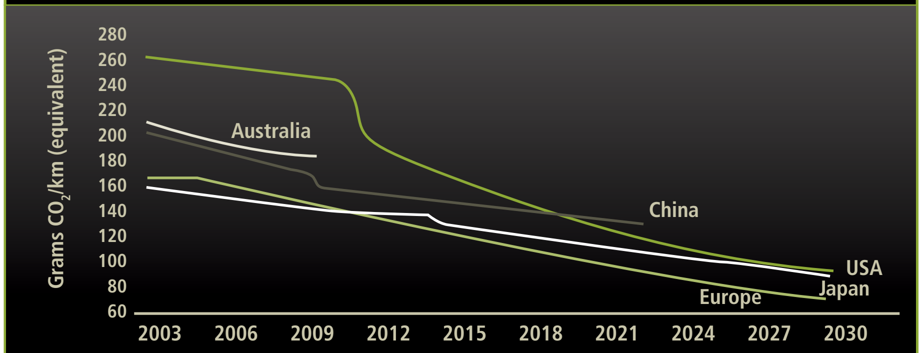
Our appreciation of environmental impacts is driven by the nature of the industry in which we operate. In 1998 the European Automobile Manufacturers Association entered into a voluntary agreement with the European Commission to limit CO_2 emissions from passenger cars sold in Europe. The agreement committed the OEMs to limiting emissions to 140g per kilometre by 2008, falling to 130g per kilometre by 2015. This focus on reducing the environmental impact of their products extends to reducing the environmental impact of the OEMs' own operations as well as that of their supply chain.

The chemical makeup of products sold into the European Union is carefully controlled. The automotive industry has to account for the chemical composition of every component used to make a motor car, down to the yellow spot of paint used to confirm that a part has been checked. We therefore have to apply the same diligence to our processes and register the composition of every component we produce for approval before OEMs will accept our products. This means we also have to carefully test the raw materials our suppliers provide to us to understand whether they are acceptable in terms of our committed outputs.

As suppliers into these markets, Metair has to be conscious of the environmental impact of its products as well as its operations in order to not only meet its moral obligations as a responsible corporate citizen, but also the requirements of its customers.

All of our subsidiaries are accredited under the Environmental Management standard ISO 14001. (Refer Appendix II on page 57.)

Automotive CO_2 Emission Regulations



Australia China USA Japan Europe
Source: International Council on Clean Transportation

CARBON FOOTPRINT

During the 2011 year, carbon footprint reports were finalised for all subsidiaries for the period January to December 2010.

FNB had by far the largest carbon footprint due to the relative size of the operation, high electricity consumption in battery manufacture and its large geographic footprint, which resulted in high logistical costs.

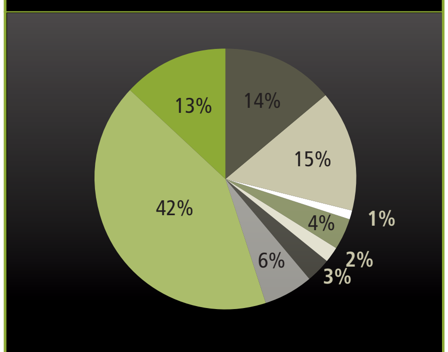
Across the operations surveyed, electricity consumption made up more than two-thirds of the total footprint. The second largest contributor was carbon emissions from transporting our products to customers. Metair participates in industry bodies that are lobbying government and the petrochemical industry to launch the latest level emission-efficient fuels in South Africa, which will help to reduce transport emissions.

We continue to target a reduction of 10% in total in-house transport distance travelled.

Stationary fuels, including natural gas, LPG, diesel and coal – made up 8%, and waste 6%.

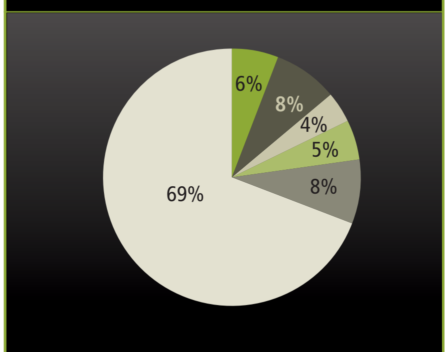
The 2010 footprints will be used as benchmarks against which progress on reducing our emissions can be measured in future years.

Carbon footprint by subsidiary

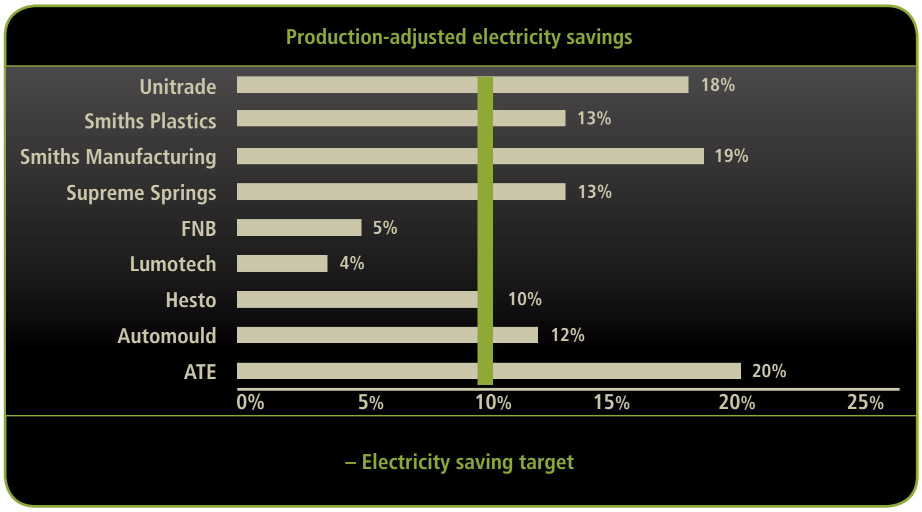


Smiths Plastics Supreme Spring
Unitrade ATE Automould Hesto
Lumotech FNB Smiths Manufacturing

2010 Carbon footprint by source



Waste Outsourced freight transport
Third party distribution Other
Stationary fuels Electricity



ENERGY CONSUMPTION

As electricity is the biggest contributor to the group's carbon footprint, reducing our electricity consumption is a key focus. Consumption for 2011 increased 3,8% in absolute terms, well below the increase in production at our operations.

Most operations achieved our 10% production-adjusted electricity reduction target. FNB's efficiencies were affected by the fire and Lumotech added a number of new injection moulding machines to their production facilities and had to run a lot of overtime in the run up to production of new products.

During 2012 we will finalise our utility strategy for the group and, using the benchmark data from the carbon footprint exercise, we are developing a plan to reduce our electricity consumption. We have identified three focus areas:

- Alternative energy sources (gas vs electricity)
- Using variable drive technology to balance electricity usage to output
- Investigating government initiatives for alternative energy supply

WASTE MANAGEMENT

The most challenging substance we deal with is lead, which is used in car batteries manufactured by First National Battery and distributed through its 127 Battery Centre franchises. Our philosophy is to take more lead out of the environment than we put into it, so we incentivise people to return old batteries for new ones . We further extend this philosophy through a programme where we go underground to collect discarded batteries in mines. The lead from old batteries is recycled into new batteries and the old electrolyte solution is neutralised and sent to an effluent plant.

We also recycle plastics in our plastics business and recycle packaging material. The structure in the industry is to target the use of returnable packaging over the lifecycle of a vehicle in order to reduce waste.

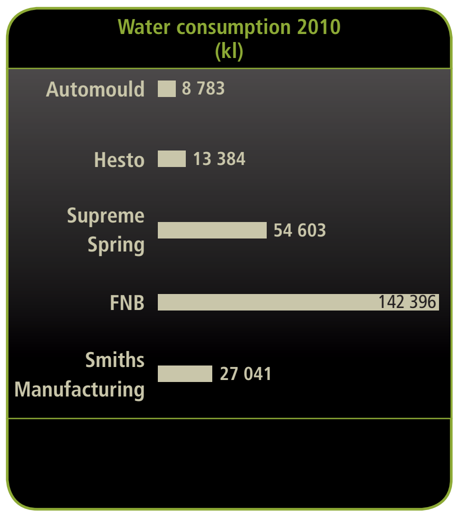
Our polyethyleneterephthalate (PET) injection moulding plants use up to 8% regrind plastic and by using hot runners in the process we have reduced scrap by 30%.

The nature and volume of scrap produced and recycled varies according to operations. Appendix I on page 56 shows a table of some of the waste and recycling streams. Hazardous waste is disposed of responsibly in line with legislation and by using registered disposal companies.

WATER

Water consumption was measured as part of the carbon footprinting exercise for five of the subsidiaries. Water consumption at the operations analysed, mainly from municipal sources, was 246 000 kilolitres for 2010, of which more than half was consumed by First National Battery as the battery manufacturing process uses a great deal of water.

All four of FNB's plants collect rainwater which is used for different processes in the plants. Total rainwater storage capacity at the plants is 476 000 litres.



Environment

Water savings project, FNB Fort Jackson – FNB's injection moulding factory at Fort Jackson uses rainwater for cooling moulds and machines. In 2011 municipal water was only accessed for two days. The ultimate goal is to become completely independent of the municipal water supply by adding a closed loop refrigeration system, storage capacity and linking to the wastewater system.

ENVIRONMENTALLY-FRIENDLY PRODUCTS

We use our in-house technical skills and exposure to leading technology in the automotive industry to find ways of applying new technologies to other areas. We have developed several new products that seek to apply efficiencies learned in other divisions to provide environmentally-friendly solutions.

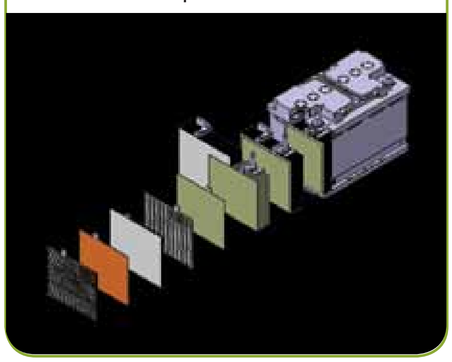
- **Envirolamps –** by developing the high-efficiency reflector technology used in car headlamps, Lumotech has created a streetlight that can provide better light quality than traditional streetlights at a fraction of the energy consumption. These lamps also reduce light pollution as 100% of the light is focused onto the ground. They have a life expectancy of over 20 years. Exports to Egypt and Chile started in 2009 and the lights have been tested in the UK, USA, India and Germany and are now being rolled out in the Port Elizabeth, Tshwane, Knysna and Maluti municipalities.
- **Heat pumps –** using the technology developed in its heat exchanger product lines, Metair is investigating the viability of developing an on-demand water heater that requires around a third of the energy consumed by traditional water heaters.
- **Start/Stop batteries –** we believe that the future of low emission vehicles lies in diesel particle fuel management systems combined with Start/Stop car batteries. The micro hybrid car models, while significantly more fuel-efficient than current vehicles, are a quantum shift away from traditional vehicles and require a redesign of many components within the car.
  Current advances in diesel engines, however, can get significantly close to the fuel economy and emissions of a full hybrid vehicle when combined with a Start/Stop battery. As this can be done at a fraction of the cost, we believe that many OEMs will favour this system.
  For this reason demand for Start/Stop batteries is forecast at 35 million a year from 2016.
  Using the technology we have developed over the last 30 years in providing VRLA (Valve Regulated Lead Acid) batteries to the mining industry, we have developed a Start/Stop battery that meets the latest stringent VDA (German Automobile Manufacturers) specification. The battery received worldwide series release approval in February 2012 and we have started production.

ENVIRONMENTAL TARGETS FOR 2012

We are in the process of developing appropriate industrial usage indicators that will be applicable to variable output and activity levels for carbon footprint, electricity consumption, waste management and water usage.

START/STOP BATTERY

First National Battery's Ultimate AGM Start/Stop Battery won the Gold Award at the Automechanika SA Innovation Awards 2011. A Valve Regulated Lead Acid (VRLA) battery that uses Absorbent Glass Matt (AGM) technology, the battery can deliver up to 30% more current than the equivalent conventional lead acid model. It is the only AGM battery produced in South Africa and the first of its design to be produced in the southern hemisphere.



Corporate governance

ETHICAL LEADERSHIP AND CORPORATE CITIZENSHIP

The board provides effective leadership based on a foundation of high ethical standards. The group is committed to a policy of fair dealing and integrity in the conduct of its business. This commitment is based on a fundamental belief that business should be conducted honestly, fairly and legally. The group requires all employees to share its commitment to high moral and ethical standards as well as the adherence to all legal requirements.

Ethical behaviour requires the directors, management and employees to:
- Obey the law
- Respect others
- Be fair
- Be honest, and
- Protect the environment

The board and management recognise that the group is not only an economic entity but also a corporate citizen and, as such, it has social and moral responsibilities to society. The group is involved in a number of corporate social investment projects.

CORPORATE GOVERNANCE

The directors of the company and its subsidiaries subscribe to the principles of the King Report on Corporate Governance for South Africa (King III) released in 2009, and these became effective for this financial year. The board initiated a gap analysis performed by the audit and risk committee to determine the extent to which the group applied the principles and recommended practices in King III. This analysis identified the governance principles already being applied and those that the company needed to address. The analysis also identified areas of improvement or ways in which our governance practices could be enhanced.

We confirm that the group applies the governance principles contained in King III and continues to improve on the recommended practices in our governance systems, processes and procedures.

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

THE BOARD

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

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. 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 15. In terms of the memorandum of incorporation 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 may offer themselves for re-election. The board meets at least once a quarter and is responsible for strategic direction and policy decisions and control of the company, through, among other activities, the approval of budgets and the monitoring of group performance.

A self-evaluation was conducted during the year on the board as a whole. This process was coordinated by the company secretary and the results were discussed at the board meeting in November 2011. The board's attention was drawn to a limited number of issues that required attention. This process will be coordinated and repeated annually to assess progress. An independent board evaluation will be done in 2012.

Board members are required to regularly declare any shareholding and any interest that they might have in transactions with the group. In March 2011, Mr Joffe (a non-executive director) acquired an indirect beneficial interest in Metair securities of 1 626 171 shares.

Board meeting attendance is set out on the next page.

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 and Ms A Galiel.

Corporate governance

Board meeting attendance								
	2 February 2011	10 March 2011	29 March 2011	3 May 2011	14 June 2011	16 August 2011	29 August 2011	22 November 2011
OME Pooe	P	P	P	P	P	P	P	P
CT Loock	P	P	P	P	P	P	P	P
BM Jacobs	P	P	P	P	P	P	P	P
A Joffe	P	P	P	P	P	P	P	P
B Molotlegi	P	P	P	A	A	P	P	P
RS Broadley	P	P	P	P	P	P	P	P
L Soanes	P	P	P	P	P	P	P	P
A Galiel	P	P	P	P	P	P	P	P
JG Best	P	P	P	P	P	P	P	P

P = Present A = Apologies

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

The committee functions according to terms of reference and performs an annual self-evaluation of its effectiveness.

The role 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 financial statements in accordance with International Financial Reporting Standards
- Integrated reporting
- Combined assurance
- Internal audit
- Risk management
- External audit
- Information technology
- Group risk management

The group implemented its combined assurance model during the latter part of the year and the committee confirmed that all areas are adequately covered by either/or external audit, internal audit, management and specialist consultants. Key strategic risks, which have been audited separately in the past, will be taken from the risk register and included in the combined assurance model going forward. A regulatory universe has been set up by subsidiary and is being monitored and compliance affirmed by the responsible people on a regular basis.

The committee reviews the interim results, annual financial and trading statements and recommends them to the board for approval.

It nominates, for approval by the board and shareholders, a registered auditor who complies with independence requirements and determines the fee structure for audit fees.

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

The committee also 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 and the committee is satisfied that they met the test of independence.

Internal audits were performed at most subsidiaries and no significant breakdowns in internal controls were identified during the past year. The written internal audit assessment to the board and audit committee on the overall internal control environment confirms that the group has a good control framework in place and there are no material breakdowns in internal controls.

Five meetings were held during the year, two in March, two in August and one in November 2011. The chairman reported to the board after each meeting.

The first meeting of 2012 was held in March.

Audit committee meeting attendance					
	10 March 2011	29 March 2011	16 August 2011	22 August 2011	15 November 2011
JG Best	P	P	P	P	P
A Galiel	P	P	P	P	P
L Soanes	P	P	P	P	P

P = Present A = Apologies

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 their findings to the board.

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

- Identify and agree the risk profile of the group;
- 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;
- Co-ordinate the group'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;
- 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 King III and uses a well-structured and tested risk rating methodology.

The realisation of the group 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 group 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 has been adopted, which means that every key risk in each part of Metair is included in a structured and systematic process of risk management. All key risks are managed within a unitary framework that is aligned to Metair's corporate governance responsibilities.

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. Risks are continuously reviewed by management 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 is being continuously monitored. Meetings have been held at all subsidiaries.

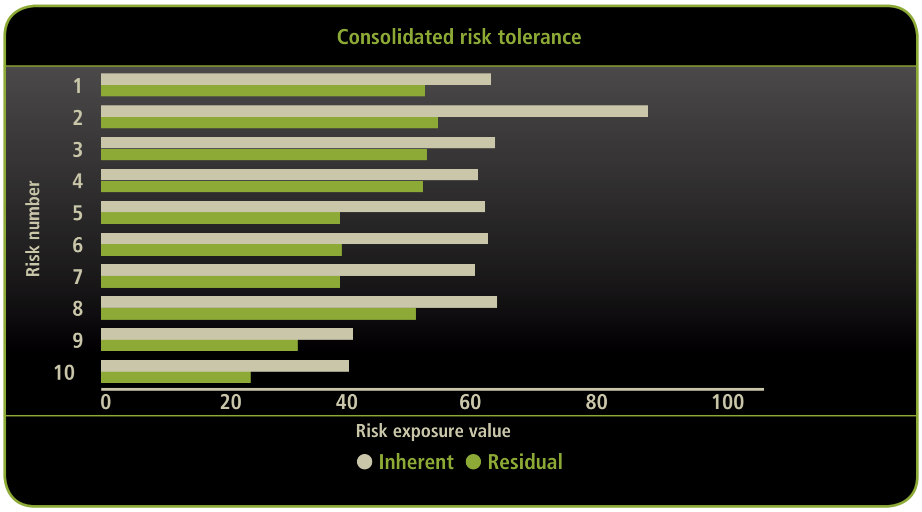
Metair believes that risks are addressed through avoidance, capital, systems, processes, people, insurance and assurance and/or a combination of the above that must always be reflected in business planning and be evident in budgets.

The group identified tolerance levels at group as well as individual level per risk during the year and developed a risk dashboard which indicates the inherent and residual risk exposure of the risks as well as a graph to indicate where the group consolidated tolerance level falls.

Corporate governance

Rank	Move	Risk name	Risk category	Residual vs inherent risk exposure
1	↑	World debt crisis effect on all vehicle production origin decisions and failure to obtain core business from OEMs with export contracts	Financial	◆ ◆
2	↑	Natural disasters, explosions and conflagrations	Continuity of supply	◆ ◆
3	↑	Entry of international competitors	Financial	◆ ◆
4	↑	Metair's inability to deliver on its strategic vision	Financial	◆ ◆
5	↑	Excessive dependence on a single customer	Financial	◆ ◆
6	↓	Change in sourcing decisions for new models	Continuity of supply	◆ ◆
7	↓	Competitiveness issues relating to global sourcing, the real threat of low-cost countries like India and China and the strength of the SAR	Financial	◆ ◆
8	↓	Loss of major client	Financial	◆ ◆
9	↑	Exit of a major OEM from SA	Continuity of supply	◆◆
10	↑	Product recall exposure	Financial	◆ ◆

◆ Residual risk ◆ Inherent risk



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 2011), after thorough consultation with staff and union representatives;
- through the Employment Equity and Transformation Committees monitored and measured performance against the five-year Employment Equity Plan and instituted corrective action where necessary; and
- addressed barriers such as skills shortages among previously disadvantaged groups, through accelerated skills development programmes, learnership programmes, and intensive internal and external training.

The group consequently complies with all the requirements of the Employment Equity Act. Refer to the transformation section on page 30.

BROAD BASED BLACK ECONOMIC EMPOWERMENT

Metair achieved a score of 21 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 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. Refer to the transformation section on page 30.

SPONSOR

One Capital Advisory (Pty) Limited acts as sponsor to the company in compliance with the Listings Requirements of the JSE Limited.

KING III GAP ANALYSIS

The company performed a gap analysis with the requirements of King III the full results of which are shown in Appendix VI on page 61. The group was found to be applying or in the process of applying all of the principles listed in the guidelines. At the date of the report the group applied all the principles of King III.

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 (the Act) and a committee of the board in respect of all other duties assigned to it by the board. The committee has complied with its legal and regulatory responsibilities for the 2011 financial year.

NAMES AND QUALIFICATIONS OF COMMITTEE MEMBERS

JG Best (Chairman)	AICMA, ACIS, MBA
L Soanes	National Certificate of Engineering
A Galiel	CA (SA), CFA

TERMS OF REFERENCE

The committee has adopted formal terms of reference approved by the board. These terms of reference are reviewed on an annual basis and updated where necessary. During the past year, the committee has executed its duties in accordance with the terms of reference. The terms of reference can be found on the company's web site.

INTERNAL AUDIT TERMS OF REFERENCE

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

COMPOSITION

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

MEETINGS

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

STATUTORY DUTIES

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

- Nominated and re-appointed PricewaterhouseCoopers Inc. (PwC) as external auditors and Mr L de Wet as the individual auditor, after confirmation of their independence.
- The committee confirmed that PwC and the designated auditor are 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 PwC were reviewed and approved.
- Meetings were held with PwC after the audit committee meetings, without the executive management present, and no matters of concern were raised.
- No reportable irregularities were noted by PwC.
- The role of the committee is set out on page 40 of this report.
- The committee reviewed the annual financial statements, integrated annual report as well as the interim report during the year with the external auditors present before recommending it to the board for approval.
- All trading statements were reviewed by the audit committee before recommending it to the board for approval.

RISK MANAGEMENT

The board has assigned 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 risks as it relates to financial reporting.

The committee mandate and enterprise-wide risk management policy framework were 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 and, based on this combined assurance, the committee is satisfied that the internal controls of the group are adequate and that there was no material breakdown in internal controls.

REGULATORY COMPLIANCE

The group complied with all relevant laws and regulations.

EXTERNAL AUDIT

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

INTERNAL AUDIT

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

Board audit committee report

- 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.

The committee has a good working relationship with KPMG.

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 INTEGRATED REPORT

The committee has evaluated the annual financial statements of Metair Investments Limited and the group for the year-ended 31 December 2011 and based on the information provided to the committee, consider that the group complies in all material respects with the requirements of the Companies Act and International Financial Reporting Standards. The committee has reviewed the integrated report and the committee recommends the report to the board and shareholders for approval.

On behalf of the board audit committee

JG Best
Audit committee chairman
3 March 2012

Remuneration report

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:

- Assist the board in carrying out its responsibilities relating to all compensation, including share-based compensation, of the Metair group executives;
- Establish and administer the agreed Metair group executive remuneration policy with the broad objectives of:
  - aligning executive remuneration with the group strategy
  - aligning executive remuneration with group 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;
- Review the trends and appropriateness of remuneration of directors of subsidiary companies.

Three meetings were held during the year – in March, June and September 2011. The chairman reported to the board after each meeting.

Remuneration committee meeting attendance:

	10 March 2011	14 June 2011	20 September 2011
RS Broadley	P	P	P
L Soanes	P	P	P
A Joffe	P	P	P

P = Present

The next meetings are scheduled for June and November 2012.

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 makes 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;
  - performing 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:
  - regularly reviews the board structure, size and composition and makes recommendations to the board with regards to any adjustments that are deemed necessary.
  - ensures that formal succession plans for the board, managing director and senior management appointments are developed and implemented and are responsible for identifying and nominating candidates for the approval of the board to fill vacancies as and when they arise.
  - oversees the development of a formal induction programme for new directors and ensures that inexperienced directors are developed through a mentorship programme as well as overseeing the development and implementation of continuing professional development programmes for directors.
  - makes recommendations to the board for the continued (or not) service of any director who has reached the age of 70.
  - recommend directors that are retiring by rotation, for re-election after considering their performance as directors.

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 group 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 market remuneration database 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 below 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.

Remuneration report

Management level	Remuneration elements	% weighting
Metair MD/FD	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 group's reward strategy will have a direct impact on operational expenditure, group culture, employee behaviour and ultimately, with correct alignment, on the group'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 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. Director service contracts are renewed on an annual basis.

Base pay

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

Short-term incentive plan (STIP)

Executive management participates in a short-term incentive programme, which is based on the achievement of various short-term financial and non-financial performance targets, including profit after tax, return on equity and BBBEE 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.

The table below indicates the level of relative percentages per performance criteria for the short-term incentive per management classification.

STIP (%)								
	PBIT/PAT		ROE/ROA		Trans-forma-tion	Total		Grand
Element	Budget	Target	Budget	Target	Target	Budget	Target	Total
Metair MD/FD	20	30-50	10	10	10	30	70	100
MDs	20	20	10	10	10	30	40	70
Director	16	20	8	8	8	24	36	60
Exco	8	10	4	4	4	12	18	30

Long-term incentive plan (LTIP)

The remuneration committee and shareholders approved "The Metair Investments Limited Share Plan" (the plan), which 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.

The group's long-term incentive target for performance shares are based on return on equity measurements. Performance shares may be issued depending on levels of performance. The current targets are:

- ROE at 18% = 0,5 times performance shares issued
- ROE at 22% = 1,0 times performance shares issued
- ROE at 22% - 26% will have a multiplier effect of 1 to 3 times of performance shares issued.

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 described below.

Share appreciation rights are an annual allocation of the right to a value equal to the appreciation of 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 group to remain competitive in annual and share-based incentives, reward long-term sustainable group performance, act as a retention tool, and ensure that executives share a significant level of personal risk with the company's shareholders.

The table below indicates the level of the relative percentages for the long-term incentive per management classification.

LTIP (%)				
Element	SAR (CTC)	Performance Shares (CTC)	Expected Total (CTC)	Bonus Shares (% bonus)
Metair MD	40	19	59	13
Metair FD/MDs	15	32	47	16
Senior executive	11	17	28	20
Junior executive	10	12	22	24

In accordance with the recommendations of King III, we disclose below the remuneration of the top three executives of the group, excluding executive directors:

Executive emoluments	Executive 1 R'000	Executive 2 R'000	Executive 3 R'000
– Salaries and allowances	1 826	1 745	1 726
– Performance bonuses	1 950	1 507	1 350
– Pension and provident fund contributions		209	206
– Company contributions	18	53	31
	3 794	3 514	3 313

Non-executive management remuneration

Non-executive directors proposed fees for 2012, subject to shareholders' approval and effective 1 January 2012 are:

Metair board chairman	R200 000 per annum
Non-executive directors	R200 000 per annum
Audit committee chairman	R 27 500 per meeting
Audit committee member	R 22 000 per meeting
Remuneration committee chairman	R 16 500 per meeting
Remuneration committee member	R 11 000 per meeting

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

Shareholder analysis

ANALYSIS OF SHAREHOLDERS An analysis of shareholders at 31 December 2011 showed the following:				
SHAREHOLDER SPREAD	**No of Shareholdings**	**%**	**No of Shares**	**%**
1 – 1 000 shares	427	28,11	243 986	0,16
1 001 – 10 000 shares	714	47,00	2 603 541	1,71
10 001 – 100 000 shares	266	17,51	9 290 465	6,09
100 001 – 1 000 000 shares	91	6,00	30 928 463	20,28
1 000 001 shares and over	21	1,38	109 465 420	71,76
Total	**1 519**	**100**	**152 531 875**	**100**
DISTRIBUTION OF SHAREHOLDERS	**No of Shareholdings**	**%**	**No of Shares**	**%**
Banks/Brokers	26	1,71	25 352 957	16,62
Close Corporations	33	2,17	732 167	0,48
Empowerment	1	0,07	37 911 325	24,85
Endowment Funds	9	0,59	102 617	0,07
Individuals	1 049	69,06	13 357 855	8,76
Insurance Companies	16	1,05	3 949 756	2,59
Investment Companies	5	0,33	22 400	0,02
Medical Schemes	2	0,13	289 495	0,19
Mutual Funds	68	4,48	36 396 541	23,86
Nominees & Trusts	173	11,39	3 553 355	2,33
Other Corporations	16	1,05	39 748	0,03
Private Companies	52	3,42	10 129 676	6,64
Public Companies	6	0,39	768 757	0,50
Retirement Funds	61	4,02	8 844 141	5,80
Share Trusts	1	0,07	900 812	0,59
Treasury Stock	1	0,07	10 180 273	6,67
Total	**1 519**	**100**	**152 531 875**	**100**
PUBLIC / NON-PUBLIC SHAREHOLDERS	**No of Shareholdings**	**%**	**No of Shares**	**%**
Non-Public Shareholders	**6**	**0,66**	**66 458 581**	**43,57**
Directors and Associates of the Company	2	0,11	1 866 171	1,23
Share Trusts and Treasury Stock	2	0,33	11 081 085	7,26
Empowerment	1	0,11	37 911 325	24,85
Strategic Holdings	1	0,11	15 600 000	10,23
Public Shareholders	**1 513**	**99,34**	**86 073 294**	**56,43**
Total	**1 519**	**100**	**152 531 875**	**100**
Beneficial shareholders holding 3% or more			**No of Shares**	**%**
Royal Bafokeng Metair Trust			37 911 325	24,85
White Wings Trust			15 600 000	10,23
Investment Solutions			10 356 913	6,79
Business Venture Investments No.1217			10 180 273	6,67
Peregrine			7 152 543	4,69
Investec			7 080 918	4,64
CoroCapital			5 904 250	3,87
36ONE Asset Management			5 703 258	3,74
Total			**99 889 480**	**65,48**

BREAKDOWN OF NON-PUBLIC HOLDINGS		
Directors	**No. of shares**	**%**
L Soanes	**240 000**	**0,16**
L Soanes	240 000	0,16
A Joffe	**1 626 171**	**1,07**
A Joffe (indirect via CoroCapital)	1 626 171	1,07
Totals	**1 866 171**	**1,23**
Metair and Associates (Share Trusts and Treasury Stock)		
The Metair Share Trust	900 812	0,59
Business Venture Investments No.1217	10 180 273	6,67
Totals	**11 081 085**	**7,26**
Empowerment		
Royal Bafokeng Metair Trust	37 911 325	24,85
Totals	**37 911 325**	**24,85**
Strategic Holdings (more than 10%)		
White Wings Trust - (Barnes, DL)	15 600 000	10,23
Totals	**15 600 000**	**10,23**

BREAKDOWN OF BENEFICIAL SHAREHOLDERS HOLDING 3% OR MORE		
Investment Solutions	**10 356 913**	**6,79**
Investment Solutions Funds - Specialist	5 200 000	3,41
Investment Solutions Funds - Local	2 200 000	1,44
Investment Solutions Funds	1 927 900	1,26
Investment Solutions Funds - Aggressive Equity	529 141	0,35
Investment Solutions Funds - Institutional Equity	267 412	0,18
Investment Solutions - Aggressive Value Equity	138 406	0,09
Investment Solutions Funds	60 000	0,04
Investment Solutions Funds	34 054	0,02
Peregrine	**7 152 543**	**4,69**
Peregrine Equities	5 000 000	3,28
Peregrine Equities (Broker Proprietary)	2 152 543	1,41
Investec	**7 080 918**	**4,64**
Investec Value Fund	2 104 102	1,38
Investec Special Focus Fund	1 842 662	1,21
Investec Emerging Companies Fund	1 786 938	1,17
Investec SA Value Fund	888 498	0,58
Investec Institutional Equity	458 097	0,30
Investec Securities (Broker Proprietary)	621	0,00
36ONE Asset Management	**5 703 258**	**3,74**
36ONE Hedge Fund	3 299 928	2,16
36ONE Flexible Opportunity Fund	1 107 669	0,73
36ONE Offshore Hedge Fund	704 011	0,46
36ONE Fund	516 650	0,34
36ONE Target Return Fund	75 000	0,05
Totals	**30 293 632**	**19,86**

GRI statement

This report discloses Metair's material non-financial sustainability information using the Global Reporting Initiative's (GRI) G3 Guidelines. As our first GRI-compliant report, the 2011 Metair integrated annual report sets a new benchmark for our incremental approach to sustainability reporting as well as providing stakeholders with information presented in a consistent and comparable framework.

The GRI index that follows on page 53 provides references to the GRI disclosures in the integrated report and based on these disclosures, together with the below assurance statement, we declare ourselves compliant with GRI Application Level C+.

Refer to GRI Index on page 53.

The 2011 Metair integrated annual report sets a new benchmark for our incremental approach to sustainability reporting as well as providing stakeholders with information presented in a consistent and comparable framework.

Sustainability assurance statement

INDEPENDENT ASSURANCE STATEMENT

To the Board and stakeholders of Metair Limited:
SustainabilitySerivces.co.za (hereafter, 'Sustainability') was commissioned by Metair Investments Limited (hereafter, 'Metair') to provide independent third-party assurance over the sustainability information contained within Metair's integrated annual report ('the Report') for the year ended 31 December 2011. Sustainability's responsibility in performing its assurance activities is to the management of Metair alone and in accordance with the terms of reference agreed with them.

The assurance team comprised primarily of Michael H Rea, our principal Sustainability Assurance Practitioner, with over 13 years' experience providing over 40 assurance engagements in various countries, including Cameroon, Canada, the DRC, France, Kazakhstan, Kenya, Nigeria, Peru, Swaziland, South Africa and Zimbabwe: working either as part of a team (while in the employ of PwC and KPMG), or as an independent sustainability assurance provider.

INDEPENDENCE

This assurance engagement was designed to provide interim assurance over drafts of the Report, as well as the final Report. In doing so, Sustainability has provided guidance over gaps in reporting, but has not participated in the preparation of any part of this report, nor has Sustainability undertaken any commissions for Metair prior to this engagement. As such, Sustainability has not compromised our ability to afford ITPA over this report.

ASSURANCE OBJECTIVES

The objectives of the assurance process were to provide stakeholders of Metair with a low level independent assurance opinion on whether the sustainability information contained within Metair's Report meets standard reporting principles, as well as to assess the degree to which the report is consistent with the Global Reporting Initiative (GRI) G3 guidelines, with the objective of establishing whether or not the report has met the Global Reporting Initiative (GRI) G3 Application Level C reporting requirements.

SCOPE OF WORK PERFORMED

Although this assurance engagement has not been designed to meet international standards requirements, such as those set out by AccountAbility's AA1000AS Assurance Standard, the process used in arriving at this assurance statement is based on more than 13 years' experience, as well as best practices in sustainability reporting assurance. Our approach to assurance included the following:

- Reviews of drafts of the Report for significant data and/or assertion anomalies, and to assess whether sufficient 'neutrality' (i.e., success and challenges) could be identified.
- Interviews with individuals responsible for writing the Report in order to assess whether or not the processes used to define the content of the report reasonably adhere to the GRI's overarching principle of materiality, particularly with respect to selecting and/or defining of issues included in the report.
- An assessment of whether or not the requisite number of GRI G3 performance indicators have been covered in the Report to meet Application Level C requirements.

In coming to our findings, recommendations and conclusions, all work was performed at Metair's head offices, and no attempt was made to test the accuracy, consistency, completeness or reliability of any of the reported data at operational sites within Metair's subsidiary companies. Our work was limited to interviews with key management personnel and desk reviews of available information.

FINDINGS

This report represents Metair's inaugural attempt at integrated annual/sustainability reporting. In developing this report Metair identified a number of systems and/or data collection, collation and reporting gaps that limited the company's ability to produce a fully comprehensive sustainability report. At the same time, Metair undertook to ensure that reporting – in accordance with King III recommendations – was structured around the principle of 'materiality', and that reporting was not simply an attempt to provide meaningless responses to GRI indicators that were of no significance and/or relevance to Metair's operations. In general, this report represents a reasonable representation of Metair's current ability to measure and monitor its sustainability performance, while recognising the presence of room for improvement with respect to enhancing the quality of sustainability disclosures in future reports.

Through our review process, it was found that:

- Metair has embarked on a process of collecting, collating and reporting key sustainability performance data, yet additional performance data – either for specific indicators, or for specific operations/locations – remain required to enhance the overall quality of Metair's sustainability reporting.
- Although this first attempt at integrated annual/sustainability reporting demonstrates their commitment to integrated annual/sustainability reporting, Metair must be careful to ensure that more is done to monitor and measure its economic, social and environmental impacts across its full scope of operations.

Based on our review of the report, it is our assertion that this report adequately meets the GRI G3's requirements for Application Level C (responses to the required profile indicators and no fewer than 10 Core performance indicators). However, it was found that the reporting of performance against some GRI G3 indicators continues to require either data quality improvements (including

Sustainability assurance statement

enhanced trend data), or further detail in disclosure.

RECOMMENDATIONS

While we are satisfied that this report is a fair demonstration of Metair's ability to collect, collate and report on its current sustainability performance, the following recommendations have been identified:

- Metair should ensure that future reports include more comprehensive comparable sustainability performance data, including multi-year trends for the company's most material sustainability issues.
- Metair should ensure that stakeholder engagement policies and procedures are formally entrenched throughout the organisation to ensure that key stakeholders are actively and meaningfully engaged to assess whether or not Metair adequately addresses their concerns/interests.
- Metair should continue to improve its reporting according to international best practice, including the principles of Inclusivity, Materiality, and Responsiveness, as guided by AccountAbility's AA1000AS (2008) assurance standard, with any future assurance being conducted in accordance with AccountAbility's AA1000AS Type I (Moderate) requirements.

CONCLUSIONS

Based on the interviews conducted and information reviewed, Sustainability is satisfied that this report provides a reasonable account of the sustainability performance of Metair for the period under review. The sustainability information presented, albeit limited at this early stage in Metair's progress towards comprehensive integrated annual/sustainability reporting, is based on the policies and procedures that are in place throughout the Metair group, and we are satisfied that the reported performance data reasonably represent Metair's ability to measure, manage and report on its current economic, social and environmental performance. Moreover, and although the quality or quantity of data of many GRI G3 indicators can yet be improved, this report appears to meet the GRI G3's requirements for Application Level C (C+ with this assurance statement).

SustainabilityServices.co.za
Johannesburg
3 March 2012

Global Reporting Initiative (GRI) index

Profile Disclosure	Description	Reference	Page No.
1.	**Strategy and Analysis**		
1.1	Statement from the most senior decision-maker of the organisation.	Chairman's statement	16
1.2	Description of key impacts, risks and opportunities.	Our strategy, material issues, managing director's report	3, 10, 18
2.	**Organisational Profile**		
2.1	Name of the organisation.	Who we are	1
2.2	Primary brands, products, and/or services.	Who we are, what we do	1, 8
2.3	Operational structure of the organisation, including main divisions, operating companies, subsidiaries, and joint ventures.	Group structure	6
2.4	Location of organisation's headquarters.	Who we are	1
2.5	Number of countries where the organisation operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.	Scope and boundaries	1
2.6	Nature of ownership and legal form.	Who we are	1
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/ beneficiaries).	What we do	8
2.8	Scale of the reporting organisation.	Financial highlights, financial review, operational review, value added statement	4, 22, 24, 27
2.9	Significant changes during the reporting period regarding size, structure, or ownership.	There were no significant changes regarding size, structure or ownership during the reporting period	
2.10	Awards received in the reporting period.	Environmentally-friendly products	38
3.	**Report Parameters**		
3.1	Reporting period (eg fiscal/calendar year) for information provided.	Scope and boundaries	1
3.2	Date of most recent previous report (if any).	Scope and boundaries	1
3.3	Reporting cycle (annual, bi-annual, etc.)	Scope and boundaries	1
3.4	Contact point for questions regarding the report or its contents.		64
3.5	Process for defining report content.	Scope and boundaries	1
3.6	Boundary of the report (eg countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers).	Scope and boundaries	1
3.7	State any specific limitations on the scope or boundary of the report.	Scope and boundaries	1
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organisations.	Scope and boundaries	1
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (eg mergers/acquisitions, change of base years/periods, nature of business, measurement methods).	Scope and boundaries	1
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.	Scope and boundaries	1

GRI index

Profile Disclosure	Description	Reference	Page No.
3.	**Report Parameters (continued)**		
3.12	Table identifying the location of the standard disclosures in the report.	GRI index	53
3.13	Policy and current practice with regard to seeking external assurance for the report.	Assurance statement	51
4.	**Governance, Commitments and Engagement**		
4.1	Governance structure of the organisation, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organisational oversight.	Corporate governance report	39
4.2	Indicate whether the Chair of the highest governance body is also an executive officer.	Corporate governance report	39
4.3	For organisations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members.	Corporate governance report	39
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	Stakeholder communications	28
4.14	List of stakeholder groups engaged by the organisation.	Stakeholder communications	28
4.15	Basis for identification and selection of stakeholders with whom to engage.	Stakeholder communications	28
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	Stakeholder communications	28
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organisation has responded to those key topics and concerns, including through its reporting.	Stakeholder communications	28
Performance Indicators			
Indicator	**Description**		
Economic Performance Indicators			
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.	Value added statement	27
EC3	Coverage of the organisation's defined benefit plan obligations.	Note 24 to the financial statements	125
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.	Socio-economic development	32
Environmental Performance Indicators			
EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.	Environment	38
EN8	Total water withdrawal by source.	Environment	37
EN22	Total weight of waste by type and disposal method.	Appendix I	56
Social: Labour Practices and Decent Work			
LA1	Total workforce by employment type, employment contract, and region.	Appendix IV	59
LA8	Education, training, counselling, prevention, and risk-control programmes in place to assist workforce members, their families, or community members regarding serious diseases.	Human capital, HIV/Aids	35

Profile Disclosure	Description	Reference	Page No.
Social: Human Rights			
HR4	Total number of incidents of discrimination and actions taken.	There were no incidents of discrimination reported during the year	
HR6	Operations identified as having significant risk for incidents of child labour, and measures taken to contribute to the elimination of child labour.	No operations have a significant risk for incidents of child labour	
HR7	Operations identified as having significant risk for incidents of forced or compulsory labour, and measures to contribute to the elimination of forced or compulsory labour.	No operations have a significant risk for incidents of forced or compulsory labour	

Appendix I – Scrap and recycling

Recycling and disposal	Smiths Plastics		Smiths Manufacturing		Unitrade		Hesto		Supreme		Automould		FNB		Lumotech		ATE	
	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**
Waste recycled (tonnes)	97	**95**	697	**707**		**89**			373	**399**	11	**13**	14 387	**22 443**	84	**102**	513	**392**
Oil recycled (l)															1 220	**2 900**		
Nature of recycled product	Mainly cardboard		Recycled but not re-used at Smiths Mainly cardboard and aluminium		ICW waste, shiny copper waste, PVC head waste						Scrap is not disposed of – it is reground and re-used		Factory Scrap is recycled through our smelter again, and waste from the smelter that cannot be used in any way is disposed of to a class 1 dump using Enviroserve				Mainly FNB shavings and scrap metals	
Waste disposed (tonnes)	488	**444**	143	**170**			43	**74**										
Oil (l)					8 012	**6 942**												
Sludge															330 000	**380 000**		
General Waste (m^3)															4 495	**7 351**		
Hazardous Waste (m^3)															30	**50**		
Nature of disposed product					Oily sludge, emulsified lubricant, engine oil, oily rags		Scrapped copper wire											

Appendix II – Accreditation

CURRENT ACCREDITATION PER SUBSIDIARY									
Nature of standard	**Environmental**	**Health and Safety**	**Quality (non-auto)**	**Quality (auto)**	**Quality (OEM)**	**Quality (OEM)**	**Quality (OEM)**	**Quality (UK auto)**	**Quality (SA)**
Subsidiaries	**ISO 14001**	**OHSAS 18001**	**ISO 9001**	**TS 16949**	**Q1 Ford**	**QSB GM**	**Formal Q**	**VCA**	**SABS SANS**
First National Battery Division	X		X	X				N/A	X
Smiths Manufacturing (Pty) Ltd	X	X	X	X	X	X	N/A	X	N/A
Hesto Harnesses (Pty) Ltd	X		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	X	N/A	N/A
Supreme Spring Division	X		X	X	X	X	X	N/A	N/A
Alfred Teves Brake Systems (Pty) Ltd	X		X	X	X	N/A	N/A	X	N/A
Lumotech (Pty) Ltd	X		X	X	X	N/A		X	X
Tenneco Automotive Holdings (Pty) Ltd	X	X	X	X	X	X	X	N/A	N/A
Valeo Systems South Africa (Pty) Ltd	N/A		X	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 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.

Appendix III – BBBEE certification

BBBEE CERTIFICATION – DECEMBER 2011											
BBBEE ELEMENTS		**Smiths Plastics**	**Smiths Manufac-turing**	**Lumotech**	**Supreme**	**Hesto**	**Unitrade**	**FNB**	**Auto-mould**	**ATE**	**Group Total**
		31 Dec 2010	**31 Dec 2010**	**31 Dec 2010**	**31 Dec 2010**	**31 Dec 2010**	**31 Dec 2010**	**31 Dec 2010**	**31 Dec 2010**	**31 Dec 2010**	**31 Dec 2010**
Ownership	23	18,96	20,65	20,00	20,65	18,21	20,65	20,65	19,96	20,65	180,38
Management Control	11	2,79	2,07		2,07	2,00	2,00	1,56	4,16	3,71	20,36
Employment Equity	18	14,34	8,50	4,00	3,03	13,88	14,41		12,89	3,79	74,84
Skills Development	15	12,00	5,21	12,00	6,13	7,94	0,98	2,58	1,10	4,10	52,04
Preferential Procurement	20	8,71	19,49	19,91	7,34	16,28	3,04	17,68	9,93	13,51	115,89
Enterprise Development	15	15,00	8,61	15,00	15,00	5,70	0,53	15,00	15,00	15,00	104,84
Socio-Economic Development	5	5,00	4,71	5,00	3,06	4,20	5,00	4,99		5,00	36,96
Total		**76,8**	**69,24**	**75,91**	**57,28**	**68,21**	**46,61**	**62,46**	**63,04**	**65,76**	**585,31**
Level Contributor		**3**	**4**	**3**	**5**	**4**	**6**	**5**	**5**	**4**	

Appendix IV – Staff complement

2010 STAFF COMPLEMENT											
	Male				Female						
	African	Coloured	Asian	White	African	Coloured	Asian	White	Foreign	Permanent	Contractors
ATE	125	5	3	20	11	7	1	8		179	1
Lumotech	62	3		63	60	124		19	3	347	47
Supreme	291	9	9	59	12	2	1	25	1	398	11
Unitrade	23			3	5			1		32	
Hesto	62	3	187	12	742	10	447			1 021	442
FNB	962	78	17	218	54	10	4	76		1 419	
Automould	164		60	10	34		15	6		201	88
Smiths Manufacturing	382	24	143	52	80	8	61	8		722	36
Smiths Plastics	378	15	73	18	105	2	11	1		585	18
Metair				2		1		2		5	
Total	**2 449**	**197**	**492**	**457**	**1 103**	**164**	**540**	**146**	**4**	**4 909**	**643**
Total including contractors										**5 552**	

2011 STAFF COMPLEMENT											
	Male				Female						
	African	Coloured	Asian	White	African	Coloured	Asian	White	Foreign	Permanent	Contractors
ATE	**92**	**3**		**14**	**7**	**7**	**7**	**7**		**124**	**13**
Lumotech	**102**	**80**	**1**	**81**	**110**	**163**	**1**	**18**	**3**	**330**	**229**
Supreme	**365**	**10**	**8**	**57**	**12**	**2**	**1**	**23**	**2**	**369**	**111**
Unitrade	**23**			**4**	**5**			**1**		**33**	
Hesto	**112**	**5**	**193**	**12**	**929**	**14**	**473**			**1 051**	**687**
FNB	**957**	**83**	**17**	**216**	**53**	**10**	**4**	**70**		**1 410**	
Automould	**153**		**51**	**10**	**37**		**14**	**4**		**190**	**79**
Smiths Manufacturing	**353**	**21**	**135**	**53**	**75**	**8**	**59**	**7**		**680**	**31**
Smiths Plastics	**379**	**17**	**69**	**17**	**112**	**3**	**10**	**1**		**590**	**19**
Metair				**2**		**1**		**2**		**5**	
Total	**2 536**	**219**	**474**	**466**	**1 340**	**208**	**569**	**133**	**5**	**4 782**	**1 169**
Total including contractors										**5 951**	

Appendix V – Training by subsidiary

2010 TRAINING SPEND							
	Top management	Senior management	Middle management	Junior management	Supervisors	Foremen etc	Total training spend
ATE	4 171	2 017	14 219	42 914		37 745	101 066
Lumotech	11 722	19 538			273 529	476 723	781 512
Supreme	13 200	9 900	42 900	79 200	95 700	89 100	330 000
Unitrade		7 028				13 693	20 721
Hesto	21 000	10 000	10 000	351 000		696 000	1 088 000
FNB	19 748	403 530	828 458	977 891		149 284	2 378 911
Automould		300	120	741		150 848	152 009
Smiths Manufacturing		26 603	81 667	549 104	280 214	891 912	1 829 500
Smiths Plastics	7 000	3 000	24 000	4 300	115 570		153 870
Total	**76 841**	**481 916**	**1 001 364**	**2 005 150**	**765 013**	**2 505 305**	**6 835 589**

2011 TRAINING SPEND							
	Top management	Senior management	Middle management	Junior management	Supervisors	Foremen etc.	Total training spend
ATE	**27 664**		**20 087**	**70 563**	**405**	**75 404**	**194 123**
Lumotech	**7 612**	**22 835**			**304 466**	**426 254**	**761 167**
Supreme		**2 400**	**21 600**	**50 400**	**91 200**	**74 400**	**240 000**
Unitrade		**7 640**				**49 971**	**57 611**
Hesto	**454 000**	**22 000**	**204 000**	**175 000**		**765 000**	**1 620 000**
FNB	**4 192**	**307 961**	**1 307 298**	**1 911 273**		**499 693**	**4 030 417**
Automould	**6 742**	**6 742**		**55 310**		**218 089**	**286 883**
Smiths Manufacturing		**28 560**	**48 397**	**738 532**	**77 005**	**1 225 756**	**2 118 250**
Smiths Plastics		**6 927**	**38 000**		**75 000**	**300**	**120 227**
Total	**500 210**	**405 065**	**1 639 382**	**3 001 078**	**548 076**	**3 334 867**	**9 428 678**

Appendix VI – King III checklist

		Apply/ In progress/ do not apply	Comments
1.	**ETHICAL LEADERSHIP AND CORPORATE CITIZENSHIP**		
1.1	The board should provide effective leadership based on an ethical foundation	↑	
1.2	The board should ensure that the company is and is seen to be a responsible corporate citizen	↑	
1.3	The board should ensure that the company's ethics are managed effectively	→	Company's ethics performance assessment will be considered
2.	**BOARDS AND DIRECTORS**		
2.1	The board should act as the focal point for the custodian of corporate governance	↑	
2.2	The board should appreciate that strategy, risk, performance and sustainability are inseparable	↑	
2.3	The board should provide effective leadership based on an ethical foundation	↑	
2.4	The board should ensure that it is and is seen to be a responsible corporate citizen	↑	
2.5	The board should ensure that the company's ethics are managed effectively	→	
2.6	The board should ensure that the company has an effective and independent audit committee	↑	
2.7	The board should be responsible for the governance of risk	↑	
2.8	The board should be responsible for information technology (IT)	→	Refer to item 5 overleaf
2.9	The board should ensure that the company complies with applicable laws and considers adherence to non-binding rules, codes and standards	↑	
2.10	The board should ensure that there is an effective risk-based internal audit	↑	
2.11	The board should appreciate that stakeholders' perceptions affect the company's reputation	↑	
2.12	The board should ensure the integrity of the company's integrated report	↑	
2.13	The board should report on the effectiveness of the company's system of internal controls	→	
2.14	The board and its directors should act in the best interest of the company	↑	
2.15	The board should consider business rescue proceedings or other turnaround mechanisms as soon as the company is financially distressed as defined by the act.	↑	
2.16	The board should elect a chairman of the board who is an independent non-executive director. The CEO should not fulfil this role	↑	Lead independent non-executive director appointed
2.17	The board should appoint the chief executive officer and establish a framework for the delegation of authority	↑	
2.18	The board should comprise a balance of power, with a majority of non-executive directors. The majority of non-executive directors should be independent	↑	
2.19	Directors should be appointed through a formal process	↑	
2.20	The induction of an ongoing training and development of directors should be conducted through formal processes	↑	
2.21	The board should be assisted by a competent, suitably qualified company secretary	↑	

Apply ↑ In progress → Do not apply ↓

Appendix VI – King III checklist

		Apply/ In progress/ do not apply	Comments
2.	**BOARDS AND DIRECTORS (continued)**		
2.22	The evaluation of the board, its committees and the individual directors should be performed every year	→	Evaluation of individual directors and the chairman will be formalised
2.23	The board should delegate certain functions to well-structured committees but without abdicating its own responsibilities	↑	
2.24	A governance framework, including strategic objectives of the policy should be agreed between the group and its subsidiary boards	→	Governance framework, including strategic objectives between the company and its subsidiaries will be formalised Have letters/resolutions in place
2.25	Companies should remunerate directors and executives fairly and responsibly	↑	
2.26	Companies should disclose the remuneration of each individual director and certain senior executives	↑	
2.27	Shareholders should approve the company's remuneration policy	↑	
3.	**RISK AND AUDIT COMMITTEE**		
3.1	The board should ensure that the company has an effective and independent audit committee comprising at least 3 members	↑	
3.2	Audit committee members should be suitably skilled and experienced independent non-executive directors	↑	
3.3	The audit committee should be chaired by an independent non-executive director	↑	
3.4	The audit committee should oversee integrated reporting	↑	
3.5	The audit committee should ensure that a combined assurance model is applied to provide a coordinated approach to all assurance activities	↑	
3.6	The audit committee should satisfy itself of the expertise, resources and experience of the company's finance function	↑	
3.7	The audit committee should be responsible for overseeing internal audit	↑	
3.8	The audit committee should be an integral component of the risk management process	↑	
3.9	The audit committee is responsible for recommending the appointment of the external auditor and overseeing the external audit process	↑	
3.10	The audit committee should report to the board and shareholders on how it has discharged its duties	↑	
4.	**THE GOVERNANCE OF RISK**		
4.1	The board should be responsible for the governance of risk	↑	
4.2	The board should determine the levels of risk tolerance	↑	
4.3	The risk committee or audit committee should assist the board in carrying out its risk responsibilities	↑	
4.4	The board should delegate to management the responsibility to design, implement and monitor the risk management plan	↑	

Apply ↑ In progress → Do not apply ↓

		Apply/ In progress/ do not apply	Comments
4.	**THE GOVERNANCE OF RISK (continued)**		
4.5	The board should ensure that risk assessments are performed on a continual basis	↑	
4.6	The board should ensure that frameworks and methodologies are implemented to increase the probability of anticipating unpredicted risks	↑	
4.7	The board should ensure that management considers and implements appropriate risk responses	↑	
4.8	The board should ensure continuous risk monitoring by management	↑	
4.9	The board should receive assurance regarding the effectiveness of the risk management process	↑	
4.10	The board should ensure that there are processes in place enabling complete, timely, relevant, accurate and accessible risk disclosures to stakeholders.	↑	
5.	**THE GOVERNANCE OF INFORMATION TECHNOLOGY**		
5.1	The board should be responsible for information technology (IT)	→	IT policy and governance framework will be done and linked to company strategy
5.2	IT should be aligned with the performance and sustainability objectives of the company	↑	
5.3	The board should delegate to management the responsibility for the implementation of an IT governance framework	↑	
5.4	The board should monitor and evaluate significant IT investments and expenditure	↑	
5.5	IT should form an integral part of the company's risk management	↑	
5.6	The board should ensure that information assets are managed effectively	→	To be reviewed
5.7	A risk committee and audit committee should assist the board in carrying out its IT responsibilities	↑	
6.	**COMPLIANCE WITH LAWS, RULES, CODES AND STANDARDS**		
6.1	The board should ensure that the company complies with applicable laws and considers adherence to non-binding rules, codes and standards	↑	
6.2	The board and each individual director should have a working understanding of the effect of the applicable laws, rules, codes and standards on the company and its business	↑	
6.3	Compliance should form an integral part of the company's risk management process	↑	
6.4	The board should delegate to management the implementation of an effective compliance framework and processes	↑	
7.	**INTERNAL AUDIT**		
7.1	The board should ensure that there is an effective risk-based internal audit	↑	
7.2	Internal audit should follow a risk-based approach to its plan	↑	
7.3	Internal audit should provide a written assessment of the effectiveness of the company's system of internal controls and risk management	↑	

Apply ↑ In progress → Do not apply ↓

Appendix VI – King III checklist

		Apply/ In progress/ do not apply	Comments
7.	**INTERNAL AUDIT (continued)**		
7.4	The audit committee should be responsible for overseeing internal audit	↑	
7.5	Internal audit should be strategically positioned to achieve its objectives	↑	
8.	**GOVERNING STAKEHOLDER RELATIONSHIPS**		
8.1	The board should appreciate that stakeholders' perceptions affect the company's reputation	↑	
8.2	The board should delegate to management to proactively deal with stakeholder relationships	↑	
8.3	The board should strive to achieve the appropriate balance between its various stakeholder groupings, in the best interests of the company	↑	
8.4	Transparent and effective communications with stakeholders is essential for building and maintaining their trust and confidence	↑	
8.5	The board should ensure that disputes are resolved as effectively, efficiently and expeditiously as possible	↑	
9.	**INTEGRATED REPORTING AND DISCLOSURE**		
9.1	The board should ensure the integrity of the company's integrated report	↑	
9.2	Sustainable reporting and disclosure should be integrated with the company's financial reporting	↑	
9.3	Sustainability reporting and disclosure should be independently assured	→	Non-aligned assurance performed for 2011 integrated annual report. Aligned assurance to be performed for 2012 integrated annual report

Apply ↑ In progress → Do not apply ↓

Company secretary
Sanet Vermaak

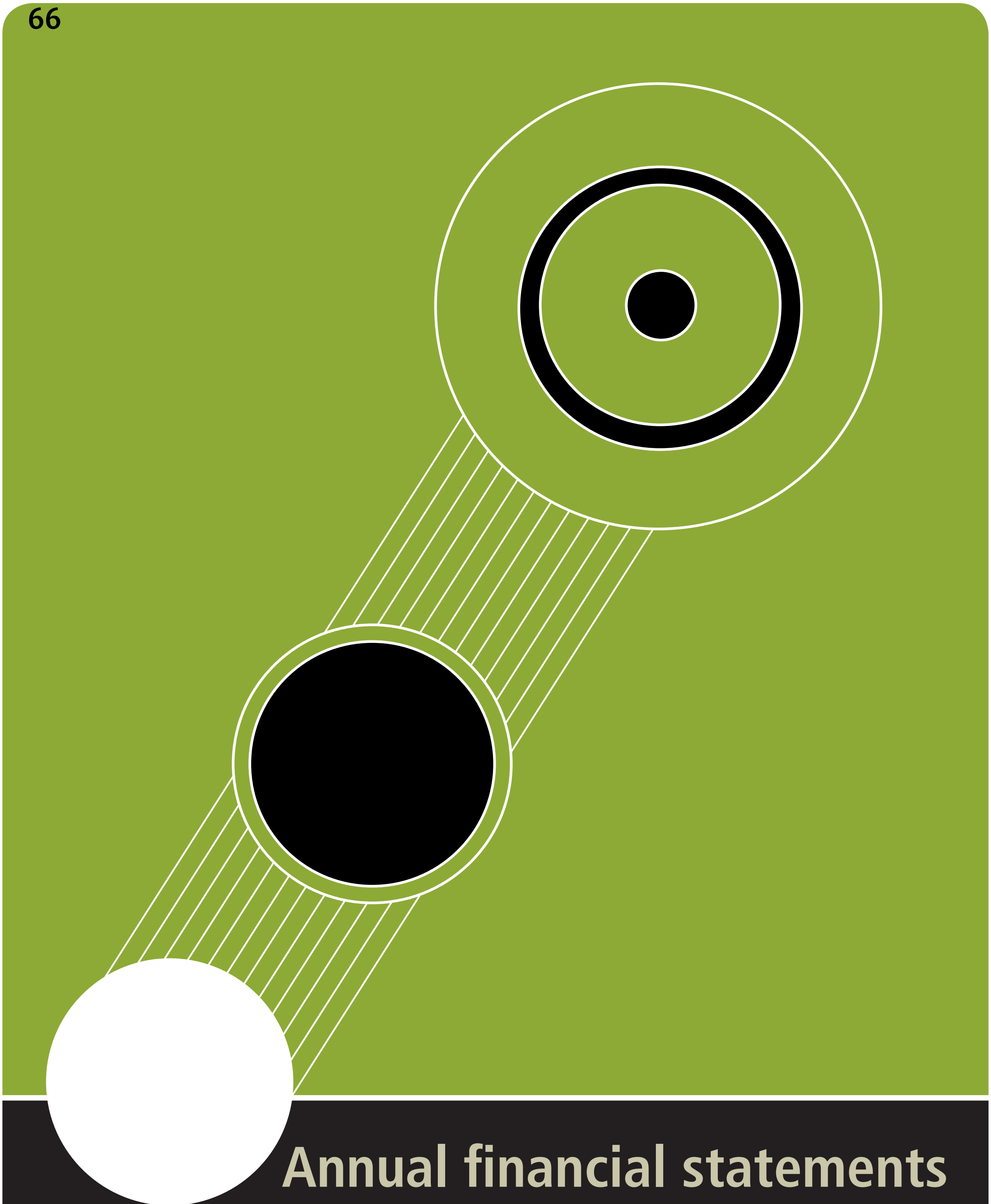
Registration number 1948/031013/06
ISIN ZAE 000090692
JSE share code: MTA

Head office and physical address
Wesco House
10 Anerley Road
Parktown
2132

Postal address
PO Box 2077
Saxonwold
2193

Further information on this report and its contents can be obtained from the company secretary:
Telephone: +27 11 646 3011
Fax: +27 11 646 3102
Email: sanet@metair.co.za

Annual financial statements



Annual financial statements

For the year ended 31 December 2011

The following reports and statements in respect of the year ended 31 December 2011 are presented by the board of directors in compliance with the requirements of the Companies Act, Act 71 of 2008.

Contents

Level of assurance

These annual financial statements have been audited in compliance with the applicable requirements of the Companies Act of South Africa.

Preparer

The annual financial statements were prepared under the supervision of Mr BM Jacobs B Comm, B Acc, CA(SA) (finance director).

Published

3 March 2012

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"), AC 500 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 2011 set out on pages 70 to 131 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 69.

Certificate by Company Secretary

By the Board of Directors

In my capacity as company secretary, I hereby confirm, in terms of section 33(1) of the Companies Act, 2008, that for the year ended 31 December 2011, the company has lodged with the Companies and Intellectual Property Commission (CIPC) all such returns as are required of a public company in terms of this Act and that all such returns are true, correct and up to date.

SM Vermaak
3 March 2012

Independent auditor's report

To the members of Metair Investments Limited

We have audited the consolidated annual financial statements and annual financial statements of Metair Investments Limited, which comprise the consolidated and separate balance sheets as at 31 December 2011, and the consolidated and separate income statements, and consolidated and separate statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, and the directors' report, as set out on pages 70 to 131.

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 the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of 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 about 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 2011, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

PricewaterhouseCoopers Inc.
Director: Leon de Wet
Registered Auditor
Johannesburg
3 March 2012

Director's report

For the year ended 31 December 2011

The directors have pleasure in submitting their report for the year ended 31 December 2011.

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 70 to 131 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 R408,4 million (2010: R277,7 million).

DIVIDENDS

The following dividends were declared:	R'000 2011	R'000 2010
Ordinary shares		
Declared and paid with respect to 2010		
Ordinary dividend of 65 cents per share	91 750	
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

No dividend was declared on 3 March 2012 in respect of the 2011 financial year. The board of directors will give further consideration to the declaration of a dividend during the 2012 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 note 14 to the financial statements.

Share incentive schemes' particulars relating to options under the share option scheme and awards under the share plans are given in note 14 to the annual 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	159 749
– Disposals including impairment	(11 968)

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

	R'000
– Additions	2 397
– Impairment charges	(1 115)

DIRECTORS

The composition of the board of directors is set out on page 15.

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 131.

HOLDING COMPANY

The company has no holding company.

AUDITORS

PricewaterhouseCoopers Incorporated are the current appointed auditors in accordance with section 90(6) of the Companies Act, 2008.

RESOLUTIONS

No special resolutions, the nature of which might be significant to members in their appreciation of the state of affairs of the group were passed by any subsidiary companies during the year.

A special resolution passed at a general meeting of shareholders of Metair Investments Limited on 17 January 2012 regarding financial assistance in terms of Section 45 of the Companies Act, No 71 of 2008, as amended ("the Resolution") as set out in the notice of general meeting and tabled for voting, was passed by the requisite majority of shareholders present or represented by proxy, without modification.

APPROVAL OF ANNUAL FINANCIAL STATEMENTS

The directors have approved the annual financial statements on pages 70 to 131 which are signed on their behalf by:

OME Pooe
Chairman

C T Loock
Managing Director

Johannesburg
3 March 2012

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 on-going 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 129.

a) Standards, amendments and interpretations effective in 2011.
– Amendments to IAS 32: Classification of rights issues (effective date 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. Management is currently considering the future impact of these amendments to the annual financial statements. This has no impact at year end.

– Improvements to IFRSs (Issued May 2010): Unless otherwise specified the amendments are effective for annual periods beginning on or after 1 January 2011. 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.

– Amendments to IFRIC 14 – Pre-payments of a Minimum Funding Requirement (effective from 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. This standard has minimal impact on the group's current year annual financial statements.

b) Standards, amendments and interpretations effective in 2011 but not relevant to the group
– Amendment to IAS 24 – Related party disclosures (effective from 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.

– IFRIC 19 – *Extinguishing Financial Liabilities with Equity Instruments* (effective from 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.

c) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the group
– Amendments to IFRS 1: "First time adoption" on hyperinflation and fixed dates (effective from 1 July 2011): The first amendment replaces references to a fixed date of 1 January 2004 with "the date of transition to IFRSs", thus eliminating the need for companies adopting IFRSs for the first time to restate derecognition transactions that occurred before the date of transition to IFRSs. The second amendment provides guidance on how an entity should resume presenting financial statements in accordance with IFRSs after a period when the entity was unable to comply with IFRSs because its functional currency was subject to severe hyperinflation. No expected impact.

– Amendments to IAS 32: Financial Instruments: Presentation (effective from 1 January 2013): The IASB has issued amendments to the application guidance in IAS 32, "Financial instruments:

Presentation", that clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet. However, the clarified offsetting requirements for amounts presented in the balance sheet continue to be different from US GAAP. Minimal expected impact.

– Amendment to IFRS 7 Financial Instruments: Disclosures - Transfer of financial assets (effective from 1 July 2011): The amendments are intended to address concerns raised during the financial crisis by the G20, among others, that financial statements did not allow users to understand the ongoing risks the entity faced due to derecognised receivables and other financial assets. Minimal expected impact.

– Amendment to IFRS 7 Financial Instruments: Disclosure (effective from 1 January 2013). The IASB has published an amendment to IFRS 7, "Financial instruments: Disclosures", reflecting the joint requirements with the FASB to enhance current offsetting disclosures. These new disclosures are intended to facilitate comparison between those entities that prepare IFRS financial statements to those that prepare financial statements in accordance with US GAAP. Minimal expected impact.

– Amendment to IAS 12: "Income taxes" on deferred tax (effective from 1 January 2012). Currently IAS 12, "Income taxes", requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in IAS 40 Investment Property. Hence this amendment introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. As a result of the amendments, SIC 21, 'Income taxes- recovery of revalued non-depreciable assets', would no longer apply to investment properties carried at fair value. The amendments also incorporate into IAS 12 the remaining guidance previously contained in SIC 21, which is accordingly withdrawn. Moderate expected impact.

– Amendments to IAS 1: "Presentation of Financial Statements", on presentation of items of OCI (effective from 1 July 2012). The IASB has issued an amendment to IAS 1, "Presentation of financial statements". The amendment changes the disclosure of items presented in other comprehensive income (OCI) in the statement of comprehensive income. The IASB originally proposed that all entities should present profit or loss and OCI together in a single statement of comprehensive income. The proposal has been withdrawn and IAS 1 will still permit profit or loss and OCI to be presented in either a single statement or in two consecutive statements. The amendment does not address which items should be presented in OCI and the option to present items of OCI either before tax or net of tax has been retained. Minimal expected impact.

– Amendments to IAS 19: "Employee benefits" (effective from 1 January 2013). The IASB has issued an amendment to IAS 19, "Employee benefits", which makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits. Moderate expected impact.

– IFRS 9: Financial Instruments (2009) (effective from 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. Minimal expected impact.

– IFRS 9: Financial Instruments (2010) (effective from 1 January 2013). The IASB has updated IFRS 9, "Financial instruments" to include guidance on financial liabilities and derecognition of financial instruments. The accounting and presentation for financial liabilities and for derecognising financial instruments has been relocated from IAS 39, "Financial instruments: Recognition and measurement", without change, except for financial liabilities that are designated at fair value through profit or loss. Minimal expected impact.

– Amendments to IFRS 9: Financial Instruments (2011) (effective from 1 January 2015). The IASB has published an amendment to IFRS 9, "financial instruments" that delays the effective date to annual periods beginning on or after 1 January 2015. The original effective date was for annual periods beginning on or after 1 January 2013. This amendment is a result of the board extending its timeline for completing the remaining phases of its project to replace IAS 39 (for example, impairment and hedge accounting) beyond June 2011, as well as the delay in the insurance project. The amendment confirms the importance of allowing entities to apply the requirements of all the phases of the project to replace IAS 39 at the same time. The requirement to restate comparatives and the disclosures required on transition has also been modified. Minimal expected impact.

– IFRS 10: Consolidated financial statements (effective from 1 January 2013). This standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements. The standard provides additional guidance to assist in determining control where this is difficult to assess. This new standard might impact the entities that a group

Accounting policies

consolidates as its subsidiaries. Moderate expected impact.

– IFRS 11: Joint arrangements (effective from 1 January 2013): This standard provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed. No expected impact.

– IFRS 12: Disclosures of interests in other entities (effective from 1 January 2013): This standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. Moderate expected impact.

– IFRS 13: Fair value measurement (effective from 1 January 2013): This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. Moderate expected impact.

– IAS 27 (revised 2011): Separate financial statements (effective from 1 January 2013): This standard includes the provisions on separate financial statements that are left after the control provisions of IAS 27 have been included in the new IFRS 10. Moderate expected impact.

– IAS 28 (revised 2011): Associates and joint ventures (effective from 1 January 2013): This standard includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11. Moderate expected impact.

– IFRIC 20: Stripping costs in the production phase of a surface mine (effective from 1 January 2013): In surface mining operations, entities may find it necessary to remove mine waste materials (overburden) to gain access to mineral ore deposits. This waste removal activity is known as "stripping". The Interpretation clarifies there can be two benefits accruing to an entity from stripping activity: useable ore that can be used to produce inventory and improved access to further quantities of material that will be mined in future periods. The Interpretation considers when and how to account separately for these two benefits arising from the stripping activity, as well as how to measure these benefits both initially and subsequently. No expected impact.

– Improvements to IFRSs (Issued May 2010): were issued by the IASB as part the "annual improvements process" resulting in the following amendments to standards issued, effective for the first time for 31 December 2011 year-ends. Refer to the table on page 74.

IFRS	Effective date	Subject of amendment
IFRS1: First-time adoption of International Financial Reporting Standards	1 January 2011	Accounting policy changes in the year of adoption
		Revaluation basis as deemed cost
		Use of deemed cost for operations subject to rate regulation
		Measurement of non-controlling interests
		Un-replaced and voluntarily replaced share-based payment awards
IFRS 3: Business Combinations	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
IAS 27: Consolidated and Separate Financial Statements	1 January 2011	Clarifies the consequential amendments from IAS 27
IFRS 7: Financial Instruments: Disclosures	1 January 2011	Clarification of disclosures
IAS 1: Presentation of Financial Statements	1 January 2011	Clarification of statement of changes in equity
IAS 34: Interim Financial Reporting		Significant events and transactions
IFRIC 13: Customer Loyalty Programmes	1 January 2011	Fair value of award credits

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. Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If the consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit and loss. Acquisition-related costs are expensed as incurred in the period in which the costs are incurred or services received.

If the business combination is achieved in stages, the acquisition fair value of the acquirer's previously held equity interest in the acquiree is measured as fair value at the acquisition date through profit and loss.

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

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

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

Advances to subsidiaries by the company which do not have fixed terms or repayment, are included in the investments in subsidiaries

For the company, the equity settled share based payment cost is capitalised to the investment in subsidiaries.

Any contingent consideration to be transferred by the group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit and loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Changes are ownership interest in subsidiaries without change of control
Transactions with non-controlling interest that do not result in loss of control are accounted for as equity transactions - that is, as transactions with the owners in their capacity as owners. The difference between the fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Disposals of subsidiaries
When the group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit and loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

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.

Accounting policies

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. The group's share of profit or loss less dividends from its associates are transferred to non-distributable reserves.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit and loss where appropriate.

The group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to "share of profit/(loss) of an associate" in the income statement.

Unrealised gains on transactions between the group and its associates are eliminated to the extent of the group's interest in associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Dilution gains 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, 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 (ZAR), which is the company's functional and the group's presentation currency.

b) Transactions and balances

Transactions denominated in foreign currencies are translated into the functional currency at the rate of exchange ruling at the transaction date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised in the income statement, except when deferred in 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 licenses 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 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 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, the cost meets the definition and recognition criteria of IAS 38 and the costs can be reliably measured.

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. At commencement of the lease term, the lessee recognises finance lease asset and liabilities in the balance sheet at an amount equal to the fair value of the leased asset or if lower, the present value of the minimum lease payments. These assets are depreciated on the straight-line basis to 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.

Accounting policies

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 expenses.

CURRENT AND DEFERRED TAX

Current income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity respectively. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax assets and liabilities

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

PROVISIONS

Provisions are recognised when the group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. The group recognises the estimated liability on all products still under warranty at the 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 and when specific criteria have been met for each of the group's activities as described below.

The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

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

Goods

Sales of goods are recognised when a group entity has delivered products to the customer, the customer has accepted the products and all risks and rewards associated with them, there is no further group management involvement in the products and collectability of the related receivables is reasonably assured.

Products are often sold with a right of return. Accumulated experience is used to estimate and provide for such returns at the time of sale.

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 SIMILAR INCENTIVES

The group qualifies for certain incentives and allowances mainly linked to investment stimulation and production output such as the Automotive Incentive Scheme ("AIS"), the Enterprise Investment Programme ("EIP") and the Productive Asset Allowance ("PAA").

Government grants that compensate the group for the cost of an asset are recognised in the balance sheet initially as deferred income when there is reasonable assurance that they will be received and that the group will comply with the conditions attached to the grants. The grants are amortised to the income statement as other operating income on a systematic basis over the useful life of the asset.

EARNINGS PER SHARE

Basic earnings per share is expressed in cents and is based on the net profit attributable to ordinary shareholders divided by the weighted average number of shares in issue during the year, excluding ordinary shares purchased by the company.

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 and liabilities are recognised on the balance sheet when the group and company becomes a part to the contractual provisions of the instrument.

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 re-measured 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:

Accounting policies

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

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.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to profit or loss over the period of maturity

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.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects the income statement or balance sheet. 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.

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.

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

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

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

Recognition and measurement

Regular purchases and sales of financial assets are recognised on trade-date - the date on which the group commits to purchase or sell the asset. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss is 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 of payment terms (also refer to trade receivables below);
- 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;
- When 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:
  - Adverse changes in the payment status of borrowers in the portfolio; and
  - 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 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 original effective interest rate. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivables are impaired. The amount of the provision is recognised in the income statement. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in the income statement. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited in the income statement.

CASH AND CASH EQUIVALENTS

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

Accounting policies

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

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

BORROWINGS

Borrowings are recognised initially at fair value, net of transaction costs incurred. In subsequent periods, borrowings are stated at amortised cost using the effective interest 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.

A curtailment seeks to lessen the number of employees covered by a plan or to reduce the right to future benefits. A settlement is when an entity enters into a transaction that eliminates all further legal or constructive obligation for part or all of the benefits provided under a defined benefit plan. A curtailment occurs when an entity is demonstrably committed to the plan. A settlement occurs when the liability is settled. The group recognises any gain or loss when the event giving rise to the settlement or curtailment occurs in profit or loss.

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 statement, 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 an equity-settled as well as cash-settled share-based payment compensation plan.

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.

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 received on treasury shares are eliminated on consolidation.

DIVIDENDS PAYABLE

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

SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision makers. The chief operating decision makers, who are responsible for allocating resources and assessing performance of the operating segments, have been identified as the executive directors.

Balance sheets

As at 31 December 2011

	Notes	GROUP 2011 R'000	GROUP 2010 R'000	COMPANY 2011 R'000	COMPANY 2010 R'000
ASSETS					
Non-Current Assets		**841 318**	766 297	**405 354**	383 125
Property, plant and equipment	7	**762 752**	699 190		
Intangible assets	8	**22 718**	26 367		
Interest in subsidiaries	9			**399 416**	379 287
Investment in associates	10	**44 582**	34 236	**3 838**	3 838
Defined benefit asset	24		6 504		
Deferred taxation	17	**11 266**		**2 100**	
Current Assets		**1 640 808**	1 321 899	**174 272**	91 649
Inventory	11	**693 646**	606 547		
Trade and other receivables	12	**518 527**	397 326	**133**	117
Taxation		**6 342**	12 431		
Short-term loans – subsidiaries	9			**173 934**	91 532
Derivative financial assets	21.5	**615**	23	**205**	
Cash and cash equivalents	13	**421 678**	305 572		
Total Assets		**2 482 126**	2 088 196	**579 626**	474 774
EQUITY AND LIABILITIES					
Capital and Reserves		**1 582 596**	1 256 009	**571 607**	474 520
Share capital and premium	14	**42 876**	42 876	**42 876**	42 876
Treasury shares	14	**(113 509)**	(116 084)		
Share-based payment reserve	15.3	**17 542**	2 813	**11 709**	6 580
Hedging reserve	15.2	**(3 471)**			
Non-distributable reserves	15.1	**39 494**	29 148		
Retained earnings		**1 599 664**	1 297 256	**517 022**	425 064
Ordinary shareholders equity		**1 582 596**	1 256 009	**571 607**	474 520
Non-controlling interests		**118 812**	113 910		
Total Equity		**1 701 408**	1 369 919	**571 607**	474 520
Non-Current Liabilities		**116 650**	106 200		
Borrowings	16	**27 458**	31 912		
Post-employment medical benefits	24	**25 074**	21 329		
Deferred taxation	17	**64 118**	52 959		
Current Liabilities		**664 068**	612 077	**8 019**	254
Trade and other payables	18	**533 374**	502 639	**315**	254
Borrowings	16	**24 627**	22 424		
Taxation		**7 541**	3 476		
Provisions for liabilities and charges	19	**60 651**	53 183		
Bank overdrafts	13	**25 106**	15 748		
Derivative financial liability	21.5	**12 769**	14 607	**7 704**	
Total Liabilities		**780 718**	718 277	**8 019**	254
Total Equity and Liabilities		**2 482 126**	2 088 196	**579 626**	474 774

Income statements

For the year ended 31 December 2011

	Notes	GROUP 2011 R'000	GROUP 2010 R'000	COMPANY 2011 R'000	COMPANY 2010 R'000
Revenue	1	**4 294 152**	3 753 236		
Cost of sales		**(3 376 719)**	(2 958 998)		
Gross profit		**917 433**	794 238		
Other operating income	3	**166 236**	48 972	**204 792**	97 980
Distribution costs		**(132 750)**	(123 295)		
Administrative expenses		**(364 540)**	(326 449)		
Impairment (charges)/reversals	3, 7, 8, 9, 10	**(7 900)**	19 687		11 383
Other operating expenses		**(2 256)**	(10 204)	**(5 873)**	1 557
Operating profit		**576 223**	402 949	**198 919**	110 920
Interest income	2	**14 296**	18 913		
Interest expense	2	**(7 858)**	(14 075)		
Share of results of associates	10	**19 339**	16 759		
Profit before taxation	3	**602 000**	424 546	**198 919**	110 920
Taxation	4	**(150 906)**	(121 009)	**(7 815)**	(11 440)
Profit for the year		**451 094**	303 537	**191 104**	99 480
Attributable to:					
Equity holders of the company		**408 365**	277 682	**191 104**	99 480
Non-controlling interests		**42 729**	25 855		
		451 094	303 537	**191 104**	99 480
Earnings per share					
Basic earnings per share (cents)	5	**289**	198		
Diluted earnings per share					
Basic earnings per share (cents)	5	**283**	195		

Statements of comprehensive income

For the year ended 31 December 2011

		GROUP		COMPANY	
		2011	2010	**2011**	2010
	Notes	**R'000**	R'000	**R'000**	R'000
Profit for the year		**451 094**	303 537	**191 104**	99 480
Other comprehensive income:					
Actuarial losses recognised	24	**(5 345)**	(15 626)		
Cash flow hedges	15, 21.5	**(4 821)**			
Tax on other comprehensive income	17	**2 645**	3 990		
Other comprehensive income for the year net of taxation		**(7 521)**	(11 636)		
Total comprehensive income for the year		**443 573**	291 901	**191 104**	99 480
Attributable to:					
Equity holders of the company		**401 033**	266 880	**191 104**	99 480
Non-controlling interests		**42 540**	25 021		
		443 573	291 901	**191 104**	99 480

Statements of changes in equity

For the year ended 31 December 2011

GROUP	Share capital and premium R'000	Treasury shares R'000	Share-based payment reserve R'000	Hedging reserve R'000	Non-distri-butable reserve R'000	Retained earnings R'000	Attributable to equity holders of the company R'000	Non-control-ling interests R'000	Total equity R'000
Year ended 31 December 2011									
Balance as at 1 January 2011	**42 876**	**(116 084)**	**2 813**		**29 148**	**1 297 256**	**1 256 009**	**113 910**	**1 369 919**
Net profit for the year						**408 365**	**408 365**	**42 729**	**451 094**
Other comprehensive income				**(3 471)**		**(3 861)**	**(7 332)**	**(189)**	**(7 521)**
Total comprehensive income for the year				**(3 471)**		**404 504**	**401 033**	**42 540**	**443 573**
Employee share plans:									
– Value of service provided			**4 415**				**4 415**	**714**	**5 129**
– Loss on settlement			**(1 067)**				**(1 067)**		**(1 067)**
– Deferred taxation			**11 381**				**11 381**		**11 381**
Net movement in treasury shares		**2 575**					**2 575**		**2 575**
Transfer of associate profit and dividend					**10 346**	**(10 346)**			
Dividends*						**(91 750)**	**(91 750)**	**(38 352)**	**(130 102)**
Balance as at 31 December 2011	**42 876**	**(113 509)**	**17 542**	**(3 471)**	**39 494**	**1 599 664**	**1 582 596**	**118 812**	**1 701 408**
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 plans:									
– 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

* An ordinary dividend of 65 cents per share was declared in respect of the year ended 31 December 2010.

** An ordinary dividend of 15 cents per share was declared in respect of the year ended 31 December 2009 as well as a special dividend of 60 cents per ordinary share in respect of the six months ended 30 June 2010.

Statements of changes in equity

For the year ended 31 December 2011

COMPANY	Share capital and premium R'000	Share-based payment reserve R'000	Retained earnings R'000	Attributable to equity holders of the company R'000	Total equity R'000
Year ended 31 December 2011					
Balance as at 1 January 2011	**42 876**	**6 580**	**425 064**	**474 520**	**474 520**
Net profit for the year			**191 104**	**191 104**	**191 104**
Total comprehensive income for the year			**191 104**	**191 104**	**191 104**
Employee share plan:					
– Value of service provided		**5 129**		**5 129**	**5 129**
Dividend*			**(99 146)**	**(99 146)**	**(99 146)**
Balance as at 31 December 2011	**42 876**	**11 709**	**517 022**	**571 607**	**571 607**
Year ended 31 December 2010					
Balance as at 1 January 2010	42 876	3 345	439 983	486 204	486 204
Net profit for the year			99 480	99 480	99 480
Total comprehensive income for the year			99 480	99 480	99 480
Employee share plan:					
– Value of service provided		3 235		3 235	3 235
Dividend **			(114 399)	(114 399)	(114 399)
Balance as at 31 December 2010	42 876	6 580	425 064	474 520	474 520

* An ordinary dividend of 65 cents per share was declared in respect of the year ended 31 December 2010.

** An ordinary dividend of 15 cents per share was declared in respect of the year ended 31 December 2009 as well as a special dividend of 60 cents per ordinary share in respect of the six months ended 30 June 2010.

Statements of cash flows

For the year ended 31 December 2011

		GROUP		COMPANY	
	Notes	**2011 R'000**	2010 R'000	**2011 R'000**	2010 R'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash generated from/(utilised in) operations	20.1	**450 400**	484 621	**4 713**	(31 683)
Finance charges	2	**(7 858)**	(14 075)		
Taxation paid	20.2	**(126 833)**	(112 123)	**(9 915)**	(11 440)
Dividends paid	20.3	**(130 102)**	(113 769)	**(99 146)**	(114 399)
Dividend income from associate		**8 993**	3 920		
Net cash inflow/(outflow) from operating activities		**194 600**	248 574	**(104 348)**	(157 522)
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisition of property, plant and equipment	7	**(159 749)**	(122 926)		
Acquisition of intangible assets	8	**(2 397)**	(1 227)		
Proceeds on insurance claim relating to property, plant and equipment		**49 392**			
(Decrease)/increase in interest in subsidiaries excluding impairment				**(102 531)**	59 542
Gross investment income	2, 3	**14 296**	18 913	**206 879**	97 980
Proceeds on disposal of property, plant and equipment		**10 282**	2 921		
Net cash (outflow)/inflow from investing activities		**(88 176)**	(102 319)	**104 348**	157 522
CASH FLOWS FROM FINANCING ACTIVITIES					
Long-term loans raised		**9 753**			
Long-term loans repaid		**(14 207)**	(22 305)		
Short-term loans raised/(repaid)		**2 203**	(74 874)		
Decrease in treasury shares	14	**2 575**	8 205		
Net cash inflow/(outflow) from financing activities		**324**	(88 974)		
Net increase in cash and cash equivalents		**106 748**	57 281		
Cash and cash equivalents at beginning of the year		**289 824**	232 543		
Cash and cash equivalents at end of the year	13	**396 572**	289 824		

Notes to the annual financial statements

1. SEGMENTAL REVIEW

for the year ended 31 December 2011

	Local						
	Original equipment	Segment % of revenue	After-market	Segment % of revenue	Non-auto	Segment % of revenue	Total
Revenue	**2 697 984**	**63**	**893 159**	**21**	**441 385**	**10**	**4 032 528**
Profit before interest and tax	**276 631**		**194 157**		**58 956**		**529 744**
for the year ended 31 December 2010							
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 2011

	Direct exports						
	Original equipment	Segment % of revenue	After-market	Segment % of revenue	Non-auto	Segment % of revenue	Total
Revenue	**86 201**	**2**	**139 060**	**3**	**36 363**	**1**	**261 624**
(Loss)/profit before interest and tax	**(7 941)**		**20 698**		**2 782**		**15 539**
for the year ended 31 December 2010							
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 2011

	Property rental	Segment % of revenue	Local Total	Direct exports Total	Reconciling items*	Grand Total
Revenue	**60 873**	**1**	**4 032 528**	**261 624**	**(60 873)**	**4 294 152**
Profit/(loss) before interest and tax	**59 980**		**529 744**	**15 539**	**(9 701)**	**595 562**
Net finance costs						**6 438**
Profit before tax						**602 000**
Included in the above:						
– Depreciation and amortisation						**(89 150)**
– Impairment of property, plant and equipment resulting from First National Battery (FNB) fire						**(6 785)**
– Impairment charges						**(1 115)**
for the year ended 31 December 2010						
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

* Reconciling items relate to Metair head office and property rental

1. SEGMENTAL REVIEW (continued)

Segment information

Management has determined the operating segments based on the reports reviewed by the executive directors 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.

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 has 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 note 7 and 8 for details of impairment (charges)/reversals of property, plant and equipment. During the current year R1 115 000 of intangible assets (licences) were written off in the Smiths Manufacturing OEM unit. Property, plant and equipment amounting to R6 785 000 was impaired in the FNB aftermarket segment unit as a result of the fire.

There has been no further impact on the measurement of the company's assets and liabilities. The impairment reversals during the previous year amounting to R20 275 000 relate to the OEM segment (predominantly the Hesto and Lumotech units). The remaining OEM assets amounting to R1 838 000 of Alfred Teves Brake Systems (Pty) Ltd was fully impaired in the previous year. The impairment of the investment in the associate company Toyoda Gosei (Pty) Ltd of R1 250 000 was reversed during the previous 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 after market and non-auto for local and export purposes.

The breakdown of such segments are provided above.

Major Customers

46% (2010: 43%) of total revenue results from sales to a single external customer.

Notes to the annual financial statements

		GROUP		COMPANY	
		2011	2010	**2011**	2010
		R'000	R'000	**R'000**	R'000
2.	**NET FINANCE**				
	Interest income:				
	On bank deposits	**14 296**	18 913		
		14 296	18 913		
	Interest expense:				
	Bank borrowings	**(7 042)**	(9 414)		
	Finance leases	**(816)**	(2 350)		
	Preference share dividends		(2 311)		
		(7 858)	(14 075)		
	Net finance income	**6 438**	4 838		
3.	**PROFIT BEFORE TAXATION**				
	Profit before taxation is stated after taking into account the following:				
	Other operating income				
	– Dividends from subsidiaries (unlisted)			**199 039**	94 060
	– Dividends from associates (unlisted)			**7 840**	3 920
	– Management and committee fees received	**1 228**	1 122		
	– Government grants	**9 483**	9 043		
	– Profit on tooling and scrap sales	**14 556**	16 984		
	– Bad debts recovered	**368**	3 012		
	– Rent received	**1 365**	1 367		
	– Financial assets at fair value through profit or loss				
	– Fair value losses	**(28 215)**	(5 649)	**(2 087)**	
	– Fair value gains	**29 831**	5 873		
	– Pension fund		2 668		
	– Insurance proceeds on FNB fire*	**122 637**			
	– Other	**14 983**	14 552		
		166 236	48 972	**204 792**	97 980

	GROUP		COMPANY	
	2011	2010	**2011**	2010
	R'000	R'000	**R'000**	R'000
3. PROFIT BEFORE TAXATION (continued)				
Expenses by nature				
Auditors' remuneration				
– Audit fees	**6 245**	5 555	**13**	12
– Expenses	**60**	29		
– Non-audit assurance fees	**527**	813		
– Non-audit non-assurance fees	**4 812**	662		
Commission paid	**1 079**	1 198		
Impairment reversal in respect of investments in subsidiaries (note 9)				(11 383)
Depreciation and amortisation (notes 7 and 8)	**89 150**	101 257		
Impairment charges/(reversals) (notes 7, 8 and 10)	**1 115**	(19 687)		
Impairment of property, plant and equipment relating to FNB fire*	**6 785**			
Other operational losses on FNB fire*	**25 803**			
(Profit)/loss on disposal of property, plant and equipment	**(5 099)**	261		
Operating lease charges				
– Property	**15 319**	14 672		
– Plant and equipment	**13 749**	13 122		
Bad debt write-offs	**375**	1 682		
Managerial and technical service fees paid to outside parties	**5 874**	519		
Foreign exchange losses	**2 653**	14 046	**5 412**	
Distribution costs	**132 750**	123 295		
Changes in inventories of finished goods	**21 517**	18 043		
Raw materials, consumables used and other overheads	**2 627 191**	2 300 988	**434**	(1 582)
Employee benefit expense	**934 260**	822 804	**14**	13
Total cost of sales, distribution costs and other operating and administrative expenses	**3 884 165**	3 399 259	**5 873**	(12 940)

Notes to the annual financial statements

	GROUP 2011 R'000	GROUP 2010 R'000	COMPANY 2011 R'000	COMPANY 2010 R'000
3. PROFIT BEFORE TAXATION (continued)				
***FNB fire and related insurance proceeds**				
Included in other operating income and operating expenses are insurance proceeds and related costs in respect of the First National Battery (FNB) fire.				
On 5 May 2011 a fire destroyed the battery formation (charging) facility at FNB's Benoni plant. The carrying value of property, plant and equipment was impaired. Related operational losses have been recognised in profit/(loss) and includes inventory damaged by the fire (and written off) and incidental business interruption expenses. A portion of the insurance claim relating to the replacement of property, plant and equipment inventory and business interruption has been agreed with the insurers and a total profit of R90 million recognised. FNB expects all insurance claims to be finalised during the first half of 2012.				
The total profit recognised for the year is allocated as follows:				
Profit on insurance recovery on property, plant and equipment	**42 607**			
Insurance recovery on stock written off and business interruption expenses	**47 442**			
Total profit for the year	**90 049**			
Made up of:				
Total insurance proceeds recognised for the year	**122 637**			
Less: Impairment of property, plant and equipment	**(6 785)**			
Stock written off and business interruption expenses	**(25 803)**			
Total profit for the year	**90 049**			
Employee benefit expense				
– Wages and salaries	**838 349**	727 015	**14**	13
– Share-based payment expenses	**4 415**	3 098		
– Termination benefits	**2 569**	7 913		
– Social security costs	**35 335**	31 939		
– Pension costs – defined contribution plans	**48 354**	45 723		
– defined benefit plans (note 24)	**1 852**	4 204		
– Other post-employment benefits (note 24)	**3 386**	2 912		
	934 260	822 804	**14**	13

	GROUP		COMPANY	
	2011	2010	**2011**	2010
	R'000	R'000	**R'000**	R'000
3. PROFIT BEFORE TAXATION (continued)				
Employee benefit expense (continued)				
Number of persons employed by the group at the end of the year:				
Hourly	**4 650**	4 267		
Monthly	**1 301**	1 285		
	5 951	5 552		
Directors' emoluments				
Executive directors				
Salaries and allowances	**11 733**	6 630	**11 733**	6 630
Other benefits	**446**	367	**446**	367
	12 179	6 997	**12 179**	6 997
Paid by subsidiary company	**(12 179)**	(6 997)	**(12 179)**	(6 997)
Non-executive directors	**14**	14	**14**	14
Fees	**1 930**	1 150	**1 930**	1 150
Paid by subsidiary company	**(1 916)**	(1 136)	**(1 916)**	(1 136)

	COMPANY/GROUP 2011				
Directors' emoluments	**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				**3 061**	**1 663**
Performance bonuses				**5 024**	**1 985**
Pension and provident fund contributions				**118**	**176**
Company contributions				**112**	**40**
				8 315	**3 864**
Paid by subsidiary companies				**(8 315)**	**(3 864)**
Non-executive directors	**2**	**2**	**2**		
Fees	**256**	**349**	**252**		
Paid by subsidiary company	**(254)**	**(347)**	**(250)**		
	B Molotlegi R'000	**OME Pooe** R'000**	**A Galiel R'000**	**JG Best R'000**	
Non-executive directors	**2**	**2**	**2**	**2**	
Fees	**205**	**209**	**315**	**344**	
Paid by subsidiary company	**(203)**	**(207)**	**(313)**	**(342)**	

Notes to the annual financial statements

		COMPANY				
		2010				
3.	**PROFIT BEFORE TAXATION (continued)**					
	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)		
		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)	

* Paid to CoroCapital (Pty) Limited

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

Key management/public officers:

No individual met the definition of a "prescribed officer" in terms of the Companies Act, Act No. 71 of 2008.

		GROUP		COMPANY	
		2011 R'000	2010 R'000	**2011 R'000**	2010 R'000
4.	**TAXATION**				
	South African normal taxation	**137 157**	107 178	**(2 100)**	
	Current:				
	– this year	**125 566**	99 571		
	– prior years	**(2 328)**	(534)		
	Deferred:				
	– this year	**13 919**	8 141	**(2 100)**	
	Secondary taxation on companies	**13 749**	13 831	**9 915**	11 440
		150 906	121 009	**7 815**	11 440
		%	%	**%**	%
	Reconciliation of taxation rate:				
	Standard rate	**28**	28	**28**	28
	Associates' results reported net of tax	**(1,0)**			
	Prior year overprovision	**(0,4)**			
	Secondary taxation on companies	**2,3**	3,3	**5**	10
	Exempt income and non-deductible expenses*	**(3,9)**	(3,3)	**(29)**	(28)
	Effective rate	**25**	28	**4**	10

* 2011 – Primarily fire at FNB (2010 – Primarily impairment charges/(reversals))

Deferred income tax assets are recognised for assessable tax losses to the extent that the realisation of the related tax benefit through taxable profits is probable and is based primarily on the future forecasted profitability of the relevant entity. The group did not recognise deferred income tax assets of R35 940 000 (2010: R58 286 000) in respect of estimated losses amounting to R159 827 813 (2010: R208 166 000) that can be carried forward against future taxable income.

		GROUP		COMPANY	
		2011	2010	**2011**	2010
5.	**EARNINGS PER SHARE**				
	Basic earnings per share represent the income in cents attributable to each equity share based on the group's profit or loss attributable to equity holders of the parent from ordinary activities divided by the weighted average number of shares in issue during the year, excluding treasury shares.	**289**	198		
	Headline earnings per share represent the income in cents attributable to each equity share based on the group's profit or loss attributable to equity holders of the parent from ordinary activities adjusted as required by SAICA Cirular 3/2009, divided by the weighted average number of shares in issue during the year, excluding treasury shares.	**260**	189		
5.1	**Diluted earnings per share**				
	Basic earnings per share (cents)	**283**	195		
	Headline earnings per share (cents)	**255**	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 and other share awards granted to employees. The number of shares taken into account is determined by taking the number of shares that could have been acquired at fair value based on the monetary value of the subscription rights attached to the outstanding share options and awards. This calculation is done to determine the "unpurchased" shares to be added to the ordinary shares outstanding for the purpose of computing the dilution.				

	GROUP			
Reconciliation between earnings and headline earnings:	**Earnings 2011**	**Per share 2011**	Earnings 2010	Per share 2010
Earnings per share				
Net profit attributable to ordinary shareholders	**408 365**	**289**	277 682	198
Adjusted for the effects of:				
(Profit)/loss on disposal of property, plant and equipment	**(3 671)**	**(3)**	101	
– Gross amount	**(5 099)**		261	
– Tax effect	**1 428**		(73)	
– Non-controlling interest effect			(87)	
Profit on insurance recovery on FNB fire impaired property, plant and equipment	**(37 482)**	**(27)**		
– Gross amount (allocated proceeds less impairment)	**(42 607)**			
– Estimated tax effect	**5 125**			
Net other impairment charges/(reversals)	**601**	**1**	(12 180)	(9)
– Gross amount	**1 115**		(19 687)	
– Tax effect	**(312)**		4 562	
– Non-controlling interest effect	**(202)**		2 945	
Headline earnings	**367 813**	**260**	265 603	189
Weighted average number of shares in issue ('000)	**141 217**		140 363	
Diluted earnings per share				
Net profit attributable to ordinary shareholders	**408 365**	**283**	277 682	195
Number of shares used for diluted earnings calculation ('000)	**144 176**		142 353	
Diluted headline earnings per share				
Headline earnings	**367 813**	**255**	265 603	187
Weighted average number of shares in issue ('000)	**141 217**		140 363	
Adjustment for dilutive share options ('000)	**2 959**		1 990	
Number of shares used for diluted earnings calculation ('000)	**144 176**		142 353	

Notes to the annual financial statements

	GROUP		COMPANY	
	2011	2010	**2011**	2010
	R'000	R'000	**R'000**	R'000
6. DIVIDENDS				
A dividend of 65 cents (2010: 15 cents) per share in respect of the 2010 (2009) year declared on 10 March 2011 (17 March 2010) and paid on 18 April 2011 (19 April 2010)	**91 750**	20 879	**99 146**	22 880
Special dividend of 60 cents per share in respect of the six months ended 30 June 2010 declared on 12 August 2010 and paid on 20 September 2010		84 870		91 519
	91 750	105 749	**99 146**	114 399

	Land and buildings R'000	Plant and equipment R'000	Capitalised leased assets R'000	Total R'000
7. PROPERTY, PLANT AND EQUIPMENT				
2011				
Group				
At cost	**230 713**	**1 291 968**	**18 008**	**1 540 689**
Less: Accumulated depreciation	**(14 350)**	**(634 673)**	**(11 218)**	**(660 241)**
Accumulated impairment		**(111 407)**	**(6 289)**	**(117 696)**
	216 363	**545 888**	**501**	**762 752**
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
1 January 2010				
Group				
At cost	202 602	952 299	2 735	1 157 636
Less: Accumulated depreciation and impairment	(9 796)	(488 925)	(1 023)	(499 744)
	192 806	463 374	1 712	657 892
Reconciliation of movement:				
Group				
Year ended 31 December 2011				
Opening net book value	**213 357**	**485 119**	**714**	**699 190**
Additions	**5 571**	**154 178**		**159 749**
Disposals	**(359)**	**(4 824)**		**(5 183)**
Depreciation	**(2 206)**	**(81 800)**	**(213)**	**(84 219)**
Impairment resulting from FNB fire		**(6 785)**		**(6 785)**
Closing net book value	**216 363**	**545 888**	**501**	**762 752**
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

7. PROPERTY, PLANT AND EQUIPMENT (continued)

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: R929 000 (2010: R390 100)
Plant and equipment: R39 483 388 (2010: R47 968 895)
Impairment losses and reversals are recognised in the impairment (charges)/reversals line in the income statement.

In 2010 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 Harnesses (Pty) Ltd (Hesto) OEM segment and a reversal of R3 981 000 was recognised in respect of the Lumotech OEM segment.

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

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

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.

Notes to the annual financial statements

	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							
2011							
Group							
At cost	**33 539**	**1 000**	**25 909**	**11 802**	**5 802**	**1 807**	**79 859**
Less: Accumulated amortisation		**(415)**	**(16 669)**	**(1 737)**	**(2 133)**	**(1 533)**	**(22 487)**
Accumulated impairment	**(33 539)**		**(1 115)**				**(34 654)**
		585	**8 125**	**10 065**	**3 669**	**274**	**22 718**
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
1 January 2010							
Group							
At cost	33 539	1 000	23 420	11 802	5 802	1 810	77 373
Less: Accumulated amortisation and impairment	(33 539)	(283)	(11 162)	(793)	(973)	(1 109)	(47 859)
		717	12 258	11 009	4 829	701	29 514
Reconciliation of movement:							
Group							
Year ended 31 December 2011							
Opening net book value		**651**	**10 477**	**10 537**	**4 249**	**453**	**26 367**
Additions			**2 385**			**12**	**2 397**
Amortisation		**(66)**	**(3 622)**	**(472)**	**(580)**	**(191)**	**(4 931)**
Impairment charge			**(1 115)**				**(1 115)**
Closing net book value		**585**	**8 125**	**10 065**	**3 669**	**274**	**22 718**
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

Amortisation expenses of R4 931 000 (2010: R4 374 000) is included within administration expenses in the income statement. The impairment of R1 115 000 relates to licences no longer in use at the Smiths Manufacturing OEM unit.

	GROUP 2011 R'000	GROUP 2010 R'000	COMPANY 2011 R'000	COMPANY 2010 R'000
9. INTEREST IN SUBSIDIARIES				
Unlisted				
Shares at cost less amounts written off			**52 695**	52 695
Non-current advances to subsidiary companies			**559 741**	544 741
Share-based payment costs			**11 709**	6 580
Provision for impairment			**(224 729)**	(224 729)
			399 416	379 287
Current advances			**173 934**	91 532
			573 350	470 819
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.				
The investment in subsidiary companies were 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.				
There were no impairment reversals in 2011.				
(Directors' valuation of shares held – R2 803 000 000) (2010: R2 412 000 000)				
Aggregate attributable income and losses after tax of subsidiaries:				
Income	**464 546**	317 862		
Losses	**(16 619)**	(5 293)		
Details of subsidiaries are disclosed on page 131.				

Notes to the annual financial statements

	GROUP		COMPANY	
	2011	2010	**2011**	2010
	R'000	R'000	**R'000**	R'000
10. INVESTMENT IN ASSOCIATES				
Unlisted				
Shares at cost less impairment	**5 088**	5 088	**3 838**	3 838
Share of post-acquisition reserves included in non-distributable reserves	**39 494**	29 148		
Income from associates in current year	**10 346**	12 839		
In respect of prior years	**29 148**	16 309		
Total carrying value	**44 582**	34 236	**3 838**	3 838
Reconciliation of movements:				
Balance at beginning of the year	**34 236**	20 147	**3 838**	3 838
Impairment reversal		1 250		
Share of profit	**19 339**	16 759		
Dividends received	**(8 993)**	(3 920)		
Investment in associates	**44 582**	34 236	**3 838**	3 838
Directors' valuation	**44 582**	34 236		
The investment in Toyoda Gosei was fully impaired previously. In the 2010 year a reversal of this for R1 250 000 was recorded as a result of the company returning to profitability and favourable projected future earnings and cash flows. Tenneco Automotive Holdings SA (Pty) Limited returned to profitability in 2011 and a profit of R2 158 000 is included in the share of profits for 2011. The summarised financial information of material associates is in aggregate as follows:				
Income statement				
Revenue	**880 812**	436 956		
Profit before taxation	**113 577**	58 332		
Taxation	**(33 988)**	(17 308)		
Profit after taxation	**79 589**	41 024		
Balance sheet				
Assets				
Non-current assets	**40 910**	3 567		
Current assets	**339 896**	131 474		
	380 806	135 041		
Equity and liabilities				
Shareholders' equity	**226 585**	78 988		
Non-current liabilities		410		
Current liabilities	**154 221**	55 643		
	380 806	135 041		

		Percentage holding	Number of shares held	Group carrying amount R'000	Company cost R'000
10.	**INVESTMENT IN ASSOCIATES (continued)**				
	2011				
	Unlisted				
	Tenneco Automotive Holdings SA (Pty) Ltd	**25,1%**	**154 712**	**2 158**	
	Toyoda Gosei (Pty) Ltd	**20%**	**200**	**6 246**	
	Valeo Systems SA (Pty) Ltd	**49%**	**490**	**35 133**	**2 793**
	Vizirama 112 (Pty) Ltd	**33%**	**40**	**1 045**	**1 045**
				44 582	**3 838**
	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

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 131.

		GROUP		COMPANY	
		2011 R'000	2010 R'000	**2011 R'000**	2010 R'000
11.	**INVENTORY**				
	Raw material	**431 570**	370 293		
	Work in progress	**42 560**	38 255		
	Finished goods	**219 516**	197 999		
		693 646	606 547		
	Included in the above inventories are inventory stated at net realisable value of R25 744 643 (2010: R27 957 907).				
	The cost of inventories recognised as expense and included in "cost of sales" amounted to R2 349 989 753 (2010: R2 072 221 676).				
12.	**TRADE AND OTHER RECEIVABLES**				
	Trade receivables	**405 058**	368 140		
	Less: Provision for impairment of trade receivables	**(13 287)**	(4 190)		
		391 771	363 950		
	Prepayments	**9 257**	14 499		
	Insurance proceeds receivable	**92 447**			
	Other receivables	**25 052**	18 877	**133**	117
		518 527	397 326	**133**	117
	The fair value of accounts receivable approximates their carrying value.				

Notes to the annual financial statements

12. TRADE AND OTHER RECEIVABLES (continued)

Trade receivables can be categorised in the following categories:

	Fully performing	Past due and not impaired	Impaired and provided for	Total
2011				
Original equipment	**166 728**	**10 693**	**8 156**	**185 577**
Export	**28 150**	**12 258**	**1 393**	**41 801**
Aftermarket	**91 048**	**19 964**	**2 582**	**113 594**
Non-automotive	**35 270**	**27 660**	**1 156**	**64 086**
	321 196	**70 575**	**13 287**	**405 058**
2010				
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

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

	2011 R'000	2010 R'000
Rand	**493 879**	369 743
British Pound	**108**	543
Euro	**18 179**	15 268
US Dollar	**5 912**	8 345
Australian Dollar	**449**	3 427
	518 527	397 326

No interest is applicable to accounts receivable balances.

12. TRADE AND OTHER RECEIVABLES (continued)

The provision for impairment can be analysed as follows:

2011						2010				
Total	**Original equip-ment**	**Export**	**After-market**	**Non-auto-motive**	**Provision for impairment**	Original equip-ment	Export	After-market	Non-auto-motive	Total
4 190			**3 624**	**566**	At 1 January	4 796		4 103		8 899
10 852	**8 156**	**1 393**		**1 303**	Provision for receivables impairment				566	566
(1 755)			**(1 042)**	**(713)**	Unused amounts reversed	(4 796)		(479)		(5 275)
13 287	**8 156**	**1 393**	**2 582**	**1 156**	At 31 December			3 624	566	4 190

The ageing profile of trade receivables are presented below:

2011						2010				
Total	**Original equip-ment**	**Export**	**After-market**	**Non-auto-motive**	**Ageing of trade receivables**	Original equip-ment	Export	After-market	Non-auto-motive	Total
385 142	**173 961**	**41 408**	**109 009**	**60 764**	Up to 3 months	167 870	33 333	119 529	41 044	361 776
19 207	**11 614**	**396**	**4 140**	**3 057**	3 – 6 months	(318)	838	2 340	2 389	5 249
709	**2**	**(3)**	**445**	**265**	Over 6 months	117		452	546	1 115
405 058	**185 577**	**41 801**	**113 594**	**64 086**		167 669	34 171	122 321	43 979	368 140

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	
	2011 R'000	2010 R'000	**2011 R'000**	2010 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	**421 678**	305 572		
Bank overdrafts	**(25 106)**	(15 748)		
	396 572	289 824		
The effective interest rate on short-term bank deposits was 4,75% (2010: 5,66%) and the effective interest rate on bank overdrafts was 9,57% (2010: 11,79%). Refer to note 21.2 regarding credit quality of assets.				

Notes to the annual financial statements

		GROUP		COMPANY	
		2011	2010	**2011**	2010
		R'000	R'000	**R'000**	R'000
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
	Treasury shares				
	Balance at the beginning of the year	**(116 084)**	(124 289)		
	Shares disposed by the Metair Share Trust	**2 575**	8 205		
	Shares disposed by The Metair Share Incentive Trust		58 500		
	Shares acquired by Business Venture Investments No 1217 (Pty) Ltd		(58 500)		
	Balance at the end of the year	**(113 509)**	(116 084)		
	Treasury shares are held as follows: (number of shares)				
	Metair Share Trust	**900 812**	1 293 687		
	Business Venture Investments No 1217 (Pty) Ltd	**10 180 273**	10 180 273		
		11 081 085	11 473 960		

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

Share options

A share purchase option scheme exists with 900 812 (2010: 1 293 687) 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:

	2011		2010	
	Average offer price per share	**Options (thousands)**	Average offer price per share	Options (thousands)
At 1 January	**R4,77**	**1 294**	R4,74	2 255
Delivered			R5,29	(297)
Exercised and delivered	**R3,84**	**(393)**	R4,45	(664)
At 31 December	**R5,17**	**901**	R4,77	1 294

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

2011 Number of shares	2010 Number of shares	**Option price**	**Date granted**	**Date exercisable**
31 875	31 875	R1,00	07/01/00	07/01/05
10 625	34 375	R2,36	07/01/02	07/01/06
67 500	230 625	R2,36	07/01/02	07/01/07
290 812	410 812	R4,34	01/04/03	01/04/08
500 000	586 000	R6,36	05/04/04	05/04/09

14. SHARE CAPITAL AND PREMIUM (continued)

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

392 875 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 (unless dispensation has been approved).

All outstanding options at 31 December 2011 and 2010 were exercisable.

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

392 875 shares (2010: 961 219 shares) were transferred during the year from the Metair Share Trust. The market value of these shares as at 31 December 2011 was R19.60 (2010: R12,30) per share.

The trust held 900 812 (2010: 1 293 687) shares in Metair Investments Limited at year-end.

	2011	2010
Number of shares held by the Metair Share Trust in respect of share option scheme	**900 812**	1 293 687
Market value of shares held by the Metair Share Trust in respect of share option scheme	**R 17 655 915**	R 15 912 350

There are no IFRS 2 share-based payment charges as the scheme was discontinued in 2004 and no further options have been granted.

14.2 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 3rd, 4th and 5th 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:

	2011		2010	
	Number of grants	**Weighted average grant price R**	Number of grants	Weighted average grant price R
Balance at beginning of year	**5 799 983**	**5, 96**	5 172 394	5,24
Granted	**571 397**	**16,04**	627 589	11,88
Balance at end of year	**6 371 380**	**6,86**	5 799 983	5,96
IFRS 2 share-based payment charge		**2 372 621**		1 730 000

Notes to the annual financial statements

14. SHARE CAPITAL AND PREMIUM (continued)

14.2 The Metair Investments Limited Share Plan (Equity-settled share-based payment scheme) (continued)

Rights outstanding at the end of the year vest in the following years subject to the fulfilment of performance conditions

Year ending 31 December:

	Number of grants	Number of grants
2011		
2012	**5 172 394**	5 172 394
2013	**627 589**	627 589
2014	**571 397**	
	6 371 380	5 799 983

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 is return on equity targets.

Movements in the number of shares awarded are as follows:

	2011 Number of shares	2010 Number of shares
Balance at beginning of year	**988 235**	988 235
Granted	**323 465**	
Balance at end of year	**1 311 700**	988 235
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
2013		
2014	**323 465**	
	1 311 700	988 235
	R	R
IFRS 2 share-based payment charge	**1 757 404**	1 038 145

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.

14. SHARE CAPITAL AND PREMIUM (continued)

14.2 The Metair Investments Limited Share Plan (Equity-settled share-based payment scheme) (continued)

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

		2011		2010	
		Number of shares	Weighted average award price R	Number of shares	Weighted average award price R
Balance at beginning of year		**278 751**	**7,45**		
Granted		**291 330**	**14,03**	278 751	7,45
Balance at end of year		**570 081**	**10,86**	278 751	7,45
		R		R	
IFRS 2 share-based payment charge		**998 604**		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	
	2014	**291 330**			
		570 081		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.

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

2011	**Share appreciation rights**	**Performance shares**	**Bonus shares**
Spot price	**R15,99**	**13,32**	**R15,99**
Strike price	**R16,04**	**N/A**	**N/A**
Volatility*	**49,42%**	**N/A**	**N/A**
Dividend yield	**4,98%**	**4,69%**	**4,98%/4,69%**
Valuation	**R2 264 916**	**R2 727 709**	**R2 985 393**
2010			
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.

The total IFRS 2 employee share-based payment expense for the group for the year was R5 128 629 (2010: R3 235 462), including allocation to non-controlling interests. The cost of share-based expenses for the company is capitalised to the investment in subsidiaries.

* The volatility input to the pricing model is a measure of the expected price fluctuations of the Metair share price over the life of the option structure. Volatility is measured as the annualised standard deviation of the daily price changes in the underlying shares.

Notes to the annual financial statements

14. SHARE CAPITAL AND PREMIUM (continued)

14.2 The Metair Investments Limited Share Plan (Equity-settled share-based payment scheme) (continued)

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.

Yearly award:

	Share appreciation rights	Performance shares	Bonus shares	Total
2011				
CT Loock	**79 893**	**43 451**	**124 996**	**248 340**
BM Jacobs	**36 878**	**19 838**	**17 251**	**73 967**
2010				
CT Loock	101 177		54 061	155 238
BM Jacobs	46 500		15 113	61 613
Cumulative:				
2011				
CT Loock	**1 486 939**	**172 119**	**179 057**	**1 838 115**
BM Jacobs	**732 303**	**84 758**	**32 364**	**849 425**
2010				
CT Loock	1 407 046	128 668	54 061	1 589 775
BM Jacobs	695 425	64 920	15 113	775 458

14.3 Share awards, options and other grants exercised by executive directors

There were no share awards, options and other grants 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. SHARE CAPITAL AND PREMIUM (continued)

14.4 Interest of directors

At 31 December 2011 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 2011								31 December 2010							
	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																
A Joffe			**1 626 171**	**1,07**												
Independent non-executive directors																
L Soanes	**240 000**	**0,16**							240 000	0,16						
Total	**240 000**	**0,16**	**1 626 171**	**1,07**					240 000	0,16						

	GROUP		COMPANY	
	2011 R'000	2010 R'000	**2011 R'000**	2010 R'000
15. OTHER RESERVES				
15.1 Non-distributable reserves				
Interest in distributable and non-distributable reserves of associate companies	**39 494**	29 148		
Balance at the beginning of the year	**29 148**	16 309		
Transfers from retained earnings	**10 346**	12 839		
Balance at the end of the year	**39 494**	29 148		
Transfer from retained earnings consists of:				
Share of associated companies' after-tax income	**19 339**	16 759		
Dividends received	**(8 993)**	(3 920)		
	10 346	12 839		
15.2 Hedging reserve				
Effects of FEC cash flow hedges	**(4 821)**			
Deferred taxation	**1 350**			
Balance at end of the year	**(3 471)**			
15.3 Share-based payment reserve				
Balance at the beginning of the year	**2 813**	3 389	**6 580**	3 345
Loss on settlement (Metair Share Trust)	**(1 067)**	(3 674)		
Value of services provided (Metair Investments Limited Share Plan)	**4 415**	3 098	**5 129**	3 235
Deferred tax on value of services	**11 381**			
Balance at end of the year	**17 542**	2 813	**11 709**	6 580

Notes to the annual financial statements

		GROUP 2011 R'000	2010 R'000	COMPANY 2011 R'000	2010 R'000
16.	**BORROWINGS**				
	Secured				
	– Instalment sale agreement secured over plant with a book value of R13 041 000 bearing interest at prime minus 1,75%. Repayable in annual instalments of R3 642 072 until May 2016.	**13 508**			
	– Instalment sale agreement secured over plant with a book value of R 2 996 400 bearing interest at prime minus 1,5%. Repayable in annual instalments of R841 512 until June 2016.	**3 205**			
	– Instalment sale agreement secured over plant with a book value of R 3 845 769 bearing interest at prime minus 1,5%. Repayable in annual instalments of R684 732 until January 2017.	**3 173**			
	– Capitalised finance lease secured over motor vehicles with a book value of R188 303 (2010: R317 999) bearing interest at 8% (2010: 9%). Repayable in monthly instalments of R6 981 for 2011 and 2010.	**246**	308		
	– Mortgage bond secured over plant with a book value of R3 687 000 (2010: R3 687 000) currently bearing interest at 7,5% (2010: 8%). Repayable in monthly instalments of R19 210 (2010: R19 210) until 2012.	**1 424**	1 544		
	– Instalment sale agreement secured over plant with a book value of R8 804 832 (2010: R9 497 659) bearing interest at prime minus 1,5% in 2011 and 2010. Repayable in annual instalments of R6 529 612 (2010: R 6 678 583) until August 2013.	**10 200**	15 738		
	– Capitalised finance lease secured over plant with a book value of R0 (2010: R24 083) currently bearing interest at 9% (2010: 9,90%). Repayable in monthly instalments of R7 605 (2010: R7 605) until May 2012.	**26**	114		
	– Instalment sale agreement secured over plant bearing interest at 9% in 2010. Repaid in monthly instalments of R148 797.		3 442		
	– Instalment sale agreement secured over plant with a book value of R3 573 000 (2010: R14 078 000) bearing interest at prime less 1% in 2011 and 2010. Repayable in monthly instalments of R103 058 (2010: R382 137) until October 2012.	**947**	3 963		
	– Instalment sale agreement secured over plant with a book value of R8 463 000 (2010: R6 432 000) bearing interest at prime less 1% in 2011 and 2010. Repayable in monthly instalments of R185 119 (2010: R136 622) until April 2016.	**4 848**	4 062		
	– Instalment sale agreement secured over plant with a book value of R6 209 801 (2010: R6 674 343) bearing interest at prime less 2,25% in 2011 and 2010. Repayable in monthly instalments of R251 279 (2010: R251 279) until February 2013.	**3 373**	6 062		

	GROUP 2011 R'000	2010 R'000	COMPANY 2011 R'000	2010 R'000
16. BORROWINGS (continued)				
Secured (continued)				
– Instalment sale agreement secured over plant with a book value of R10 685 419 (2010: R7 723 858) bearing interest at prime less 2,75% in 2011 and 2010. Repayable in monthly instalments of R303 247 (2010: R303 247) until March 2013.	**4 350**	7 576		
– Instalment sale agreement secured over plant with a book value of R16 986 911 (2010: R8 722 136) bearing interest at prime less 2,75% in 2011 and 2010. Repayable in monthly instalments of R348 421 (2010: R348 421) until March 2013.	**4 998**	8 705		
– Instalment sale agreement secured over plant with a book value of R2 901 432 (2010: R3 522 084) bearing interest at prime less 2,75% in 2011 and 2010. Repayable in monthly instalments of R99 457 (2010: R99 457) until July 2013.	**1 787**	2 822		
	52 085	54 336		
	52 085	54 336		
Current portion included in current liabilities	**(24 627)**	(22 424)		
	27 458	31 912		
Maturity of borrowings (excluding finance lease liabilities)				
Not later than 1 year	**24 532**	20 722		
Between 2 and 5 years	**27 281**	29 750		
	51 813	50 472		
Finance lease liabilities – minimum lease payments:				
Not later than 1 year	**112**	1 983		
Later than 1 year and not later than 5 years	**193**	2 266		
	305	4 249		
Future finance charges on finance leases	**(33)**	(385)		
Present value of finance lease liabilities	**272**	3 864		
The present value of all finance lease liabilities may be analysed as follows:				
Not later than 1 year	**95**	1 702		
Later than 1 year and not later than 5 years	**177**	2 162		
	272	3 864		
Borrowing facilities				
The group has the following contracted borrowing facilities:				
Floating rate:				
Expiring beyond 1 year	**46 414**	62 179		
Expiring within 1 year	**484 622**	563 010		

The borrowing powers of the company are unlimited in terms of its Articles of Association.

The carrying amounts of non-current borrowings approximate their fair values.

The carrying amount of the above borrowings are denominated in South African Rands.

Notes to the annual financial statements

	GROUP		COMPANY	
	2011 R'000	2010 R'000	**2011 R'000**	2010 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% (2010: 28%). The analysis of deferred tax assets and liabilities is as follows:				
Deferred tax assets	**(72 671)**	(39 514)	**(2 100)**	
Deferred tax liabilities	**125 523**	92 473		
Net deferred tax liability	**52 852**	52 959	**(2 100)**	
The movement on the deferred income tax account is as follows:				
At beginning of year	**52 959**	48 808		
Income statement charge/(credit)				
– Current year	**13 919**	8 141	**(2 100)**	
Tax credited to other comprehensive income:				
– Actuarial losses	**(1 295)**	(3 990)		
– Cash flow hedges	**(1 350)**			
	(2 645)	(3 990)		
Tax credited to equity:				
– Share-based payments	**(11 381)**			
At end of year	**52 852**	52 959	**(2 100)**	
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	**(62 483)**	(36 840)		
– Deferred tax asset to be recovered within 12 months	**(10 188)**	(2 674)		
	(72 671)	(39 514)		
Deferred tax liabilities:				
– Deferred tax liability to be recovered after more than 12 months	**122 293**	90 361		
– Deferred tax liability to be recovered within 12 months	**3 230**	2 112		
	125 523	92 473		

Group

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

Deferred tax liabilities		**2011**			
R'000	**Pension and post employment benefits**	**Plant and equipment allowances**	**Intangibles**	**Other**	**Total**
Opening balance	**2 952**	**87 296**	**5 105**	**(2 880)**	**92 473**
Charged/(credited) to the income statement	**2 368**	**20 782**	**(1 381)**	**12 576**	**34 345**
Credited to other comprehensive income	**(1 295)**				**(1 295)**
Closing balance	**4 025**	**108 078**	**3 724**	**9 696**	**125 523**

17. DEFERRED TAXATION (continued)

Deferred tax liabilities (continued)

R'000	Pension and post employment benefits	Plant and equipment allowances	Intangibles	Other	Total
	2010				
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 other comprehensive income	(3 588)				(3 588)
Closing balance	2 952	87 296	5 105	(2 880)	92 473

Deferred tax assets

R'000	**Share-based payments**	**Cash flow hedge**	**Pension and post-employment benefit**	**Assessed losses set off**	**Provision for doubtful debts**	**Warranty claims**	**Derivatives, bonus provision and other**	**Total**
	GROUP 2011							
Opening balance			**(3 343)**	**(6 572)**	**(484)**	**(7 800)**	**(21 315)**	**(39 514)**
(Credited)/charged to the income statement	**(2 342)**	**(750)**	**(4 643)**	**(3 832)**	**31**	**(2 713)**	**(6 177)**	**(20 426)**
Credited to equity*	**(11 381)**							**(11 381)**
Credited to other comprehensive income		**(1 350)**						**(1 350)**
Closing balance	**(13 723)**	**(2 100)**	**(7 986)**	**(10 404)**	**(453)**	**(10 513)**	**(27 492)**	**(72 671)**

R'000	Pension and post-employment benenefit	Assessed losses set off	Provision for doubtful debts	Warranty claims	Derivatives, bonus provision and other	Total
	GROUP 2010					
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 other comprehensive income	(402)					(402)
Closing balance	(3 343)	(6 572)	(484)	(7 800)	(21 315)	(39 514)

Aggregated based on subsidiary companies	**2011 R'000**	2010 R'000
Deferred tax assets	**11 266**	
Deferred tax liabilities	**(64 118)**	52 959
	(52 852)	52 959

Deferred tax assets

R'000	**Derivative liability**	**Total**
	COMPANY 2011	
Credited to the income statement	**(2 100)**	**(2 100)**
Closing balance	**(2 100)**	**(2 100)**

*The measurement of the deductible expense for deferred tax purposes is based on the entities' share price at the balance sheet date.

Notes to the annual financial statements

		GROUP		COMPANY	
		2011 R'000	2010 R'000	**2011 R'000**	2010 R'000
18.	**TRADE AND OTHER PAYABLES**				
	Trade creditors	**273 041**	247 636		
	Accrual for leave pay	**14 466**	14 670		
	Sundry creditors and accruals	**243 804**	240 333	**315**	254
	Deferred income on government grants	**2 063**			
		533 374	502 639	**315**	254
	The fair value of trade and other payables approximates their carrying value.				
	At year-end an amount of R1 925 333 (2010: R2 163 835) was overdue.				
	The carrying amounts of the group's trade and other payables are denominated in the following currencies:				
		2011 R'000	2010 R'000	**2011 R'000**	2010 R'000
	Yen	**88 037**	51 166		
	US Dollar	**17 617**	6 827		
	Euro	**24 590**	14 012		
	British Pound	**354**	212		
	Thai Bhat	**19 851**	3 820		
	Rand	**382 925**	426 602	**315**	254
		533 374	502 639	**315**	254
	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 not yet settled.

Executive bonuses

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

	2011			
GROUP	**Executive bonus R'000**	**Warranty R'000**	**Other R'000**	**Total R'000**
Balance at beginning of the year	**12 037**	**36 787**	**4 359**	**53 183**
Charged to the income statement				
– Additional provision	**25 726**	**4 862**	**4 815**	**35 403**
Utilised during the year	**(20 528)**	**(5 775)**	**(1 632)**	**(27 935)**
Balance at end of the year	**17 235**	**35 874**	**7 542**	**60 651**

19.	PROVISIONS FOR LIABILITIES AND CHARGES (continued)				
		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

		GROUP		COMPANY	
		2011 R'000	2010 R'000	**2011 R'000**	2010 R'000
20.	**NOTES TO CASH FLOW STATEMENTS**				
20.1	**Reconciliation of profit before taxation to cash generated from/(utilised in) operations**				
	Profit before taxation	**602 000**	424 546	**198 919**	110 920
	Depreciation and amortisation	**89 150**	101 257		
	Impairment charge/(reversal)	**1 115**	(19 687)		(11 383)
	(Profit)/loss on disposal of property, plant and equipment	**(5 099)**	261		
	Profit on insurance proceeds for property, plant and equipment – FNB fire	**(42 607)**			
	– Proceeds	**(49 392)**			
	– Impairment	**6 785**			
	Financial assets at fair value through profit or loss:				
	– Fair value losses	**28 215**	5 649	**2 087**	
	– Fair value gains	**(29 831)**	(5 873)		
	Foreign exchange losses on operating activities	**2 653**	14 046	**5 412**	
	Net share-based payment charge effects	**3 348**	(576)	**5 129**	3 235
	Pension fund	**1 852**	(2 668)		
	Post-retirement benefit	**3 386**	2 912		
	Income from subsidiaries & associates	**(19 339)**	(16 759)	**(206 879)**	(97 980)
	Income from investments	**(14 296)**	(18 913)		
	Finance charges	**7 858**	14 075		
	Operating profit before working capital changes	**628 405**	498 270	**4 668**	4 792
	Working capital changes:				
	Increase in inventory	**(87 099)**	(88 456)		
	(Increase)/decrease in trade and other receivables	**(121 793)**	30 887	**(16)**	(117)
	Increase/(decrease) in trade and other payables	**30 887**	43 920	**61**	(36 358)
	Cash generated from/(utilised in) operations	**450 400**	484 621	**4 713**	(31 683)
20.2	**Taxation paid**				
	Taxation paid is reconciled to the amount disclosed in the income statement as follows:				
	Amounts overpaid at beginning of year	**8 955**	9 700		
	Income statement charge (note 4)	**(136 987)**	(112 868)	**(9 915)**	(11 440)
	Amounts unpaid/(overpaid) at end of year	**1 199**	(8 955)		
		(126 833)	(112 123)	**(9 915)**	(11 440)

Notes to the annual financial statements

		GROUP		COMPANY	
		2011	2010	2011	2010
		R'000	R'000	R'000	R'000
20.	NOTES TO CASH FLOW STATEMENTS (continued)				
20.3	Dividends paid				
	To shareholders	(91 750)	(105 749)	(99 146)	(114 399)
	To non-controlling interests	(38 352)	(8 020)		
		(130 102)	(113 769)	(99 146)	(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	Notes	Loans and receivables	Assets at fair value through profit and loss	Total
31 December 2011				
Assets as per balance sheet				
Derivative financial instruments			615	615
Trade and other receivables	1	509 270		509 270
Cash and cash equivalents		421 678		421 678
Total		930 948	615	931 563

R'000	Notes	Financial liabilities at fair value	Other financial liabilities carried at amortised cost	Total
Liabilities as per balance sheet				
Borrowings			52 085	52 085
Derivative financial instruments		12 769		12 769
Bank overdraft			25 106	25 106
Trade and other payables	2		516 845	516 845
Total		12 769	594 036	606 805

1. Prepayments are excluded from the trade and other receivables balance as this analysis is required only for financial instruments.
2. Leave pay, deferred income and other statutory obligations are excluded from trade and other payables balance as this analysis is required only for financial instruments.

21. FINANCIAL INSTRUMENTS (continued)

21.1 Financial Instruments by category (continued)

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	Financial liabilities at fair value through profit & 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

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.

The group makes use of professional foreign currency management specialists to cover its foreign exchange exposures.

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

	Reflected in the balance sheet				**Purchase orders not yet reflected as liabilities in the balance sheet**			
	2011		2010		**2011**		2010	
	Foreign amount '000	**Rand equivalent R'000**	Foreign amount '000	Rand equivalent R'000	**Foreign amount '000**	**Rand equivalent R'000**	Foreign amount '000	Rand equivalent R'000
US Dollars			283	1 888	**1 011**	**7 125**	(460)	(2 995)
Euro	**(96)**	**(998)**	686	6 142	**1 756**	**19 503**	(3 405)	(30 594)
Japanese Yen	**(92 287)**	**(9 717)**	(420 714)	(34 555)	**425 215**	**37 943**	(283 825)	(22 829)
Australian Dollars					**15**	**127**	(21)	(148)
British Pounds			(17)	(178)	**(55)**	**(322)**	(113)	(1 328)
Thai Bhat	**(10 399)**	**(2 685)**	(17 236)	(3 820)	**85 732**	**19 270**		
Total		**(13 400)**		(30 523)		**83 646**		(57 894)

(Amounts in brackets represent liabilities).

Notes to the annual financial statements

21. FINANCIAL INSTRUMENTS (continued)

21.2 Financial risk management (continued)

A. Market risk (continued)

At 31 December 2011, 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 R1 011 000 (2010: R151 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 2011, 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 R7 606 000 (2010: R5 116 600) 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 2011, 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 R21 000 (2010: R33 600) 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 2011, 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 R554 000 (2010: R125 600) 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 2011, 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 R1 715 000 (2010: R382 000) higher/lower, mainly as a result of foreign exchange gains/losses on translating foreign denominated trade receivables and trade payables and the mark-to-market valuation of forward exchange contracts.

At 31 December 2011, 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 R39 000 (2010: R342 700) higher/lower, mainly as a result of foreign exchange gains/losses on translating foreign denominated trade receivables and trade payables and the mark-to-market valuation of forward exchange contracts.

ii. Cash flow and fair value interest rate risk

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

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

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

At 31 December 2011, if the average interest rates on borrowings, overdrafts and cash and cash equivalents had been 1% higher with all other variables held constant, post-tax profit for the year would have been R2 480 000 (2010: R976 320) higher.

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

	2011 R'000	2010 R'000
6 months or less	**14 740**	15 748
6 – 12 months	**10 366**	
	25 106	15 748

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

iii. Price risk

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

21. FINANCIAL INSTRUMENTS (continued)

21.2 Financial risk management (continued)

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

	2011 R'000	2010 R'000
Counterparties without external credit rating:		
Group 1	**93 086**	223
Group 2	**390 688**	360 399
Group 3	**444**	3 328
	484 218	363 950

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.
(A1+: Highest certainty of timely payments. Short-term liquidity including internal operating factors and/or access to alternative sources of funds is outstanding and safety is just below that of risk free treasury bills.)

	2011 R'000	2010 R'000
Total	**421 678**	305 572

Credit limits were within terms and management does not expect any losses from non-performance by these counterparties.
The maximum exposure to credit risk is estimated to be the carrying amounts of the financial assets.

Notes to the annual financial statements

21. FINANCIAL INSTRUMENTS (continued)

21.2 Financial risk management (continued)

C. Liquidity risk

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

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

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

Borrowing facilities disclosed in note 16 as well as projected profitability levels is 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 2011	Balance sheet carrying value R'000	Contractual cash flows R'000	Less than 1 year R'000	Between 1 and 2 years R'000	Between 2 and 5 years R'000	Over 5 years R'000
Overdrafts	**25 106**	**25 106**	**25 106**			
Borrowings	**52 085**	**56 427**	**26 523**	**14 504**	**14 616**	**784**
Trade and other payables	**516 845**	**516 845**	**514 978**	**1 867**		
As at 31 December 2010						
Overdrafts	15 748	15 748	15 748			
Borrowings	54 336	59 895	23 423	25 877	9 744	851
Trade and other payables	487 969	487 969	487 969			

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 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. FINANCIAL INSTRUMENTS (continued)

21.4 Capital risk management

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

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

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

The gearing ratios at 31 December 2011 and 2010 were as follows:

	2011	2010
Total borrowings (notes 13 and 16)	**77 191**	70 084
Less: cash and cash equivalents (note 13)	**(421 678)**	(305 572)
Net debt	**(344 487)**	(235 488)
Ordinary shareholders equity	**1 582 596**	1 256 009
Total capital	**1 238 109**	1 020 521
Gearing ratio	**(28%)**	(23%)

21.5 Derivative financial instruments

Derivative Financial Instruments – Net Fair Values

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

-->> Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1)

-->> Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2)

-->> Inputs for the asset or liability that are not based on observable market data (that is unobservable inputs) (Level 3)

	GROUP				
	2011 R'000			2010 R'000	
At 31 December	**Level**	**Assets**	**Liabilities**	Assets	Liabilities
Forward foreign exchange contracts and similar instruments – held for trading valued at fair value through profit/(loss)	**2**	**615**	**3 737**	23	14 607
Forward foreign exchange contracts – Cash Flow Hedge	**2**		**7 704**		
Copper swap transaction – floating to fixed pricing	**2**		**1 328**		
		615	**12 769**	23	14 607

	COMPANY				
		2011 R'000		2010 R'000	
	Level				
At 31 December		**Assets**	**Liabilities**	Assets	Liabilities
Forward foreign exchange contracts and similar instruments	**2**	**205**	**7 704**		
		205	**7 704**		

The fair value of foward foreign exchange contracts is determined using quoted forward exchange rates to terminate the contracts at the balance sheet date. The fair value of the copper swap is based on notional quantities outstanding at year-end and comparing quoted fixed and floating copper – LME cash rates.

Notes to the annual financial statements

21. FINANCIAL INSTRUMENTS (continued)

21.5 Derivative financial instruments (continued)

Group:

Cash flow hedge

During the year, the group obtained foreign exchange contracts in respect of an impending transaction which is expected to be concluded early in 2012.

The transaction is considered highly probable and the group has designated the FEC as a cash flow hedge.

The FEC is expected to match the future Euro denominated payments (payment profile) and seeks to limit fluctuations in the exchange rates. This instrument is recorded at fair value at reporting date and gains/losses are recognised in the hedging reserve in equity through other comprehensive income.

Gains and losses recognised in the hedging reserve in equity on forward exchange contracts as of 31 December 2011 are recognised as part of the cost in the balance sheet in the period or periods during which the hedged forecast transaction affects the balance sheet.

The ineffective portion that arises from the cash flow hedge amounts to a loss of R0,6 million and is included within administrative expenses in the income statement.

The full value of the hedging derivative is classified as a current liability as the hedged highly probable forecast transactions denominated in foreign currency are expected to occur at various dates during the next 12 months.

The effective portion of the fair value of the cash flow hedge recognised in equity is as follows:

	GROUP		COMPANY	
	2011 R'000	2010 R'000	**2011 R'000**	2010 R'000
Fair value loss in year	**(4 821)**			
Tax on fair value loss	**1 350**			
	(3 471)			

Derivatives are classified as current assets or liabilities as the maturity of the hedged item is less than 12 months.

Forward exchange contracts

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

Imports	**R amount**	**Foreign amount**	**Average forward rate**	**Currency used**	**Period to maturity**
US Dollar	57 205	6 917	8,00	USD	31 January 2012 – 30 April 2012
Euro	944 947	87 034	11,00	Euro	31 January 2012 – 26 April 2012
Japanese Yen	120 246	1 128 104	9,00	JPY	31 January 2012 – 26 April 2012
	1 122 398				

Cash flow hedge	**R amount**	**Foreign amount**	**Average forward rate**	**Currency used**	**Period to maturity**
Euro	488 388	44 000	11	Euro	31 January 2012 – 30 April 2012
	488 388				

Exports	**R amount**	**Foreign amount**	**Average forward rate**	**Currency used**	**Period to maturity**
US Dollar	1 993	241	8,00	USD	17 January 2012 – 29 February 2012
Euro	865 991	80 880	11,00	Euro	17 January 2012 – 13 February 2012
Australian Dollar	566	68	8,00	AUD	23 January 2012
Great British Pound	674	52	13,00	GBP	29 February 2012
	869 224				

Company:

During the current year, the company took out a foreign exchange contract. Fair value movements are recognised in the income statement as hedge accounting has not been applied at company level.

		GROUP		COMPANY	
		2011	**2010**	**2011**	**2010**
		R'000	**R'000**	**R'000**	**R'000**
22.	**CONTINGENT LIABILITIES**				
	Letters of support in respect of secured loans and overdrafts of subsidiaries	**3 675**	3 775	**3 675**	3 675
	Lease commitments		2 312		
		3 675	6 087	**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 R28,5 million from Metindustrial (Pty) Ltd for the obligations of the company.
The group has contingent liabilities in respect of bank and other guarantees and other matters such as claims and labour disputes arising out of the ordinary cause of business. It is not anticipated that any material liabilities will arise from these.

Any future dividend declaration out of the distributable reserves of the company will be subject to secondary taxation on companies at 10% up to 31 March 2012 after which dividend withholding tax of 15% will be applicable.

Refer note 25 for details on subordination agreements with subsidiaries.

		GROUP 2011 R'000	GROUP 2010 R'000	COMPANY 2011 R'000	COMPANY 2010 R'000
23.	**COMMITMENTS**				
	Capital commitments	**207 486**	167 325		
	Contracted:				
	Plant, machinery, tools, jigs and dies	**24 913**	58 513		
	Authorised by the directors but not yet contracted:				
	Plant, machinery, tools, jigs and dies	**182 573**	108 812		
	Unexpired portion of operating lease contracts	**96 972**	106 606		
	Payable within one year	**22 557**	21 631		
	Payable later than 1 year and not later than 5 years	**63 795**	66 879		
	Payable thereafter	**10 620**	18 096		
		304 458	273 931		

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.

Amounts recognised in the balance sheet are:

	GROUP	
	2011	2010
	R'000	R'000
Post-employment medical benefit liability	**(25 074)**	(21 329)
Defined benefit asset		6 504
	(25 074)	(14 825)

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 7,0% (2010: 5,5%) per year.

Notes to the annual financial statements

		GROUP 2011 R'000	GROUP 2010 R'000
24.	**RETIREMENT BENEFIT INFORMATION (continued)**		
	Post-employment medical benefits (continued)		
	The amounts recognised in the income statement are as follows:		
	Current service costs	**224**	191
	Interest costs	**3 162**	2 721
		3 386	2 912
	Movement in the liability recognised in the balance sheet:		
	At beginning of year	**21 329**	19 246
	Total expense per income statement as above	**3 386**	2 912
	Contributions paid	**(334)**	(328)
	Actuarial loss/(gain) recognised in other comprehensive income	**693**	(501)
	At end of year	**25 074**	21 329
	The amounts recognised in other comprehensive income are as follows:		
	Recognised actuarial loss/(gain)	**693**	(501)
	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	2 177	1 535
	Revised defined benefit obligation	27 251	23 539
	The principal actuarial assumptions used were:	**2011**	2010
	Discount rate for obligation	**8%**	8%

Pension schemes

The policy of the group is to provide retirement benefits for its employees using either a defined benefit (pension fund) or defined contribution (provident or pension fund) basis. Participation in retirement benefit plans is, however, not compulsory, but 90% (2010: 94%) of the group's employees are members of a pension arrangement.

Benefits provided under the Metair Group Pension scheme were accounted for on a defined benefit basis. With effect from 1 November 2011, members of this fund were transferred onto a defined contribution benefit scheme basis (ABSA Compak Umbrella Fund). At 31 October 2011 ("the transfer date") an actuarial valuation was performed and this resulted in a gain on curtailment of plan benefits of R12,2 million recognised in the income statement. This also resulted in a net pension plan surplus (asset) position of R15,5 million. The group decided that all remaining and future surplus assets in the fund are to be allocated to its members. This has been accounted for as past service cost and recognised immediately in the income statement. The Metair Group Pension Fund is governed by the Pension Fund Act, which requires actuarial valuation every three years.

Section 14 approval by the Financial Services Board is expected to occur early in 2012.

The corresponding disclosure of plan assets and liabilities have been presented on a gross basis.

		GROUP	
		2011	2010
		R'000	R'000
24.	**RETIREMENT BENEFIT INFORMATION (continued)**		
	Reconciliation of pension movement		
	The amounts recognised in the balance sheet are determined as follows:		
	Present value of funded obligations	**(130 898)**	(127 595)
	Fair value of plan assets	**130 898**	134 099
	Asset in the balance sheet		6 504
	The movement in the defined benefit obligation for the year is as follows:		
	Beginning of year	**127 595**	166 257
	Current service cost	**456**	962
	Interest cost	**10 478**	15 355
	Contributions by plan participants	**150**	379
	Actuarial losses recognised in other comprehensive income	**6 707**	3 914
	Curtailment and other benefits paid	**(17 770)**	(59 272)
	Curtailment gains	**(12 248)**	
	Past service cost	**15 530**	
	End of year	**130 898**	127 595
	The movement in the fair value of plan assets for the year is as follows:		
	Beginning of year	**134 099**	186 219
	Expected return on plan assets	**12 369**	18 481
	Actuarial gains/(losses) recognised in other comprehensive income	**2 055**	(12 213)
	Employee and employer contributions	**145**	884
	Curtailment and other benefits paid	**(17 770)**	(59 272)
	End of year	**130 898**	134 099
	The amounts recognised in the income statement are as follows:		
	Current service costs	**456**	962
	Interest costs	**10 478**	15 355
	Expected return on assets	**(12 369)**	(18 480)
	Contributions by plan participants	**5**	(505)
	Curtailment gain	**(12 248)**	
	Past service cost	**15 530**	
		1 852	(2 668)
	The amounts recognised in other comprehensive income are as follows:		
	Recognised actuarial loss	**(5 345)**	(15 626)

Notes to the annual financial statements

24.	RETIREMENT BENEFIT INFORMATION (continued)

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

	2011 R'000	2010 R'000	2009 R'000	2008 R'000	2007 R'000
Present value of funded obligations	**(130 898)**	(127 595)	(166 257)	(394 146)	(407 047)
Fair value of plan assets	**130 898**	134 099	186 219	383 061	428 063
Asset/(liability) in the balance sheet		6 504	19 962	(11 085)	21 016
The principal actuarial assumptions used were:					
Discount rate for obligation	**8%**	8%			
Expected return on plan assets	**N/A**	9%			
Salary increase	**7%**	6%			
Pension increase	**4%**	4%			
Inflation	**6%**	5%			
Actual average return on plan assets	**13,0%**	5,4%			

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.

Asset description

The expected return on assets is based on an average balanced portfolio. Short-term tactical investment positions are ignored (since these can be amended over time) as well as the effect of recent market movements on the current investment distribution (since these can change on a daily basis). The expected long-term return used is 4% calculated as follows:

	Long term	Real return	Weighted average	Short term (actual)	Real return	Weighted average
Equity (foreign and domestic)	70%	4,5%	3,2%	33%	4,5%	3,5%
Bonds/interest bearing instruments	30%	3,0%	0,9%	67%	3,0%	0,2%
	100%		4,1%	100%		3,7%

	GROUP		COMPANY	
	2011	2010	**2011**	2010
	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
Smiths Plastics (Pty) Ltd			**147 000**	147 000
Lumotech (Pty) Ltd				54 332
Metair Share Trust				3 000
			147 000	386 332

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 occurances 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.

Deferred tax assets on assessed losses

The group recognises the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future.

Assessing the recoverability of deferred income tax assets requires the group to make significant estimates related to expectations of future taxable income.

Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws.

To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the group to realise the net deferred tax assets recorded at the end of the reporting period could be impacted.

Insurance proceeds relating to the FNB fire

The basic assumptions applied by management in determining the amount to be claimed from insurance in respect of each aspect of the claim are as follows:

Inventory

Claim based on adjusted value of stock destroyed in the fire taking into account salvageable materials and overheads.

Building

Claim based on an elemental estimated cost as determined by two quantity surveyors to restore the building.

Plant and equipment

Claim based on total capital expenditure expected to be incurred in order to restore the manufacturing facilities to its original capacity prior to the fire.

Business interruption

The claim is based on a reduction of battery sales taking into account a gross profit margin adjusted for actual rather than standard cost.

Cost incurred on replacing lost production has been included in this estimate.

Notes to the annual financial statements

27. RELATED PARTIES – GROUP AND COMPANY

The group and company entered into transactions with related parties. Transactions that are eliminated are not included.

Information on emoluments paid to executive and non-executive directors have been presented in note 3. Employees fulfilling the role of key management are all appointed to the board of directors.

Information on subsidiaries and associates is presented in notes 9, 10 and on page 131.

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

Information on the Metair Share Trust and the Metair Investments Limited Share Plan can be found in note 14.

Information on the Metair Group Pension Scheme can be found in note 24.

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

	2011 R'000	2010 R'000
Purchases of goods and services:		
Denso Corporation	**41 414**	24 147
Yazaki Corporation and its subsidiaries	**200 104**	171 897
	241 518	196 044
Outstanding balance at year-end:		
Yazaki Corporation and its subsidiaries	**41 827**	28 521

Investments in subsidiaries and associates

Incorporated in South Africa	Type	Issued share capital 2011 R'000	Issued share capital 2010 R'000	% Direct (indirect) interest 2011 %	% Direct (indirect) interest 2010 %	Cost of shares 2011 R'000	Cost of shares 2010 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		
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**	1 250
Vizirama 112 (Pty) Ltd	ordinary			**33**	33	**1 045**	1 045
						5 088	5 088
* Liquidated and deregistered in 2010.							
Indebtedness by subsidiaries to the holding company before impairment:							
Metindustrial (Pty) Ltd						**236 370**	236 370
Metair Management Services (Pty) Ltd						**109 711**	18 429
Lumotech (Pty) Ltd						**74 707**	59 707
Unitrade 745 (Pty) Ltd						**10 247**	10 247
Smiths Plastics (Pty) Ltd						**238 417**	238 417
Business Venture Investments 1217 (Pty) Ltd						**48 058**	54 662
Metair Share Trust						**16 165**	18 441
						733 675	636 273

Incorporated in the Netherlands – December 2011

Metair International Cooperatief U.A. (100% shareholding of which 10% is indirect)

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, 2 May 2012, at 14:00 for the following purposes:

Ordinary business

1. To consider and approve the annual financial statements, which include the directors' report and the audit committee report, for the year ended 31 December 2011.

2. To re-elect Mr JG Best as director, who retires in terms of the Companies Memorandum of Incorporation (MOI), but, being eligible, has offered himself for re-election (note 1).

3. To re-elect Mr RS Broadley as director, who retires in terms of the MOI, but, being eligible, has offered himself for re-election (note 1).

4. To re-elect Ms A Galiel as director, who retires in terms of the MOI, but, being eligible, has offered herself for re-election (note 1).

5. To re-appoint PricewaterhouseCoopers Inc., with the designated audit partner being Mr G Hauptfleisch, as independent auditors of the company for the ensuing year as recommended by the Metair Board Audit and Risk Committee.

6. Subject, where necessary to their reappointment as directors of the company in terms of the resolutions proposed under ordinary business, to resolve that the members of the Metair Board Audit and Risk Committee ("the committee") as set out below be and are hereby appointed in accordance with the provisions of the Companies Act, Act 71 of 2008, for the period until the next annual general meeting.

   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.

   a. To re-elect MrJG Best as chairman of the committee
   b. To re-elect Mr L Soanes as a member of the committee
   c. To re-elect Ms A Galiel as a member of the 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 4.2 of the company's Memorandum of Incorporation and the JSE Limited Listings Requirements, 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 company's remuneration policy and its implementation, as set out in the Corporate Governance Report contained in the annual report (refer page 45) be approved through a non-binding advisory vote.

Special resolution number 1

Resolved, as a special resolution in terms of the Companies Act, Act 71 of 2008, that the remuneration of the non-executive directors with effect from 1 January 2012 to 31 December 2012 (refer to page 47 of the annual report) be and is hereby approved.

The reason for and effect of special resolution number 1 is to approve, to the extent required, the directors' remuneration for the period commencing 1 January 2012 and ending 31 December 2012.

Special resolution number 2

- Resolved, as a special resolution in terms of the Companies Act, Act 71 of 2008, ("the Act") and the JSE Limited ("JSE") Listings Requirements, that the mandate given to the company in terms of its Memorandum of Incorporation (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 Act and the JSE Listings Requirements, 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 shall not in the aggregate in any one financial year exceed 20% of the company's issued share capital of that class in any one financial year;
- Repurchases may not be made by the company and/or its subsidiaries during a prohibited period as defined by the JSE Listings Requirements unless a repurchase programme is in place where the dates and quantities of securities to be traded during the relevant period are fixed and full details of the programme have been disclosed 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 discharged its duties with regard to the adequacy of the company's working capital for the purpose of undertaking a repurchase of securities in writing to the JSE.

Furthermore, the directors of the company shall not make any repurchases under this general authority unless they are of the opinion that, after considering the effect of the maximum repurchase permitted and for a period of 12 months after the date of the decision to enter into the market to proceed with the repurchase:

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

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

In terms of the JSE Listings Requirements, the following disclosures are required with reference to the general authority (ie in respect of repurchases by the company of its own securities) set out in special resolution number 2, 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 15.
Major shareholders of the company – refer to page 48.

Notice to shareholders

Directors' interests in the company's securities – refer to page 49.
Share capital – refer to page 106.

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 15 of this Annual Report, collectively and individually, accept full responsibility for the accuracy of the information pertaining to the above special resolution number 2 and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that the aforementioned special resolution/s contain/s all the information required by law and the JSE Listings Requirements.

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.

PERCENTAGE OF VOTING RIGHTS REQUIRED FOR RESOLUTIONS

Special resolutions
The percentage of voting rights that will be required for the adoption of each special resolution is 75% of the voting rights exercised on the resolution.

Ordinary resolutions
The percentage of voting rights that will be required for the adoption of each ordinary resolution is 50% of the voting rights exercised on the resolution.

NOTICE RECORD DATE, VOTING RECORD DATE AND FORMS OF PROXY

The notice of the company's annual general meeting has been sent to its shareholders who were recorded as such in the company's securities register on Friday, 23 March 2012, being the notice record date used to determine which shareholders are entitled to receive notice of the annual general meeting.

The record date on which shareholders of the company must be registered as such in the company's securities register in order to attend and vote at the annual general meeting is Friday, 20 April 2012, being the voting record date used to determine which shareholders are entitled to attend and vote at the annual general meeting. The last day to trade in order to be entitled to vote at the annual general meeting will therefore be Friday, 13 April 2012.

In terms of section 63(1) of the Companies Act, Act 71 of 2008, any person attending or participating in the annual general meeting must present reasonably satisfactory identification and the person presiding at the meeting must be reasonably satisfied that the right of any person to participate in and vote (whether as shareholder or as proxy for a shareholder) has been reasonably verified.

Duly completed proxy forms must be received by the company at its registered office or by the Transfer Secretaries (Computershare Investor Services (Pty) Limited, Ground Floor, 70 Marshall Street, Johannesburg, 2001/PO Box 61051, Marshalltown, 2107) by no later than Thursday, 26 April 2012 at 14:00. Any forms of proxy not lodged at this time must be handed to the chairman of the annual general meeting immediately prior to the annual general meeting.

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

By order of the board.

SM Vermaak
Secretary
Johannesburg
3 March 2012

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

NOTE

Directors retiring by rotation and who have offered themselves for re-election

Mr JG Best

Jonathan has spent most of his career in the mining industry in various senior financial and managing roles. Jonathan retired in July 2005 and currently serves on various boards, among these being AngloGold Ashanti Holdings Plc, JSC Polymetal (a company listed on the London Stock Exchange) as well as Sentula Mining (a company listed on the JSE). Jonathan's qualifications include - Associate of the Institute of Cost and Management Accountants, Associate of the Institute of Chartered Secretaries and Administrators and an MBA from the University of Witwatersrand.

Jonathan was appointed to the Metair Board as independent non-executive director in February 2009. He is also a member of the Metair Board Audit and Risk Committee.

Mr RS Broadley

After completing 21 years of service with Ford Motor Company, Ralph joined Toyota South Africa as director in charge of assembly and manufacturing in 1972. He retired as managing director of the manufacturing arm of Toyota South Africa in 1997 having served in that capacity since 1988. After retirement he continued as a consultant to the company until 2002. He served on the main board of Toyota South Africa from 1984 to 2002.

He was appointed to the Metair Board as a non-executive director in April 2001 and is now classified as independent non-executive director. He is chairman of the Metair Board Remuneration Committee. He is also a non-executive director of Wesco Investments Limited.

Ms A Galiel

Aziza started her career in auditing, completing her articles at KPMG and qualifying as a Chartered Accountant. Once qualified, she spent two years on secondment at KPMG Kuala Lumpur, after which she returned to South Africa and embarked on a career in asset management. She completed the CFA programme in 2000.

After working for five years as an equity analyst and portfolio manager, Aziza resigned from Sanlam Investment Management in 2001 to work as an independent consultant. Aziza was appointed to the Metair Board as independent non-executive director in July 2008. She is also a member of the Metair Board Audit and Risk Committee.

Mr L Soanes

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

He is a member of the Metair Board Remuneration Committee as well as the Metair Board Audit and Risk Committee.

Shareholders' diary

Financial year-end	December
Annual general meeting	May

REPORTS AND PROFIT STATEMENTS

Interim report	August
Annual report and financial statements	March

ORDINARY DIVIDENDS

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, 2 May 2012 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 JG Best as a director	☐	☐	☐
3. Re-election of Mr RS Broadley as a director	☐	☐	☐
4. Re-election of Ms A Galiel as a director	☐	☐	☐
5. Re-appointment of auditors	☐	☐	☐
6. Appointment of group audit committee members			
a. Re-election of Mr JG Best as director of the audit and risk committee	☐	☐	☐
b. Re-election of Mr L Soanes as member of the audit and risk committee	☐	☐	☐
c. Re-election of Ms A Galiel as member of the audit and risk committee	☐	☐	☐
7. Special business:			
Ordinary resolution number 1			
Placing of unissued shares under the control of the directors	☐	☐	☐
Ordinary resolution number 2			
Approval of remuneration policy	☐	☐	☐
Special resolution number 1			
Approval of non-executive directors remuneration	☐	☐	☐
Special resolution number 2			
General authority to repurchase the company's securities	☐	☐	☐

Signed at _________________ on _______________________ 2012.

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, Ground Floor, 70 Marshall Street, Johannesburg, 2001 / PO Box 61051, Marshalltown, 2107) by no later than Thursday, 26 April 2012 at 14:00.

Please read the notes on the reverse side hereof.

Form of proxy

NOTES:

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.

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.

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 Thursday, 26 April 2012.

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.

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

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

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

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

Metair Investments Limited
Wesco House
10 Anerley Road
Parktown
Johannesburg

www.metair.co.za

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