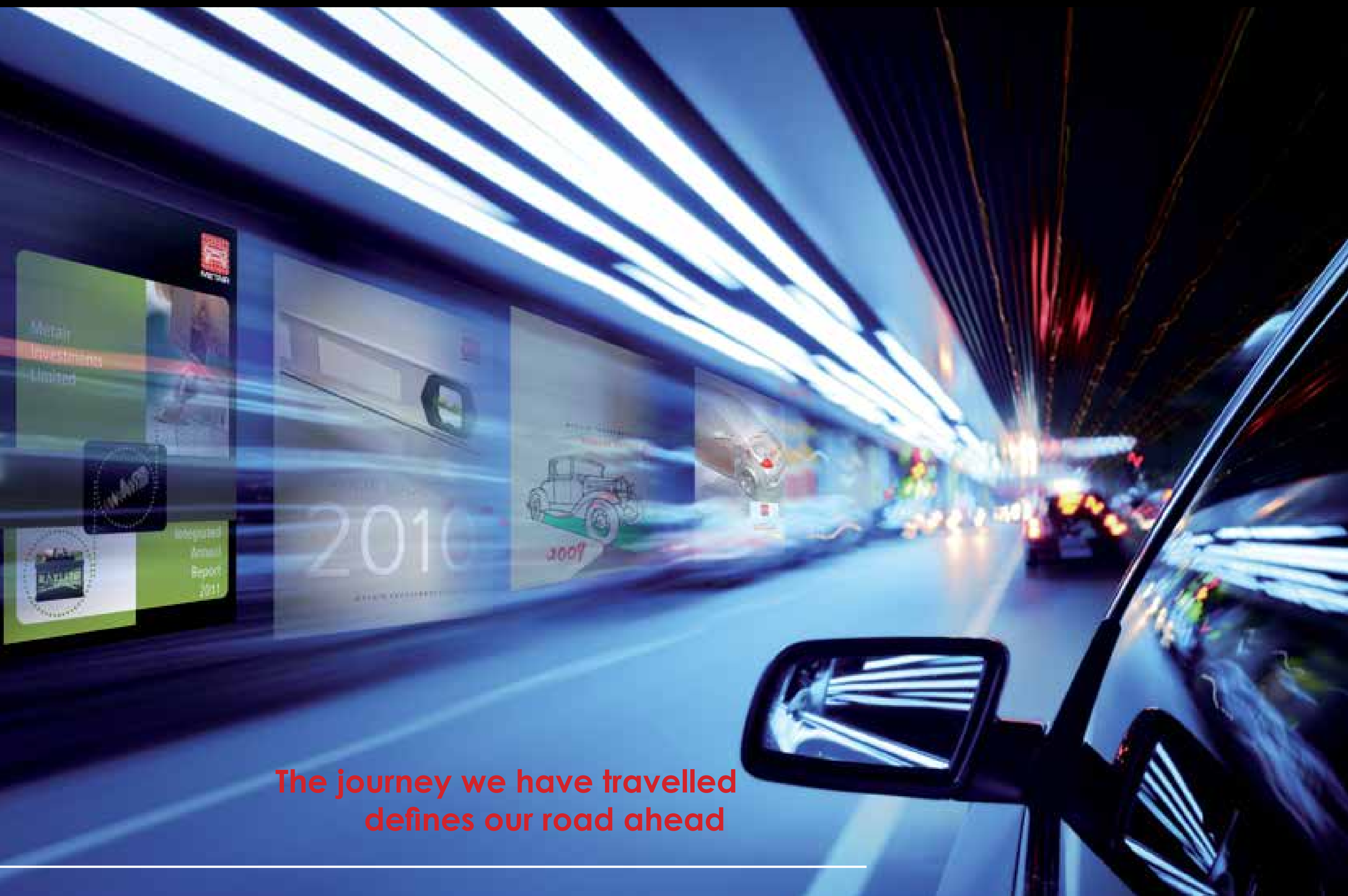
METAIR
INVESTMENTS LIMITED
automotive | industrial | retail

2012
INTEGRATED ANNUAL REPORT

METAIR INVESTMENTS LIMITED



The journey we have travelled
defines our road ahead

METAIR
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COVER IMAGE

As the previous five years' report covers reveal, our past strategy has shaped Metair into the industrial force we have become and plan to sustain in the future.

We started our transformation journey in 2007.

By 2008 we showed true transparency as we gave an honest appraisal of the challenges of an extremely trying year and the lessons learnt. These trying times brought both the automotive industry and Metair to a cross-road in 2009, where we could choose to accelerate to join the high road or gear down for the low road. However, global trends forced us back to the drawing board to rethink, refine and regroup.

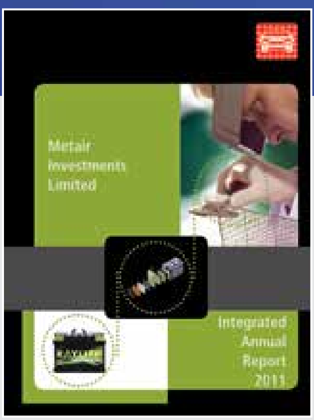
By 2010 our focus was on achieving balance in our business: balance between markets and products, high costs and labour, and customer expectations and meeting those needs.

With this balance as our focus, we could move into 2011 with greater confidence of optimising the business for the future. Optimisation demands the right people with the right focus using the right tools.

In 2012 as we reflect we are confident that we have identified the road ahead. While it is in blueprint stage, we are ready to embark on it. A significant step was our first cross-border acquisition – of Rombat, the largest lead-acid battery manufacturer in Romania. This indicated a marked shift in our focus on the aftermarket sector combined with a platform to inject our leading technology in stop-start batteries into the European market which has enormous potential for this type of technology. This bold step is also reflected in our new logo, indicating the three legs on which our group is being built: automotive, industrial, retail.

The past five years gave us an understanding of the need to change. We have also learnt that the obstacles of our past can become the gateways that lead to new beginnings.

In 2012 we celebrate new beginnings.



2011 ANNUAL REPORT

"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."

WHO WE ARE

Metair Investments Limited (Metair) is a publicly owned company listed on the Johannesburg Stock Exchange. The group is headquartered in Johannesburg and 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 and Renault Dacia in Europe (with the acquisition of Rombat).

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. During 2012, the group acquired a majority interest in Rombat, a battery manufacturer in Romania. Rombat sells products to aftermarket customers in Romania and Europe as well as to OEMs in Romania. 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 annual report covers the financial activities of Metair for the period 1 January to 31 December 2012 in the annual financial statements and other matters are covered up to the date of this report. It describes our 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 integrated annual report covered the period 1 January to 31 December 2011 for the annual financial statements and other matters up to the date of that report. Apart from the acquisition of Rombat, 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.

Metair operates in South Africa and, through its new subsidiary Rombat, in Romania. The group consists of seven subsidiaries (Smiths Manufacturing, Lumotech, Metindustrial, Smiths Plastics, Unitrade, Hesto Harnesses and Rombat) 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 for 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 32, the carbon footprint information on page 38 and the human capital section starting on page 34 include all South African subsidiaries and their material holdings, but exclude Rombat and South African associates.

The information disclosed in the environmental section relies on carbon footprint data drawn up for the 12 months ending 31 December 2012 which includes estimates for the last two months of the year. This year the carbon footprint calculation was extended to include embedded emissions in raw materials consumed which led to a significant increase in the calculated emissions. Certain figures in the waste disposal table in Appendix I have been restated to correct the 2011 information as a result of improvements in our data collection procedures.

The consolidated BBBEE information referred to in the transformation section uses the latest available externally verified information which relates to December 2011 as disclosed in the full table in Appendix III on page 65.

In preparing this report we have followed the recommendations of the International Integrated Reporting Council (IIRC) Prototype Framework as it applies to our business. Sustainability information in this integrated annual report has been presented in alignment with the Global Reporting Initiative (GRI) G3 reporting guidelines. Our GRI declaration appears on page 56 and the GRI Index on page 59. In line with the recommendations of King III, we have engaged Integrated Reporting & Assurance Services as external assurance providers on the sustainability information included in this integrated report. Their report appears on page 57.

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.

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

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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."

During 2012 we refreshed our brand to align with our vision and strategy. The new brand was launched in June.

MET — Manufacturing, Excellence, Technology

automotive
industrial
retail

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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. Expand into geographies outside South Africa, especially in Europe and the rest of Africa. Drive our 50:50:50 vision – 50% OEM business, 50% aftermarket and 50% of total sales to both comprising batteries.
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. Target OEMs in Europe through Rombat.
3.	Focus intently on cost	The OE business is dependent on maintaining global cost-competitiveness and margin protection in competitive aftermarkets requires cost efficiency.
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 entrenches balance in the business, as exemplified in the Rombat acquisition.

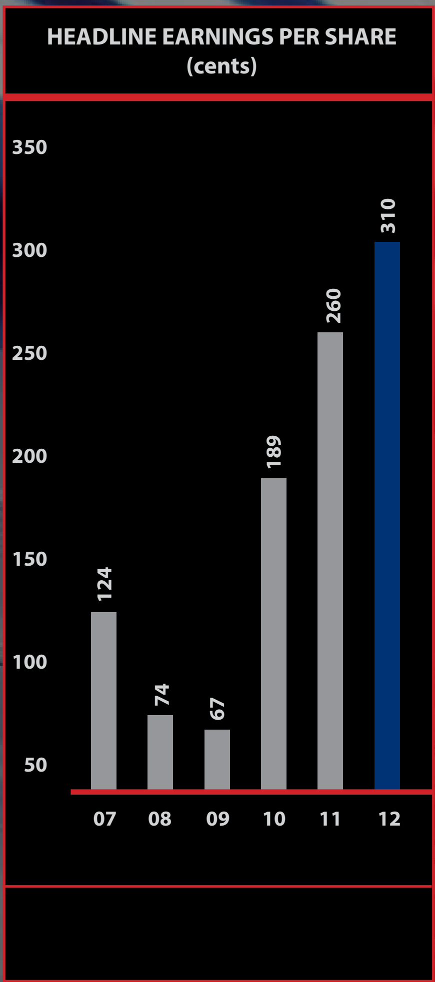
FINANCIAL HIGHLIGHTS

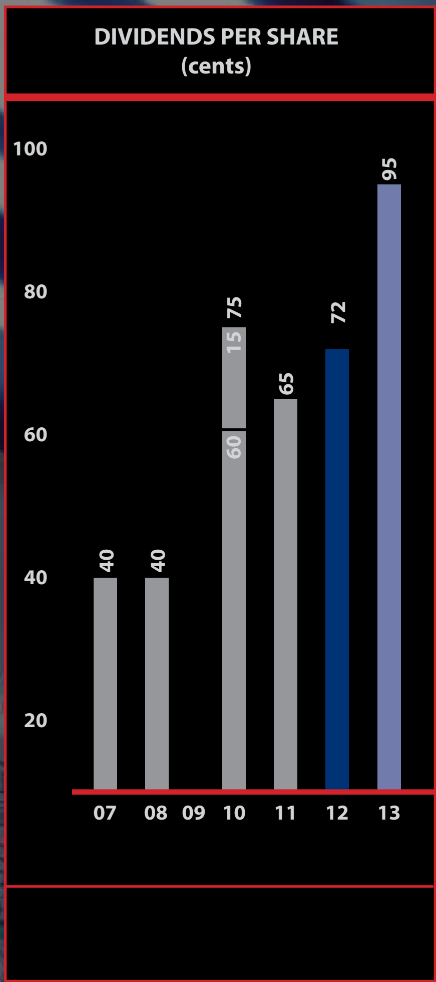
For the year ended 31 December

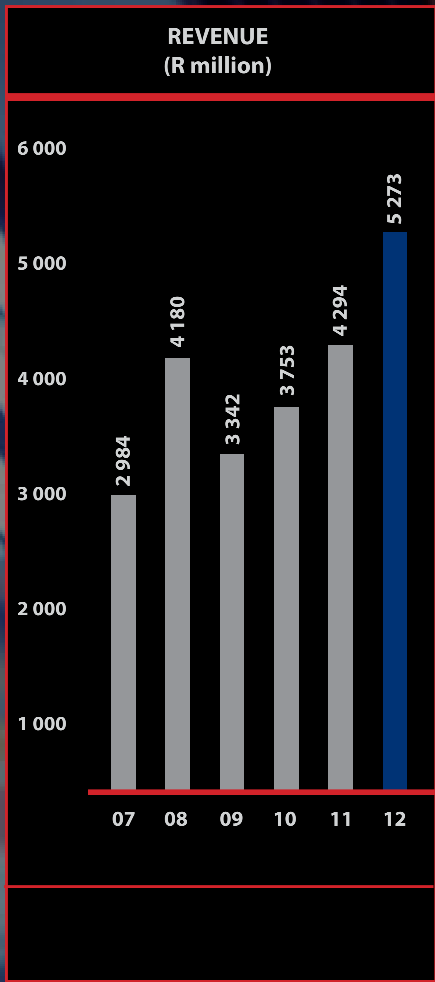
	2012 R'000	2011 R'000	2010 R'000	2009 R'000	2008 R'000	2007 R'000
Revenue	**5 273 370**	4 294 152	3 753 236	3 342 053	4 180 398	2 984 293
Profit before taxation	**690 353**	602 000	424 546	118 219	74 777	287 185
Impairment charges/ (reversals)	**1 045**	7 900	(19 687)	47 082	122 590	
Interest paid	**26 961**	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	**440 543**	408 365	277 682	52 210	(13 080)	174 509
Total equity	**2 099 282**	1 701 408	1 369 919	1 184 021	1 113 664	1 190 132
Interest-bearing debt	**251 202**	52 085	54 336	76 515	99 251	27 126
Cumulative redeemable preference shares				75 000	100 000	100 000
Property, plant and equipment	**1 237 007**	762 752	699 190	657 892	714 001	702 417
Current assets	**2 024 613**	1 640 808	1 321 899	1 238 232	1 290 793	1 079 221
Total assets	**3 403 718**	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	152 532
Weighted average number of shares in issue	**142 030**	141 217	140 363	142 352	141 707	142 085
Net asset value per share (cents)*	**1 356**	1 119	890	776	729	775
Basic earnings per share (cents)	**310**	289	198	37	(9)	123
Headline earnings per share (cents)	**310**	260	189	67	74	124
Dividend per share (cents) declared and paid	**72**	65	75		40	40
Dividend cover (times) (calculated on prior year headline earnings)	**3,6**	2,9	0,9		3,1	3,3
Net profit as a % of average total shareholders' funds (ROE)	**25,9**	29,4	23,8	5,5	0,3	17,2
Total shareholders' funds as a % of total assets	**61,7**	68,5	65,6	59,2	52,2	62,4
Interest cover (times)	**26**	75	30	4	2	17
Staff complement	**6 478**	5 951	5 552	5 339	7 188	6 506
BBBEE aggregate group score	**611**	585	544	435		

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

A dividend of 95 cents per share was declared on 15 March 2013 in respect of the 2012 financial year.







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GROUP STRUCTURE

Material Metair holdings

The information on the next four pages shows the major operations and the percentage of Metair's holding in the subsidiaries/ associates.

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Metindustrial (First National Battery; Supreme Springs and ATE)

Valeo Systems South Africa (Pty) Ltd
49%

First National Battery

100%

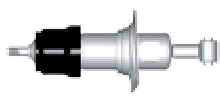
Supreme Springs and ATE

100%

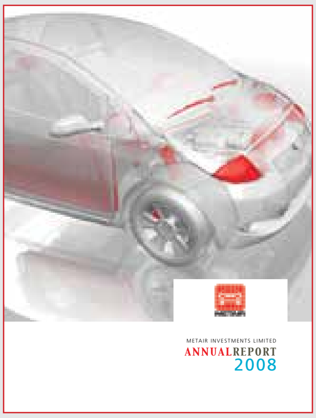
Lumotech

100%

Tenneco Automotive Holdings SA
25,1%

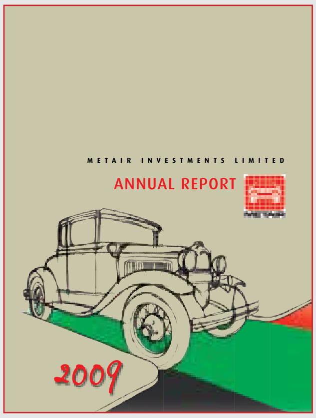


A VISUAL JOURNEY OF OUR STRATEGY



2008

The 3-D rendering of a prototype vehicle demonstrated the range of components offered by Metair companies. The image also underscored the transparency that accompanied that year's reporting after a spate of bad news. An honest appraisal of the challenges and lessons learnt laid the foundation for the years ahead.



2009

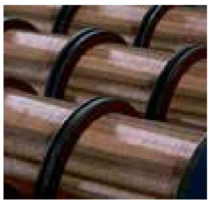
In this year both the automotive industry and Metair found themselves at a crossroads, forcing critical decisions on the way forward. Global trends demanded that everyone rethink, refine and regroup. The call to 'get back to basics' as illustrated by the car model, was never clearer.

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%

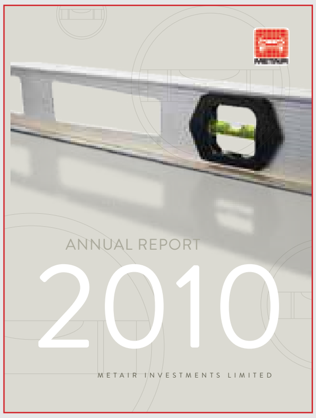
Unitrade
100%



Hesto Harnesses
74,9%

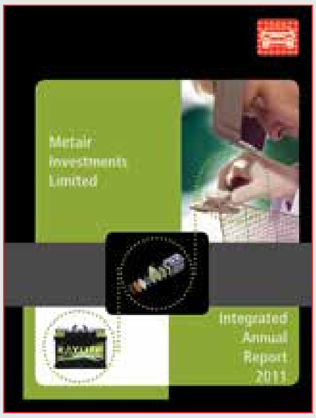
Metair International Holdings Coöperatief UA

Rombat S.A.
99,5%



2010

The spirit level, used to achieve a precisely balanced level, captured the precision and balance that focused the group in 2010. The goal was to achieve sustainable balance between markets and products; high costs and labour; customer expectations and Metair's ability to meet these needs.



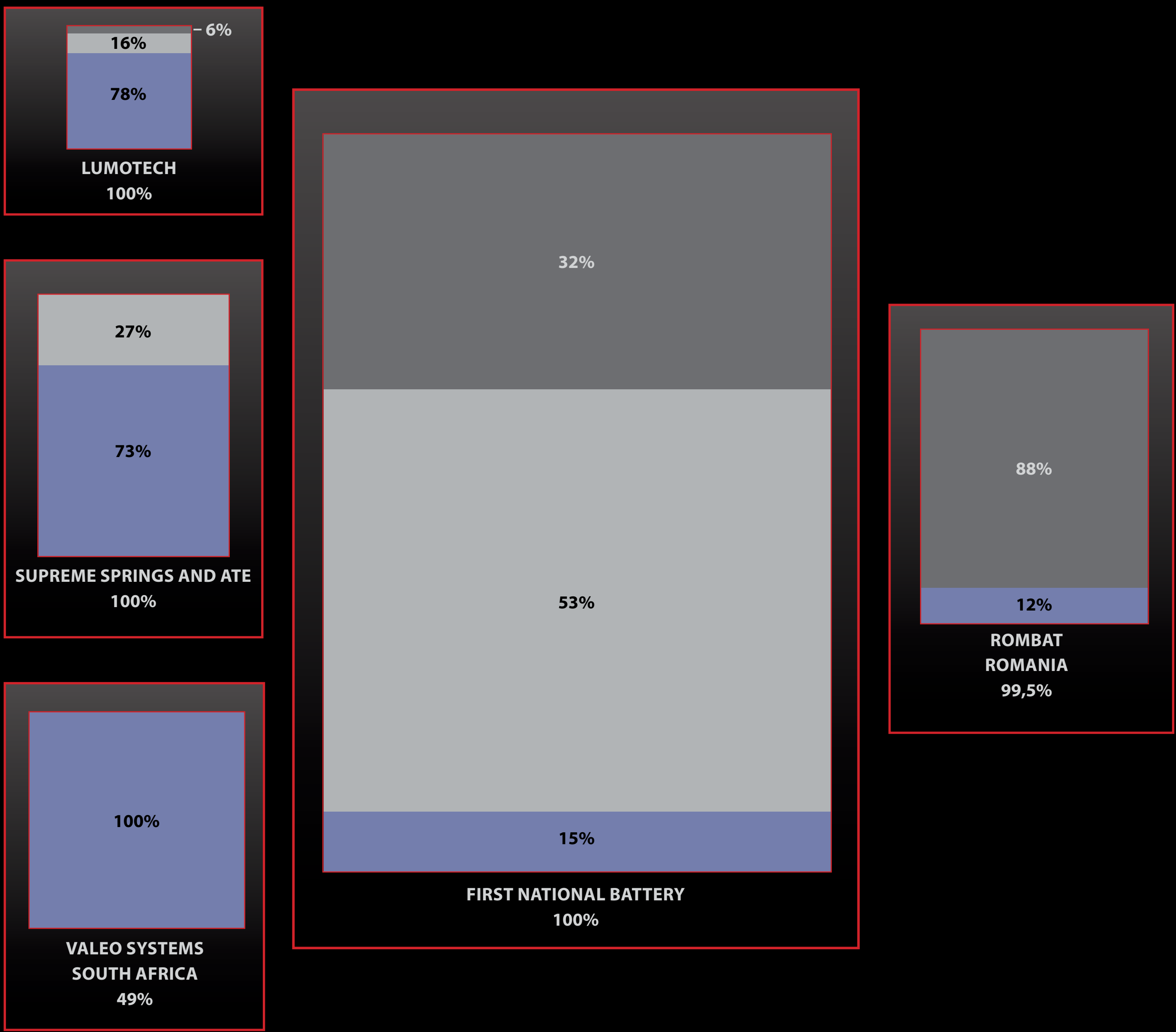
2011

The image of a craftsman performing fine adjustments through a magnifying glass, honed in on the importance of human focus and adjustment for that year. The balance established in the prior year was finely adjusted to optimise the business for the future.

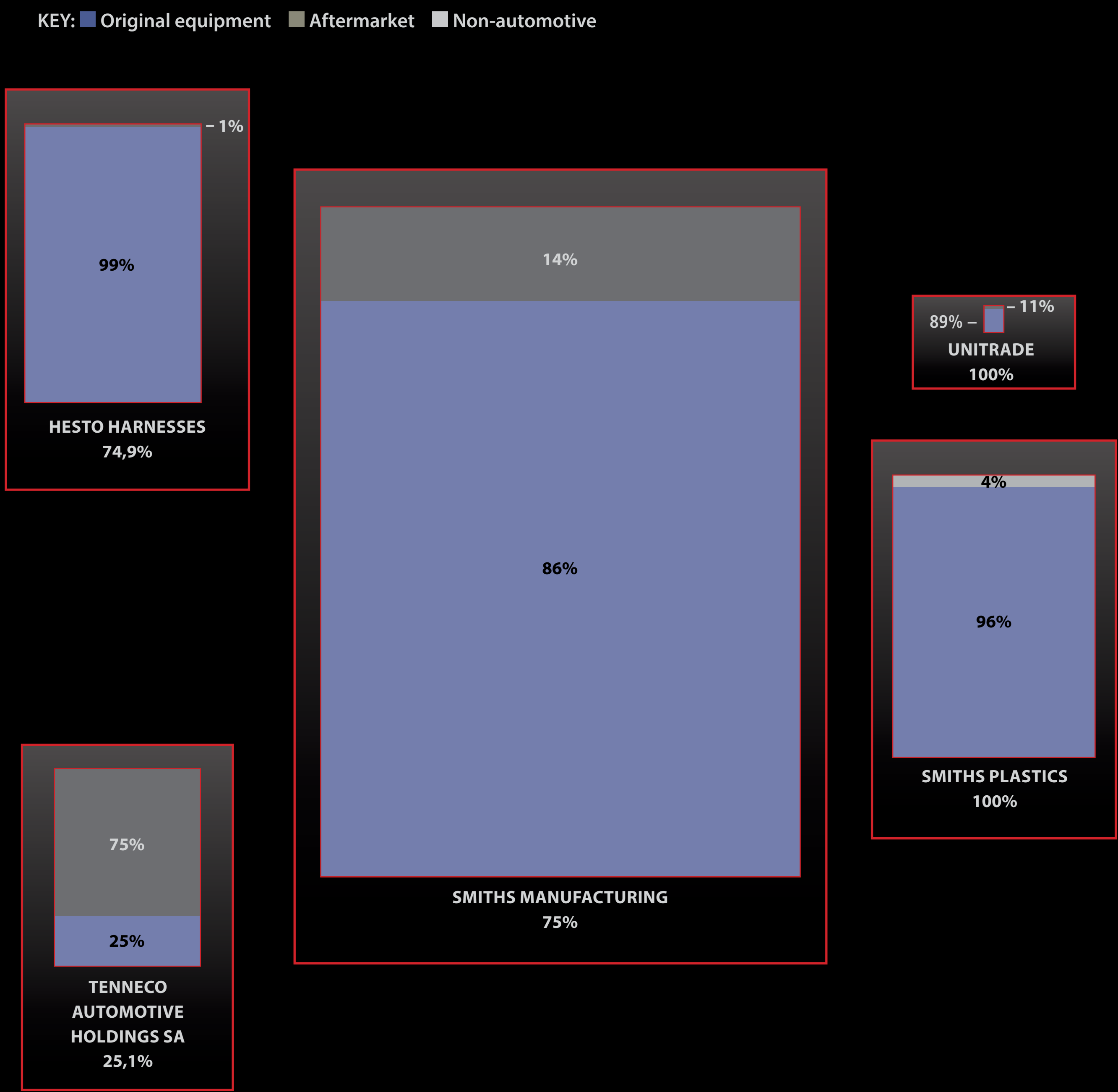
WHAT WE DO

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%	FIRST NATIONAL BATTERY 100%	SUPREME SPRINGS AND ATE 100%	VALEO SYSTEMS SOUTH AFRICA 49%	ROMBAT 99,5%
Headlights	Batteries	Coil springs	Front-end modules	Batteries
Plastic injection mouldings	Solar systems	Leaf springs		Battery distribution network
Lamps	Back-up systems	Stabilisers		
Wheel trims	Standby systems	Torsion bars		
Horns	Charging systems	Brakes		
Tail lights	Battery Centre franchise	Calipers		
Streetlights		Brake pads		
Warehouse lights				
Uitenhage	**Port Elizabeth, Cape Town, Durban, Carletonville, Benoni, Rustenburg, Klerksdorp**	**Nigel, Boksburg**	**Uitenhage**	**Romania**



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

HESTO HARNESSES
74,9%
Wiring harnesses

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

UNITRADE
100%
Automotive cable
Automotive wire

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

Port Elizabeth

Stanger

Pinetown, Durban

Stanger

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 issue	Sub-issues	Relevance	Strategy component	Stakeholder	Governance structure	Report section
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	Managing director's report Stakeholder engagement Human capital
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	Managing director's report
Balanced business	• Balance across customers • Balance across industries • Balance between customer requirements and a sustainable economic return • Balance in geographies • 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	• All shareholders • 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	Managing director's report Operational review Environmental
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	Stakeholder engagement Corporate governance report

Material issue	Sub-issues	Relevance	Strategy component	Stakeholder	Governance structure	Report section
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	• All shareholders • 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	Transformation Human capital
Human capital	• Labour productivity and efficiency • Labour relations • Labour cost • Health and safety • Skills retention and staff development	Labour is a key input in Metair's cost efficiency and competitiveness and must be closely managed Succession planning for senior management must be managed Need to maintain skills base to remain competitive	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	Human capital
The environment	• Energy consumption • Carbon footprint • Waste management • Water • Environmentally-friendly products • Environmental impacts	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	Environment

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 2012.

Key Performance Indicators (KPIs) 2012	Performance in 2012
1. Continue to grow aftermarket and target non-auto acquisitions.	The acquisition of Rombat grew aftermarket revenue by R503 million. Aftermarket and non-automotive business grew to 42% (2011: 37%).
2. Continue realistic, responsible Cost-Index Manufactured process with customers.	Most customers agreed that the final cost-competitive measurement should be against a Cost-Index landed before switching to imported products.
3. Secure next model business from all OE customers and innovative multipurpose vehicle letters of intent.	Good progress has been made to secure business from major customers that will launch new models over the next three years. Letters of intent relating to the business should be secured during 2013. Replacement business that is under threat relates mostly to plastics commodities.
4. Continue to develop utility strategy for the group.	The group has set a target to become accredited by the end of 2014, to the ISO 50 001 standard, which includes a formal utility strategy.
5. Improve BBBEE and EE compliance and commitment (Level Four compliance by 2014).	The combined generic group BBBEE score improved from 585 points to 611 points. Although the EE element decreased in most companies it remains a major focus in the group.
6. Continue lobbying for government support for the motor industry.	The finalisation of the Automotive Production and Development Programme (APDP) that was implemented from January 2013 could only be achieved through close cooperation with government. The system will have to be monitored and refined.
7. Ensure correct partnership with joint venture partners.	Relationships with joint venture partners improved during this period as a major shift in supporting deeper localisation has been achieved. This will require additional capital investments but should support the securing of replacement business.
8. Pursue acquisitions.	With Rombat acquired, other opportunities are continually being evaluated.
9. Improve investor relations to raise Metair's investment profile.	Investor relations improved during the period and was independently verified at the results presentation and shareholder and analyst site visits.
10. Implement capital investment review programme successfully.	Most new investments were reviewed, visited, touched and inspected during this period.

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

Goal for 2012	Performance in 2012	Goals for 2013
All group companies to achieve OHSAS* 18001 accreditation by 2016.	Good progress has been made as three of 12 operations are currently OHSAS* 18001 accredited. The target is well understood by most group companies as they continue to pursue accreditation.	All group companies to achieve progress towards OHSAS* 18001 accreditation by 2016.
Develop appropriate industrial usage indicators for carbon footprint, electricity consumption, waste management and water usage.	The period was the first in which most companies completed their own carbon footprint. External auditing of the systems indicated required improvements as we continue on this path.	Continue to develop appropriate industrial usage indicators for carbon footprint, electricity consumption, waste management and water usage.
Zero fatalities, zero disabling and lost-time incidents.	There were no fatalities across the group and 32 disabling injuries. LTIFR[‡] = 3.82.	Zero fatalities, zero disabling and lost-time incidents.
Group absenteeism and staff attrition rate average below 4%.	The group achieved areas of excellence as some group companies achieved a significant decline in absenteeism at 1,69%.	The group absenteeism and staff attrition rate average is below 4%.
7-point improvement on employment equity component of BBBEE scorecard.	Employment equity score declined by 11 points as we struggle with retention of qualified engineers and supervisors.	The group targets to regain and improve on the 2011 position as the targets included in the generic codes automatically increases a step up in 2013.

Goal for 2012	Performance in 2012	Goals for 2013
Group training spend target: R8,7 million.	Training spent amounted to R11 million and more than 80% was on previously disadvantaged individuals.	Maintain and improve group training spend of R9,1 million.
129 learnerships in the group.	There were 138 learnerships.	Maintain and improve on 138 learnerships in the group.

* Occupational Health and Safety Standard

ǂ – Lost-time injury frequency rate per 200 000 man-hours

In the year ahead, we will focus on the 11 KPIs in the table below.

	Key Performance Indicators (KPIs) 2013
1.	Continue to implement Metair's strategy.
2.	Pursue growth in Africa – target 10% of turnover from Africa.
3.	Continue our diversification strategy – 10% of turnover must come from new customers, products or services.
4.	Continue organic growth in aftermarket, non-auto and export – organic growth in operating profit of more than 20% in these segments.
5.	Deliver on the Rombat strategy – meet or exceed the ROE target (12%) for 2013.
6.	Develop route to market for Start/Stop battery aftermarket sales.
7.	Ensure foreign exchange neutrality in customer contracts.
8.	Energy strategy – keep the volume-adjusted increase in group electricity consumption below 15%.
9.	Ensure employee wellness and excellent communication with employees – act proactively to ensure that structures and communications process are in place before labour negotiations commence.
10.	Implement group IT steering committee and standards.
11.	Focus on transformation and BBBEE in the group – all group companies to reach Level Four compliance by 2014.

AWARDS

Company	Awarded in 2012
Lumotech	***Toyota South Africa Motors –*** Supplier Recognition Award for Value Analysis (2011)
	Nelson Mandela Bay Business Chamber Health and Wellness Award – First place, Large Business Category
	Volkswagen South Africa – Awarded A rating in Quality Audit
Smiths Plastics	***Toyota Special Appreciation Award –*** for assisting Toyota worldwide with parts during the tsunami and floods in Thailand at the end of 2011
Smiths Manufacturing	***Toyota South Africa Motors –*** Supplier Achievement Award in Value Analysis
	General Motors Supplier of the Year Award – Finalist
	Durban Automotive Cluster (DAC) – 10 Year Membership Award
Supreme	***General Motors Exporter of the Year Award (2011) –*** Winner
First National Battery	***General Motors Supplier Quality Excellence Award 2012 –*** Winner
Hesto	***Toyota South Africa Motors –*** Supplier Recognition Award For Value Analysis (2011)

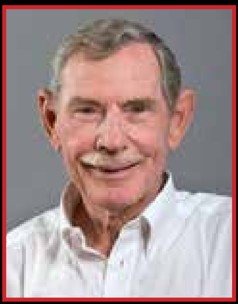
DIRECTORS AND OFFICERS OF THE COMPANY

OME POOE (54)
Non-executive chairman
B Proc
Management Development Programme Certificate in Advanced Corporate and Securities Law

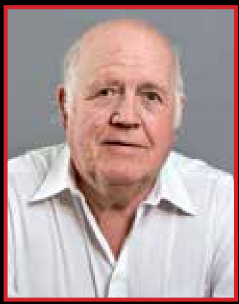
CT LOOCK (48)
Managing director
B Eng (Industrial)

BM JACOBS (45)
Finance director
B Comm B Acc CA (SA)

A JOFFE (44)
Non-executive director
B Comm (Hons)
GDA CA (SA)

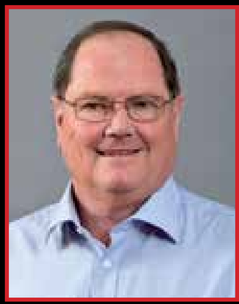


RS BROADLEY (80)
Independent non-executive director
Advanced Technical Certificate (Engineering)

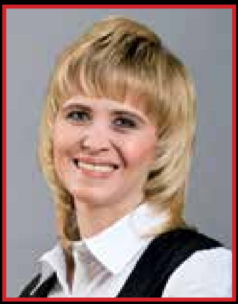


L SOANES (76)*
Independent non-executive director
National Certificate of Engineering

A GALIEL (43)
Independent non-executive director
CA (SA) CFA



JG BEST (64)
Lead independent non-executive director
AICMA ACIS MBA



SM VERMAAK (47)
Company secretary
BComm (Fin M) AIRMSA

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

*** British**

CT (THEO) LOOCK
Mr Loock was previously a divisional director of Trident Steel. He has an engineering degree with a strong commercial background.

He was appointed to the Metair board as managing director in March 2006. He is also a director of all the Metair subsidiary companies.

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

He was appointed as the Metair Group Finance Director in December 2008.

OME (MPUELENG) POOE
Mr Pooe is Royal Bafokeng Holdings Limited's (RBH) public affairs executive. He began his career as a lawyer with Bell Dewar and Hall and was later appointed director responsible for advising clients on all aspects of employment law. He then worked at AngloGold Limited as legal counsel advising on corporate commercial agreements before joining RBH.

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

A (ALLAN) JOFFE
Mr Joffe is a chartered accountant. He has been with CoroCapital Limited since 1999. Mr Joffe was appointed as non-executive director of Metair in December 2006. He is a member of the Metair Board Remuneration Committee.

L (LES) SOANES
Mr Soanes 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 Listings Requirements of the JSE Limited (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.

RS (RALPH) BROADLEY
After completing 21 years of service with Ford Motor Company, Mr Broadley joined Toyota South Africa in 1972 as director in charge of assembly and manufacturing. 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.

A (AZIZA) GALIEL
Ms Galiel 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, Ms Galiel resigned from Sanlam Investment Management in 2001 to work as an independent consultant. She 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 and chairs the Social and Ethics Committee.

JG (JONATHAN) BEST
Mr Best has spent most of his career in the mining industry in various senior financial and managing roles. When he retired in July 2005 he was an executive director and chief financial officer of AngloGold Ashanti. He currently serves on various boards as a non-executive director, these being AngloGold Ashanti Holdings plc and a member of its Audit Committee, Polymetal International plc (a company listed on the London Stock Exchange) and is chairman of the Audit Committee and a member of the remuneration Committee. He is chairman of Sentula Mining Limited, Bauba Platinum Limited (JSE Listed) and Goldstone Resources Limited (AIM listed) and is a member of the Remuneration committees of these companies. Mr Best's qualifications include: associate of the Chartered Institute of Management Accountants, associate of the Institute of Chartered Secretaries and Administrators, and an MBA from the University of Witwatersrand.

Mr Best was appointed to the Metair Board as independent non-executive director in February 2009 and is the Lead Independent Director. He is also the chairman of the Metair Board Audit Committee.

CHAIRMAN'S STATEMENT

The past year has been a challenging one for both the Metair group and the automotive industry as a whole. Recovery from the 2008/2009 recession has stalled largely due to persisting global economic and political uncertainties. The industry as a whole has been impacted by slowing EU and US light vehicle sales and high South African production costs. In addition, component manufacturers have continued to come under pressure from global competition from low-cost production countries. South Africa has also experienced one of the worst periods of industrial unrest since the dawn of democracy which, as I write this message, has not completely abated. Each of the Metair companies has experienced its own unique challenges as well.

I am pleased that notwithstanding the difficult environment prevailing in the past year, the company has made good progress and achieved some significant milestones. In the coming year we will continue to make further adjustments to optimise our business and focus on the execution of our strategy to ensure long-term sustainable growth.

ROMBAT ACQUISITION

In the period under review, Metair successfully concluded the acquisition of Rombat, the leading Romanian lead-acid battery manufacturing company. This acquisition is a significant milestone in the execution of our strategy, as detailed in the managing director's report which appears on page 18. This acquisition adds further clarity to our strategy as we continue to bring balance and focus to our business and places the company in a strong position to enter EU markets with Start/Stop battery technology.

Rombat has been well integrated into the group and we are already beginning to see the benefits of technology transfers between the two companies. The new Start/Stop facility was successfully commissioned and its management and reporting structures are functioning effectively. Rombat's financial performance was also satisfactory and we are confident that the medium- and long-term goals we set ourselves when we acquired Rombat will be achieved.

METAIR VISION AND BRAND

Our vision to strive for manufacturing excellence through technology has firmly taken root and we have successfully rebranded the company to reflect this vision. Manufacturing excellence enables us to meet the competitiveness requirements of our customers while technology, whether owned or shared with our technological partners, is essential for us to continue to generate value for all our stakeholders.

BALANCE

The Original Equipment (OE) business is still the biggest contributor of revenue to the group thanks mainly to the addition of the new OE customer Renault /Dacia in Romania and Ford SA in South Africa. I am pleased, however, that we have seen some progress with our customer and product diversification strategy. We will continue to target balance in all aspects of our business. This includes balance in the segmental make-up of our earnings where we will strive to increase the proportion of our turnover and earnings derived from the non-OE segment of our business. At the same time, we will increase the overall proportion of our business (both OE and non-OE) that is derived from our battery businesses

We will also strive for balance in our relationships with all of our stakeholders including government, labour, customers, management and shareholders.

HUMAN CAPITAL AND COMPETEVENESS

The automotive manufacturing industry is constantly confronted with the challenge of being internationally cost-competitive. Our businesses essentially convert locally available commodities into products using human capital and energy. We compete against international players with very competitive human capital and energy costs. This requires an intense ongoing focus on a responsible and balanced labour and utility management environment.

The tragic events at Marikana taught us that there has never been a more important time to focus on our human capital and transformation. Marikana emphasised the importance of understanding employee expectations and maintaining a working environment where associates are treated with dignity in a well-defined, structured, safe and healthy environment.

LABOUR RELATIONS

The industry will be challenged this year as we enter into a new

round of wage negotiations. These will require a collaborative rather than a conflictual approach, and a total commitment by employer, union, employees and government bodies in order to lay a stable foundation for constructive negotiations.

GOVERNMENT

During the year Government continued its positive and active support for the industry as we finalised details of the new automotive production support structure known as the Automotive Product and Development Programme (APDP). The programme was implemented in January 2013 and has brought structural certainty and clarity to the Original Equipment Manufacturing environment until at least 2020. This is positive for potential new investments and for production possibilities for the local and export market.

ORIGINAL EQUIPMENT

We have continued to nurture our OE business, which is still the biggest revenue contributor to the group. We will continue to focus on customer and product diversification within the OE sector of our business. The OE business is also core to our manufacturing excellence drive as OE customers increasingly require world-class efficiencies and competiveness.

AFTERMARKET AND NON-AUTOMOTIVE

Our target markets continue to grow, especially in South Africa, as new vehicle sales (including medium and heavy commercial vehicles) of 624 000 in 2012 brought the vehicle parc to above 10 million vehicles. The Rombat acquisition contributed to the opening of new aftermarket markets, especially for our battery product range in Romania, France, Germany, Italy and Africa. We did not make as much progress as we would have liked in expanding the market for aftermarket products in South Africa and other parts of the continent. This initiative will require more focus and energy in the future.

The non-automotive market experienced a challenging year and the demand for mining industry-based products was negatively affected by the disruption in mining operations and by the entrance of imported product ranges.

TECHNOLOGY

2012 signified a significant confirmation of the group's innovation and product technology capabilities as we delivered our first contractually approved Start/Stop batteries to the Original Equipment market in South Africa. The technical product approval for our Start/Stop batteries from a group of German-based OE Manufacturers confirms our belief that the Start/Stop battery product range will be an integral part of our future.

MARKET CONDITIONS

The geographical expansion of Metair into Europe further exposes the group to international market conditions.

Although the international OE market seems to have stabilised from an overall volume perspective, the world market has experienced a movement in volumes across major markets as well as a rebalancing of demand for different types of vehicles within those markets. As customer demand changes, OEs will adjust their business models accordingly. This will present a challenge to component suppliers who will have to be keenly aware of the demand shift as this will require flexibility and adjustment in their own business models.

South African vehicle production seems to have stabilised at around the 500 000 to 550 000 vehicles per annum level with exports at between 50% and 60% of the total. The greater focus on export markets will bring its own challenges.

What we have been able to achieve this year is thanks to the commitment, dedication expertise and skills of our people at all levels of the organisation all working toward one vision.

The electric vehicle project (Met-Elec-R60) which is discussed more fully in the managing director's report on page 20, although at early stages of development, is a good example of the extra-ordinary outcomes that can be achieved through marrying the group's manufacturing excellence and technology with the commitment and dedication of its people.

I would like to thank all employees for their continued dedication and commitment and all shareholders, customers and other stakeholders for their loyalty and support.

OME Pooe
Chairman

MANAGING DIRECTOR'S REPORT

Metair has produced an excellent set of financial results for the year ended 31 December 2012 and made very good progress on our strategic path in 2012.

The group achieved a normalised return on equity of 26% (2011: 27%) and generated earnings before interest, tax, depreciation and amortisation of R825 million (R693 million), a 19% year-on-year increase off a high base. Turnover increased by 23% to R5 273 million (2011: R4 294 million) and headline earnings per share increased by 19% to 310 cents compared to the 260 cents per share in 2011.

We are particularly pleased with the progress made on meeting our strategic goals, one of which is to bring more balance to our business. The acquisition of Rombat in March 2012, the leading lead-acid battery manufacturer in Romania, is consistent with our stated intent of targeting acquisitions which will bring more balance to our business and where we can take advantage of our technological expertise and strong balance sheet. Rombat will be the platform for the launch of the groups' key technology and aftermarket products into Europe. In addition, Rombat has already in the 2012 financial year contributed to improving the balance of the group's results as reflected in the segmental report.

ACQUISITION OF ROMBAT

We are confident that we are on track to achieve the financial, operational and strategic objectives we set ourselves when we acquired Rombat.

Rombat has been well integrated into the group. Rombat's management and staff remain highly motivated and have welcomed the strategic and management input provided by Metair. Management and reporting structures are in place and are functioning effectively. Tim Lane, the former financial director of our Smiths Manufacturing subsidiary, has permanently transferred to Romania to head up Rombat's finance and information technology functions. Willie van der Merwe who previously headed up our smelter facility at our First National Battery operation in Benoni, has also permanently transferred to Rombat. Technology transfers have taken place both to and from Rombat and the Rombat and First National Battery management teams are working closely on extracting costs savings and efficiencies.

Shortly after we acquired Rombat, capital expenditure of €16 million was approved to build a new state-of-the-art Start/Stop battery facility. We are very pleased that the facility was successfully commissioned in December 2012 on time and within budget. State grants of €8 million that were secured by Rombat for this facility are expected to be received during the course of 2013. In accordance with our accounting policies we will amortise the state grant over the estimated useful life of the facility from the date the grant is received. Some of Rombat's short-term objectives are to expand its aftermarket European distribution footprint for Start/Stop batteries and to obtain approval of the new Start/Stop facility from our European customers.

Rombat had a pleasing financial result for the nine-and-a-half months for which is was consolidated. The results were ahead of our expectations, notwithstanding the tough European trading environment. EBITDA for the nine-and-a-half months was L27 million (R64 million), profit after tax was L17 million (R40 million) and turnover was L240 million (R576 million).

BALANCED BUSINESS

As recently as 2007 the vast majority of our business was with one OE customer. In order to improve the sustainability of our business we have followed a deliberate strategy of bringing more balance to our client base, product lines and geographical diversity. We now supply all seven OE customers in South Africa as well as Renault Dacia in Romania. While the OE business remains core to the group's strategy we will continue to focus on aggressively growing the aftermarket and non-automotive areas of the business and on improving the group's geographical diversity. We will also strive to increase the proportion of our business that is derived from our battery businesses.

Aftermarket, non-automotive, export and property turnover grew by 40%, increasing the contribution for this segment to 42% (2011: 37%) of group turnover. The earnings contribution from these markets increased to 55% (2011: 54%), delivering on our objective of equalising our earnings from these segments

WHAT IS MOST PLEASING IS THE PROGRESS MADE ON OUR STRATEGIC PATH DESIGNED TO BALANCE OUR BUSINESS WITH OUR FIRST OVERSEAS ACQUISITION IN THE FORM OF ROMBAT, THE LEADING LEAD-ACID BATTERY MANUFACTURER IN ROMANIA.

with the Original Equipment (OE) market segment.

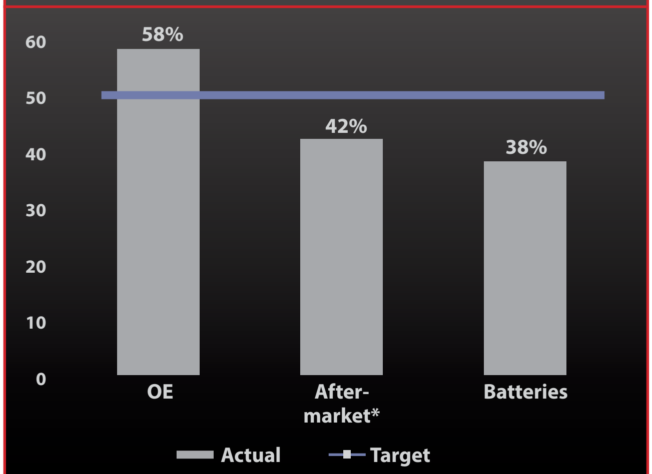
The OE segment remained the major contributor to group turnover with 58% (2011: 63%) coming from this segment. Earnings from this segment decreased to 45% (2011: 46%) of the total.

We use our segmental report as our strategic path health indicator to measure progress against our '3 x 50%' strategy. This strategy targets 50% of turnover from the OE sector, 50% from aftermarket, non-automotive and exports, and 50% of our overall business to be in batteries.

The graph below shows our performance against this strategy. While we still need to grow the battery business to achieve our 50% target, the overall turnover generated from battery sales of just on R2 billion is very pleasing.

Balance also needs to be maintained in our relationships with all of our stakeholders, including government, labour, customers, management and shareholders.

PERFORMANCE AGAINST OUR 3 X 50% STRATEGY



* Relates to aftermarket, non-automotive and exports

MARIKANA AND HUMAN CAPITAL

It would be very difficult to report on 2012 and not mention the terrible events that took place in Marikana in early 2013. The tragic events at Marikana taught us that there has never been a more important time to focus on our human capital and transformation. Marikana has reconfirmed the importance of human capital as the automotive industry (especially the OE segment) aims to balance cost-competitiveness, employee expectations (labour) and government's socio-economic objectives. Marikana emphasised to us the importance of understanding employee expectations, communicating effectively with our employees and on maintaining a working environment where employees are treated with dignity in a well-defined, structured, safe and healthy environment.

The group risk analysis which is included on page 45 of this report was impacted by the Marikana tragedy.

From a results perspective, group turnover in the mining sector was negatively affected and in the automotive industry a major customer lost two weeks of production due to the labour relations fallout caused by the Marikana tragedy.

MEGA-TRENDS

We believe the mega-trends listed below will shape the future of global business and particularly the automotive industry:

- New patterns of mobility
- Convergence of new technology
- New patterns of consumption
- Resource scarcity
- Climate change/green movement
- Urbanisation
- Demographic change
- Quality health care
- Globalisation

Management has committed itself to aligning the group with these trends and we have embarked on a special project that incorporates the first six mega-trends and our latest technology advancements.

MANAGING DIRECTOR'S REPORT

continued

ELECTRIC VEHICLE MET-ELEC-R60

In July 2012 we launched a project to produce an economical electric car within four months – Project Met-Elec-R60. The objective of Project Met-Elec-R60 was to produce two electric vehicles with a bill of material cost of R60 000 per vehicle, using our Start/Stop battery technology as the power source and incorporating the skills and technology housed within our subsidiary companies. Although both vehicles use our Start/Stop technology as a power source we decided to have two base vehicle source options: one as retro fit of an old vehicle while the other was designed and built from scratch. Both cars were presented at the managing director's conference in early November 2012.

Ignoring the commercial opportunities that may arise, the Met-Elec-R60 project was a great success. Management and associates from different subsidiaries worked together to design and build the vehicles using different technologies housed within different subsidiary companies to achieve a common goal. All this was achieved within a precise time period without it impacting on their day-to-day responsibilities.

START/STOP BATTERY TECHNOLOGY

The group's Start/Stop battery technology was developed in 1981 when we launched an Absorbed Glass Mat (AGM) mining cap lamp for the mining sector. Since then we have sold more than 5 million mining cap lamps utilising this AGM technology. Over the past seven years we have developed a Start/Stop battery range for the automotive sector and during the financial year this battery product range was approved for OEM Start/Stop vehicles. During the period the group received its first orders from BMW SA for our Start/Stop battery products.

Retrofit model

Concept model

As referred to above, Rombat also managed to produce its first Start/Stop battery as we successfully commissioned a state-of-the-art Start/Stop production facility at our Bistrita factory.

BUSINESS MODEL

As the theme and image of our 2012 integrated report suggests, we spent a lot of time this year reflecting on our business, especially in response to the lessons learned during the 2008 crisis. We dedicated time to refining our future sustainable path and incorporated this into the group's vision and brand, which signifies the next stage of our journey with the acquisition of Rombat.

Our business model crystallised and, as our brand demonstrates, '**METAIR**' converts mostly locally available commodities with **M**anufacturing **E**xcellence and **T**echnology into products using people and energy for the **A**utomotive, **I**ndustrial and **R**etail market.

ORIGINAL EQUIPMENT

South Africa

New vehicle manufacturing volumes for the second year in a row settled at the 500 000 unit mark as government's new incentive programme, the Automotive Production and Development Program (APDP) brings stability to the automotive sector.

Although volume growth during the period was slow, the group managed to increase turnover from the OE sector by 9%. This was achieved by producing products for Ford SA, a new customer in this sector that is targeting increased exports with the production of an international light commercial vehicle platform.

Turnover growth in this sector was also helped by product diversification within our traditional customer base as well as the weakening of the Rand. Rand volatility and the resulting customer reaction re-emerged as a challenge in this sector during this period, with a major customer revising its foreign exchange policy.

Europe

The decline in overall vehicle demand and consequent fall in vehicle manufacturing in Europe shifted demand focus to more affordable entry-level vehicles. This shift bodes well for Romania as Renault, with the Dacia brand manufactured in Romania, increased market share and brand preference in Europe.

Romanian vehicle production volumes increased slightly and were on par with volumes produced in South Africa. We are very pleased with the addition of Renault/Dacia as a new customer in this sector.

AFTERMARKET

South Africa

The size of the overall vehicle parc continues to grow and group aftermarket turnover increased accordingly. Our product offerings improved, especially on batteries as we launched an Enhanced Flooded Battery (EFB) range and expanded on our Absorbed Glass Mat (AGM) battery products. This gives the group two different solutions for the automotive Start/Stop and heavy-duty battery applications.

Europe

Despite trying market conditions the group managed to maintain its market share in Romania and sustain our European market penetration.

OTHER PRODUCTS

Development of our new Universal Vehicle Trucking Transponder (UVTT) progressed to field testing stage and we continue to push to expand our product offering in this sector.

ACQUISITIONS

We are very pleased with the skills developed and lessons learned in completing our first overseas acquisition. The Rombat acquisition was particularly challenging in both nature and execution. The good financial and strategic performance from Rombat in challenging market conditions is very pleasing. The acquisition blueprint developed during this process can be applied in potential similar acquisitions.

The group will continue to target strategic acquisitions in the aftermarket and non-automotive business where we can take advantage of our technological expertise and balance sheet.

SUSTAINABILITY

The focus on long-term sustainability has increased as we continue to implement our stated business model. The realities of operating in the global automotive industry have driven the integration of long-term sustainability into our organisation. The fundamental concepts of sustainability directly impact our bottom line. If we do not carefully control hazardous materials, or if we make our products in ways that are environmentally unfriendly, we not only fail in our moral duty, 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 have to continuously engage our employees and ensure that the requirements are in place for them to produce as efficiently and cost-effectively as possible.

TRANSFORMATION

We are extremely pleased with the significant improvement in our combined overall group Broad Based Black Economic Empowerment (BBBEE) score as detailed on page 65 of this report. We are, however, disappointed with the lack of progress made in employment equity (EE), which was negatively impacted by the challenge of retaining engineering skills in a highly competitive market. We retain our focus on improving our EE performance even as the generic EE requirements are set to increase in the coming year.

The overall improvement in our transformation score was driven by a better performance in management control, skills development and preferential procurement and the group again met its three-year transformation goals during this year. Two of our companies are BBBEE Level Three contributors and five are now Level Four. We will focus on areas where targets were not attained 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 33 of this report.

PROSPECTS

The dominant automotive markets that the group operates in seem to have stabilised. Vehicle production volumes look set to continue at current levels with the potential for a slight increase in volumes from American-based vehicle manufacturers.

The challenges relating to our base currencies (South African Rand and Romanian Lei) will remain as currency volatility increases and we battle inflationary pressures.

As we maintain our target of improved balance in our business, the group will continue to focus on acquisitions with the additional intention of improving our African footprint.

Expanding product approval for our Start/Stop battery will be a major drive in 2013 as we target moderate market penetration by 2016.

Maintaining ourselves in the coming period is going to be challenging and would require continued demand for local vehicle production and aftermarket products, supported by increased product offering and market penetration. A stable and non-disruptive labour environment combined with reasonable currency stability will be desirable.

We thank all our stakeholders for their commitment and support over the 2012 financial year and look forward to their continued support during 2013.

I would also like to thank Prince Bothata Molotlegi who served on the board from 2007 to 2012 for his valuable input and enthusiastic participation. We wish him well in his new role at the Royal Bafokeng Nation.

CT Loock
Managing director

FINANCIAL REVIEW

	2012 R'million	2011 R'million	% Change
Revenue	**5 273**	4 294	23%
Gross profit	**1 236**	917	35%
Profit before taxation	**690**	602	15%
Profit attributable to ordinary shareholders	**441**	408	8%
Total equity	**2 099**	1 701	23%
Interest-bearing debt excluding cash	**251**	52	383%
Property, plant and equipment	**1 237**	763	62%
Current assets	**2 025**	1 641	23%
Total assets	**3 404**	2 482	37%
Net asset value per share (cents)*	**1 356**	1 119	21%
Basic earnings per share (cents)	**310**	289	7%
Headline earnings per share (cents)	**310**	260	19%

*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 22,8% from R4 294 million to R5 273 million, primarily as a result of the inclusion of Rombat. Excluding the contribution from Rombat, revenue increased by 9,3% due to increased turnover to OEMs through diversification as well as the effect of higher exchange rates. Gross profit margin improved to 23,4% (2011: 21,4%) due to additional OEM business, cost control and the continued good performances for aftermarket and non-auto.

Other operating income decreased from R166,2 million to R69,3 million mainly due to insurance proceeds relating to the fire at our FNB division of R122,6 million in the prior year. In the current year the business interruption amount of the insurance claim is R22,8 million compared to R47,4 million in the prior year. Excluding the effects of the fire in both years other operating income in the current year is R44,6 million compared to a prior year of R43,6 million.

Distribution costs increased from R132,8 million to R176.3 million principally as a consequence of the Rombat acquisition and increased local aftermarket sales. The administrative cost increased largely from inflation coupled with the Rombat acquisition.

Operating profit increased from R576,2 million to R668,4 million. Excluding the impact of the profit on the insurance recovery relating to property, plant and equipment, operating profit was R645,6 million in 2012 compared to R528,8 million in 2011, an increase of 26%. The inclusion of Rombat has contributed to this increase as well as good cost control measures.

Associate income increased on the prior year from R19,3 million to R27,8 million predominantly due to the increase in the vehicle parc and improved performance.

The taxation charge of R197,7 million includes current taxation of R180,7 million, deferred taxation of R3,7 million and secondary taxation on companies of R13,3 million. This resulted in an effective taxation rate of 29% (2011: 25%).

Net financing expense was at R5,9 million compared to R6,4 million net finance income in 2011.

Headline earnings increased by 19,8% to R 441 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 19% to 310 cents.

FINANCIAL POSITION REVIEW

Net Asset Value per share increased from 1 119 cents to 1 356 cents per share.

Working capital was negatively affected during the latter part of the year. Net working capital as a percentage of sales increased from 15,8% in 2011 to 17,2% in 2012 as a result of inventory that has increased due to higher production volumes and the effect of the strike action in October 2012, as well as the historically high working capital position of Rombat.

Cash generated from operations increased from R450,4 million in 2011 to R749,8 million in 2012. Cash outflows from investing activities increased from R88,2 million to R716,8 million due to the acquisition of Rombat and an increase in capital expenditure, primarily at our Rombat operation. Cash repayment of debt of approximately R166 million during the year left the group cash balances net of overdrafts at a healthy R255 million (2011: R397 million). The decline is primarily due to the inclusion of Rombat which currently has a large overdraft and the use of cash for the Rombat acquisition. We believe that approximately R80 million cash will flow to Rombat for a government grant for the new Start/Stop facility in the course of 2013.

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 2012 amounted to R299 million versus R160 million in the prior year.

The spend was targeted at increasing capacity and technology at our battery business in Romania with the new Start/Stop battery line as well as spend relating to new OEM business and vertical integration.

Capital expenditure for 2013 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 business to equip operations for model changes coming into effect in future years
- capital expenditure to meet our commitment to improve our competitiveness
- localisation initiatives.

A summary of the group's capital expenditure for 2013 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 2013. Each subsidiary has been tasked with identifying cost saving measures which is a key performance measurement for 2013.

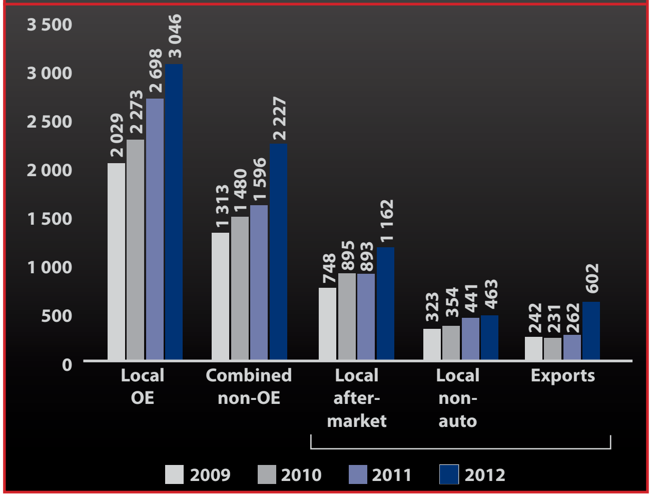
2013 Capital expenditure (R'000)

	Maintenance	Expansion/ competitive and efficiency improvement	Total
OE	30 579	194 164	224 743
Aftermarket	36 086	25 709	61 794
Property	7 430	10 469	17 900
Total	**74 095**	**230 342**	**304 437**

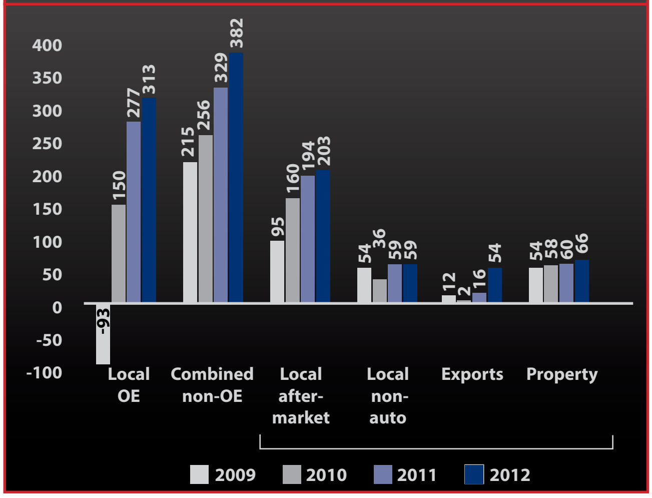
OPERATIONAL REVIEW

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

TURNOVER (R million)



PROFIT BEFORE INTEREST AND TAXATION (R million)



The aftermarket, export, non-auto and property sectors generated R381,7 million (55%) of the operating profit.

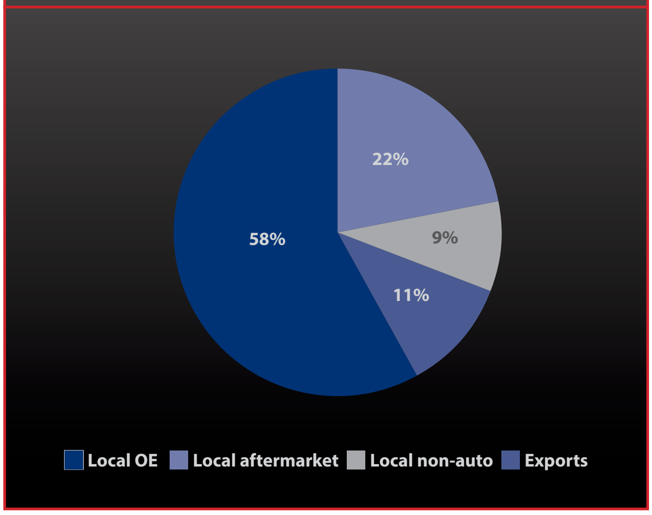
The original equipment (OE) division continues to generate the majority of turnover. Export performance increased due to the inclusion of Rombat where a large proportion of their turnover is exported to Europe. The combined turnover from aftermarket, non-auto and the export segments grew by 40% to R2 227 million.

The non-OE businesses (the aftermarket, non-automotive, exports and property operations) include the results for Rombat for nine months of the year.

While the OE business still makes the highest contribution to group turnover, the combined non-OE businesses generate more profit as margins are higher in these operations.

Margins grew in exports and remained relatively stable in local OE and non-auto sectors. Margins increased slightly in the South African aftermarket due to lower lead LME prices in addition to the local aftermarket business for Rombat having relatively better margins than other sectors.

REVENUE CONTRIBUTION 2012



ORIGINAL EQUIPMENT (OE)

The original equipment part of the business produces parts used in the manufacture of motor vehicles. Local vehicle production grew 1% to 510 614 in 2012 while exports rose 2% to 277 893.

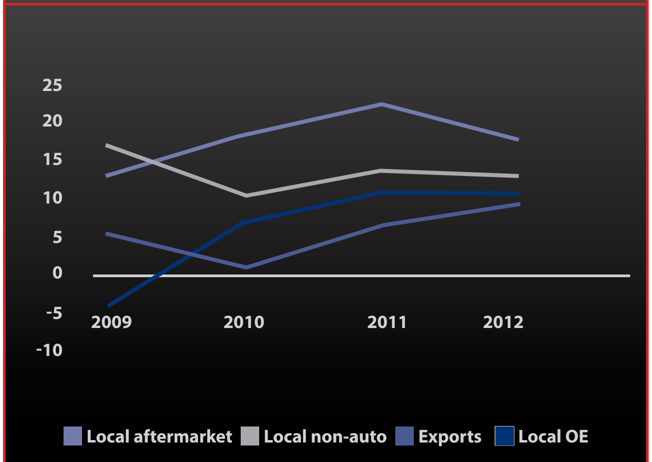
The continued high levels of imported vehicles, an unintended consequence of the MIDP, remain a challenge for the OE industry although it offers opportunity in the aftermarket sector. Total vehicle sales for 2012 grew 9% to 596 185 (2011: 545 593) of which 71% were imports.

NAAMSA forecast production for 2013 of 620 000 vehicles, an increase of 21% which reflects the first year of the government's Automotive Production and Development Programme (APDP). The APDP replaces the existing Motor Industry Development Programme (MIDP) and aims to increase South African motor vehicle production to 1,2 million vehicles a year by 2020. The APDP provides medium-term certainty for the OE industry and improves the prospects for future growth and South Africa as a manufacturing destination.

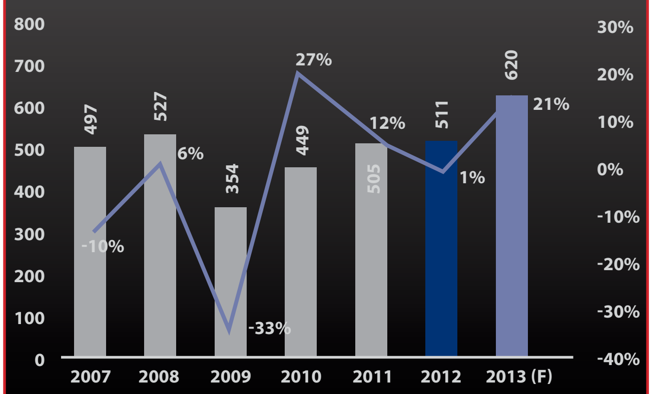
The Rand weakened during 2012 which helped to improve South Africa's attractiveness as a manufacturing destination.

The OE business had a good year, benefitting from the group's balance in representation across all seven local OEs, including the launch of the Ford Ranger export programme. Turnover

PROFIT BEFORE INTEREST AND TAXATION MARGIN (%)



LOCAL VEHICLE PRODUCTION ('000) AND GROWTH



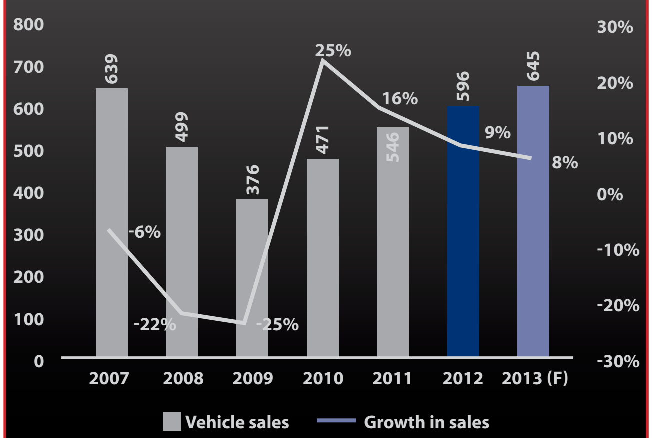
Source: NAAMSA

(including exports) increased to R3 141 million, an increase of 13% on last year's R2 784 million, supported by increased OE production. Margins recovered slightly on the higher volumes. This part of the business benefits from long product lifecycles which make volumes and revenues generally predictable under normal circumstances.

The year also saw the entrance of international low-cost manufacturers that will further increase the competitiveness of this segment of our business.

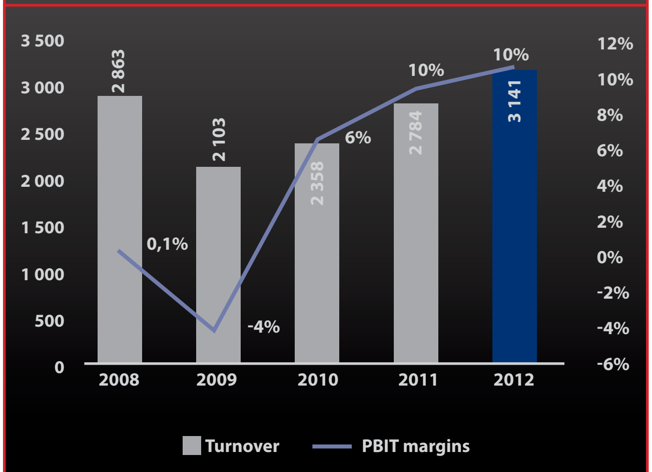
The industry lost the manufacturing and sale of approximately 10 000 vehicles due to illegal industrial action. The turnover lost during that period may be recouped in the first quarter of 2013 if affected customers can salvage export contracts and volumes from affected target markets.

PASSENGER AND LCV SALES ('000) AND GROWTH



Source: NAAMSA

ORIGINAL EQUIPMENT (R million)



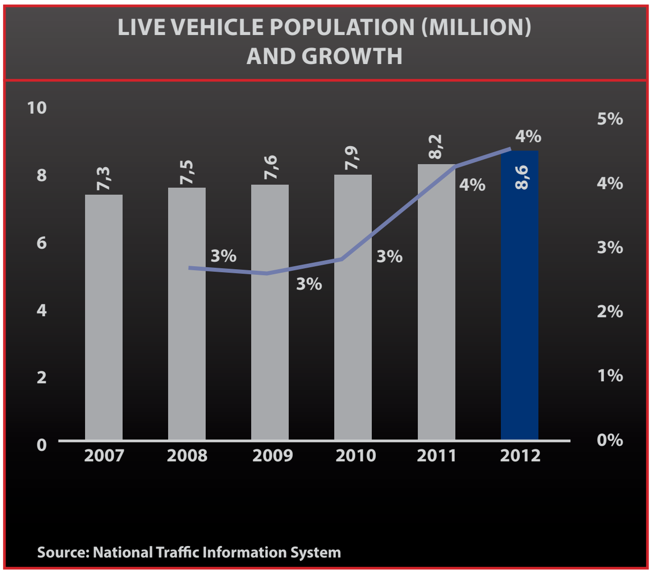
AFTERMARKET

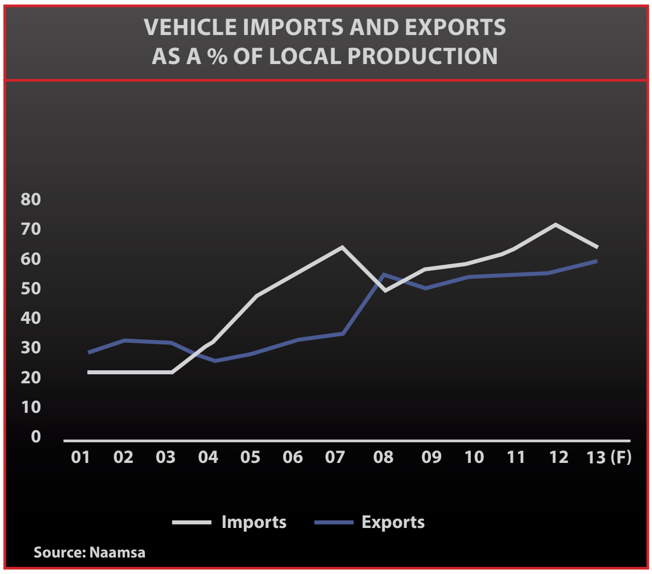
The aftermarket business manufactures and distributes automotive parts used to service vehicles and offers Metair the opportunity to supply products to the same vehicle throughout its life. Batteries and brake pads make up the bulk of this business, which also includes shock absorbers, lights, radiators and air-conditioners.

There are approximately nine 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 vehicles start to source products from the aftermarket business after a lag of between two and four years. The high

OPERATIONAL REVIEW continued





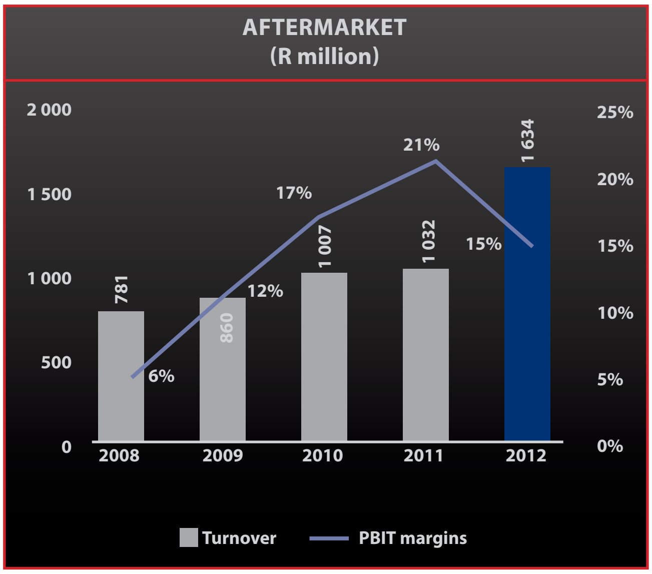
vehicle sales in 2007 and 2008 should therefore continue to support growth, although this growth is likely to be slower due to the lower levels of vehicle sales in 2009 and 2010.

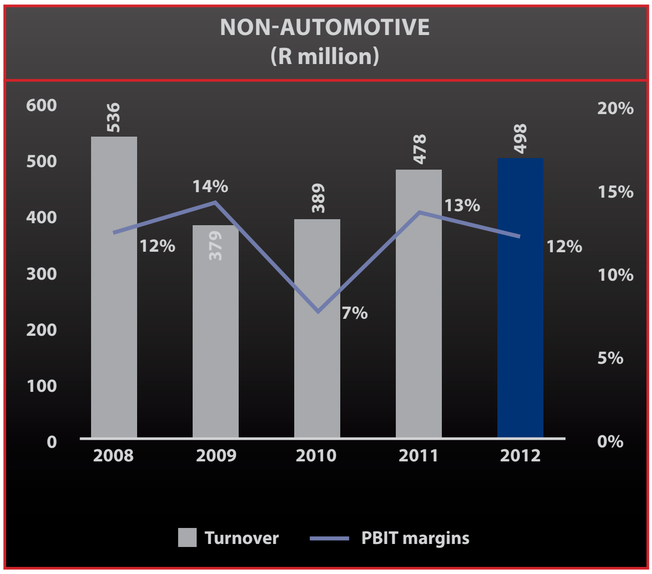
Exports of motor vehicles manufactured in South Africa have seen a significant rise over the last 10 years and now account for more than 50% of total production. These represent vehicles that Metair supplied parts to and that have now left the country and are no longer potential aftermarket customers. 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 in the aftermarket segment (including exports) rose 58% to R1 634 million (2011: R1 032 million), supported by First National Battery volumes returning to the levels enjoyed before the fire in 2011 and the inclusion of Rombat for nine months of the year. Margins reduced to 15% (2011: 21%) primarily due to lower margins in the European market than in the South African market. In addition FNB recovered the market share it lost as a result of the fire and warranty claims were slightly higher than expected. While the aftermarket segment (including exports) comprised approximately 31% of group revenue, operating profit was 35% 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 exports by retail and mining sectors. It recovered well in 2011 and increased again in 2012 to R498 million, an increase of 4%.





Profit increased slightly to R62 million (2011: R61,7 million) on marginally higher sales volumes.

EXPORTS

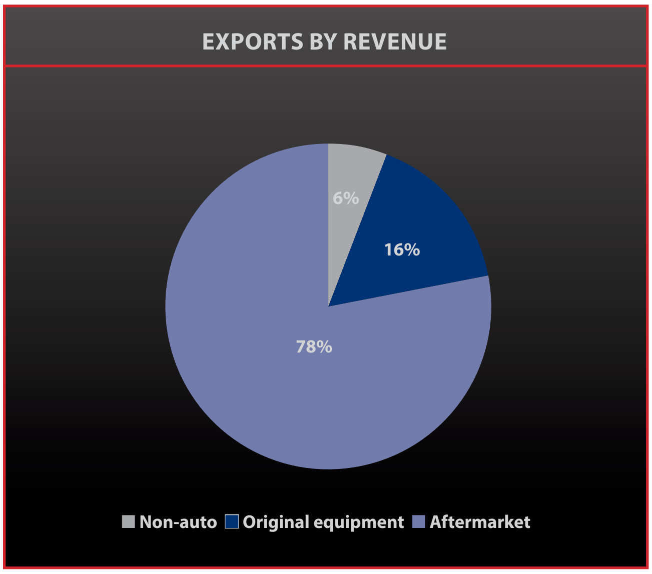
Exports consist mainly of aftermarket and OE product exported to Europe. Exports more than doubled to R602 million (2011: R262 million) with the inclusion of Rombat where a large portion of their sales are made in Europe.

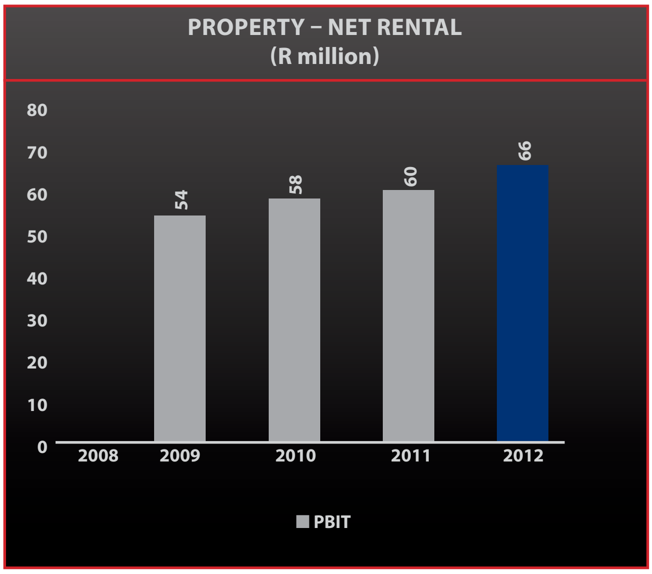
Profit recovered to R54 million compared to R16 million in 2011 due to the inclusion of Rombat. Before 2009, exports were not split out separately, so no comparative figure is shown for 2008.

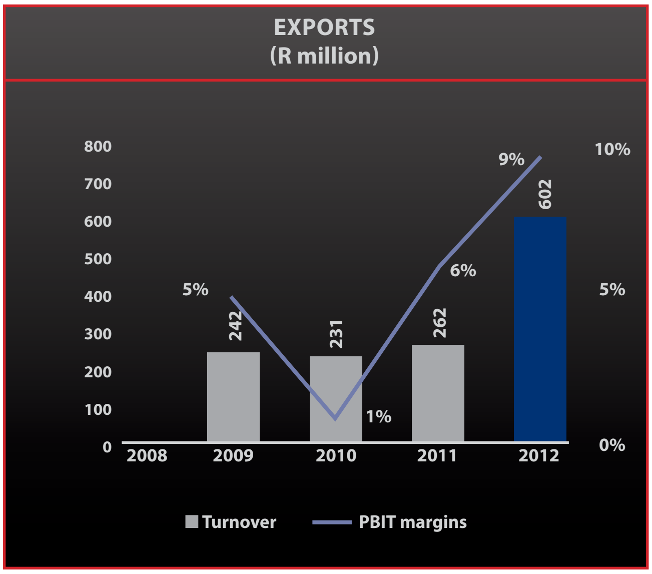
PROPERTY

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. Gross rental allocation increased to R67 million in 2012 (2011: R61 million) and net rentals rose by 10% to R66 million (2011: R60 million).

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







VALUE-ADDED STATEMENT

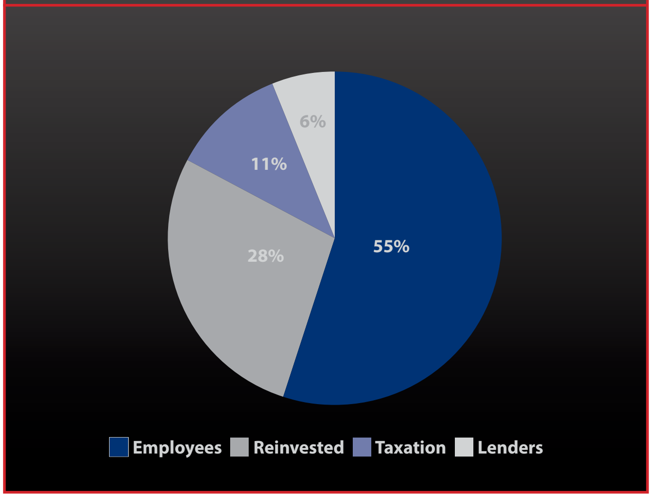
		GROUP 2012 R'000	2011 R'000
WEALTH CREATED			
Revenue		**5 273 370**	4 294 152
Less: Net cost of products and services		**(3 445 833)**	(2 694 518)
Value added		**1 827 537**	1 599 634
Add: Income from investments		**48 882**	33 635
Wealth created		**1 876 419**	1 633 269
WEALTH DISTRIBUTION	%		
Employees			
Salaries, wages and other benefits	55	**1 031 896**	934 260
Providers of capital	6	**128 845**	99 608
Interest on borrowings	1	**26 961**	7 858
Dividends to shareholders	5	**101 884**	91 750
Government taxation and levies	11	**197 718**	150 906
Retained in the group	28	**517 960**	448 494
To provide for the maintenance of capital	7	**127 210**	89 150
To provide for expansion	21	**390 751**	359 345
	100	**1 876 419**	1 633 269
Total number of employees		**6 478**	5 951

The value-added statement shows how the value the company and its employees create through their activities is distributed among key stakeholders of the group.

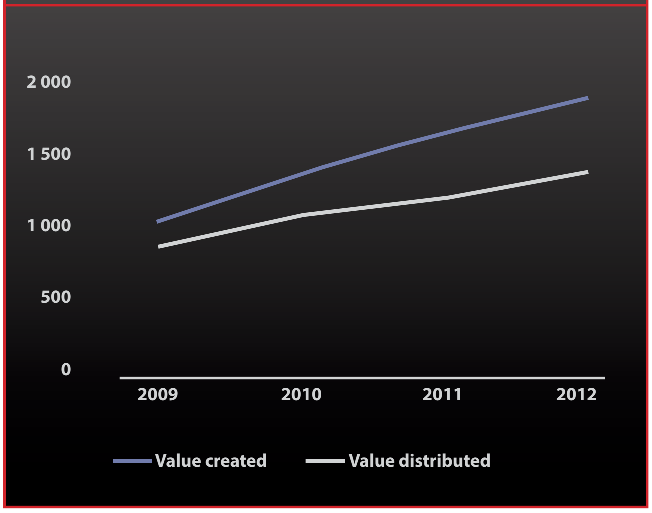
Wealth created is calculated as turnover less the cost of products and services plus income from investments. Major recipients of the distribution include employees (55%), government through taxation and levies (11%) and providers of capital (6%). Of the 28% retained in the group, 21% is set aside to provide for future expansion.

Since 2009, Metair has created nearly R6 billion in cumulative total value, growing value-added at a compound annual growth rate of 22%. More than R4,4 billion has been paid to its stakeholders over the same period.

DISTRIBUTION OF VALUE-ADDED %



VALUE ADDED



STAKEHOLDER RELATIONSHIPS

We define our stakeholders as those persons, groups or entities which are directly impacted by the activities of the group as well as those persons, groups or entities which can reasonably be foreseen to be impacted by the group's activities. Metair's strategy for stakeholder engagement is set out in the Stakeholder Engagement Policy.

We take a stakeholder-inclusive approach to governance, as recommended by King III and recognise the interests and concerns of our key stakeholders, balancing these with the long-term interests of the company.

We recognise that transparent and effective communication with our stakeholders, such as through this integrated annual report, is essential for building and maintaining stakeholders' trust and confidence. Management has been delegated the responsibility for proactively managing stakeholder relationships. We see maintaining good relationships with our stakeholders as an important aspect of good corporate citizenship and managing the group's reputation.

Metair has in place processes to ensure the equitable treatment of all classes of shareholders, as more fully discussed in the corporate governance section of this report. Employees and management are guided by the company's Code of Ethics in all their dealings with stakeholders, to ensure their equitable treatment and rapid and efficient resolution of disputes.

We categorise stakeholders as either internal (within the group) or external (outside of the group):

- **Internal stakeholders** interact with management through meetings, forums, feedback sessions, electronic communication and the independently monitored Tip-Offs Anonymous hotline.
- **External stakeholders** engage with the group through our website or 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:

- All shareholders
- 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

ONGOING STAKEHOLDER COMMUNICATION

Customers

We work very closely with our OEM customers throughout the year. Our customers' main concerns are 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 64). 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 continues to face huge challenges to remain globally cost-competitive. These include:

- **Inflation –** We operate in an inflationary 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.
- **Currency –** Where local manufacturers operate with a very strong free market currency, our competitor suppliers' countries mostly have deflation and some currencies that are kept weak by government intervention. While the rand weakened during the current period, we continue to engage with customers to address rand volatility in our pricing with them, with the objective to be foreign exchange neutral as much as possible. During the year, one of our major customers changed their foreign exchange policy making neutrality difficult to achieve. We continue to engage to address this risk. In addition we 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 these 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. Most of our major clients now use a Cost Index Landed (CIL) model, which overlays the logistical cost of imported competitors' products in price comparisons.

Shareholders and investors

Management interacts with shareholders and investors at interim and annual results presentations as well as at shareholder meetings and the annual general meeting. When the company is not in a closed period prior to the release of results, management interacts with shareholders and investors on an ongoing basis.

STAKEHOLDER RELATIONSHIPS

continued

As part of our strategy to improve understanding of the group and raise Metair's profile in the investment community, the company held site visits to five operations. The group also commissioned a survey of investor perceptions following the interim results presentation and site visits. The results showed that management and the company are generally viewed positively across the six categories surveyed – performance, business fundamentals, management quality, communication, strategy and sustainability.

Suppliers

We depend on our suppliers for a reliable supply of our critical inputs at a reasonable price. The decision by Arcelor Mittal South Africa (AMSA) to stop production of Improved Surface Finish (ISF) steel represents a major risk for the automotive sector. ISF steel will now have to be imported and this will impact costings on all components in which it is used.

The fire at AMSA's Vanderbijlpark works in early February 2013 disrupted steel supply and highlighted the dependence of the automotive industry on this critical input.

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. In the future, we intend to broaden these audits to include an assessment of suppliers' carbon footprints.

Employees

Employees are extremely important stakeholders in the future of the business. Without workers who share our commitment to excellent quality and the highest levels of efficiency, South Africa cannot compete as a manufacturing destination.

Employees interact with management in the normal course of business and through the human resources functions and there is an external anonymous tip-off system in place for employees to register complaints and concerns on any matter. The group MD regularly visits the operations and employees can engage with him on these visits or contact him directly should they need to.

Employee wellness was a major focus during the year – more details on our investments in this area can be found in the Human Capital section on page 34.

Government

Government is an important stakeholder because it creates and applies the incentive schemes that ensure the long-term viability of the automotive industry in South Africa. 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) Metair engaged extensively in the development of the Automotive Production and Development Programme (APDP) and the Industrial Policy Action Plan (IPAP).

Business partners

Five of Metair's ten 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.

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

THE ELECTRIC CAR CHALLENGE

As an exercise in innovation and design agility, Metair's divisions were challenged to create and build an urban electric car in three months with a budget of R60 000. Performance stipulations included a range of 300km on a single charge with a charge time of two hours.

Representatives from across the group rose to the challenge and produced two vehicles built around Metair's Start/Stop batteries:

1. The Met-Elec-R60

Built around the expertise of companies across the group, the Met-Elec-R60 has a range of approximately 100km with range extension of four litres per hundred kilometres. It has a top speed of 120km/h and a cruising speed of around 80km/h.

2. The Met-Elec Green Machine

This is a retrofitted Ford Fiesta powered by eight Start/Stop batteries. Its estimated range is around 40km with a cruising speed of 75km/h. A short video on the Green Machine can be viewed at: http://www.youtube.com/watch?v=lFfwf00C2eg&feature=youtu.be

TRANSFORMATION

Metair acknowledges the importance of transformation for the future of South Africa and is committed to transforming our group. Transformation is important to demonstrate our commitment to social responsibility and our support of the long-term transformation goals of the country. It is also important to help us remain relevant as an industry representative and is a key consideration with OEM customers when they evaluate 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 Broad-Based Black Economic Empowerment (BBBEE) compliance. Twenty percent (20%) of executive variable remuneration is linked to achieving designated BBBEE targets across the group.

Each major South African division (excluding associates) measures its BBBEE compliance 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 65.

Seven of the nine divisions are already at or better than our 2014 BBBEE target of Level 4.

We achieved an overall improvement of 16 points (excluding the ownership component) in total to end 2012 with an aggregate BBBEE score of 610,65 (Appendix III). Improvements in Management Control and Preferential Procurement offset decreases in Enterprise Development and Employment Equity.

Employment equity and skills development remain focus areas for the group.

Ownership

Royal Bafokeng Holdings holds a 12,43% stake in Metair and exercises voting rights for 24,85% of that. This gives Metair a score of 20,8 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 and retain. We believe that over time our focus on employment equity and skills development will enable us to develop the necessary internal candidates.

At the end of 2012 the percentage of historically disadvantaged South Africans (HDSA) in the group's workforce (excluding Rombat) stayed stable around 90% while HDSA in top and senior management rose to 33% and 54% respectively.

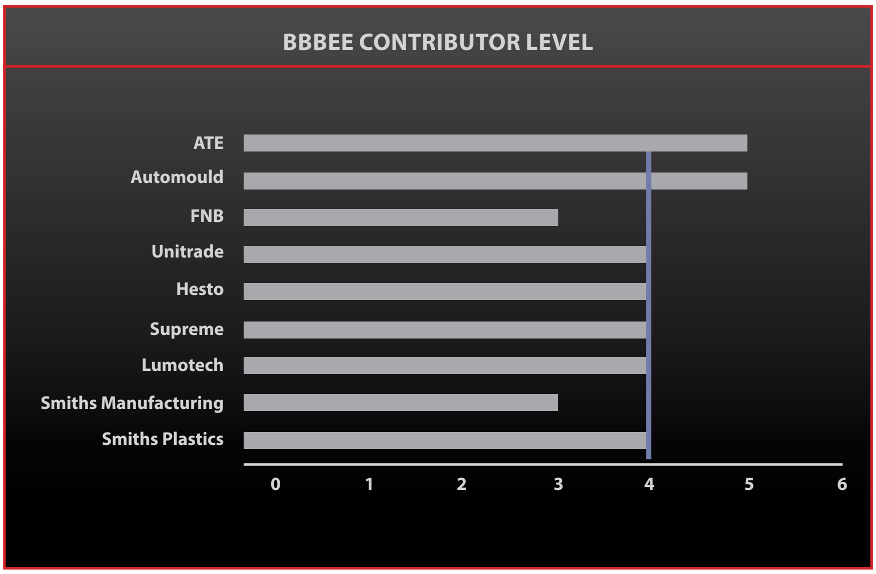
Our aggregate BBBEE score for management control improved by 14 points compared to December 2011, reflecting our focus on improving senior staff representation.

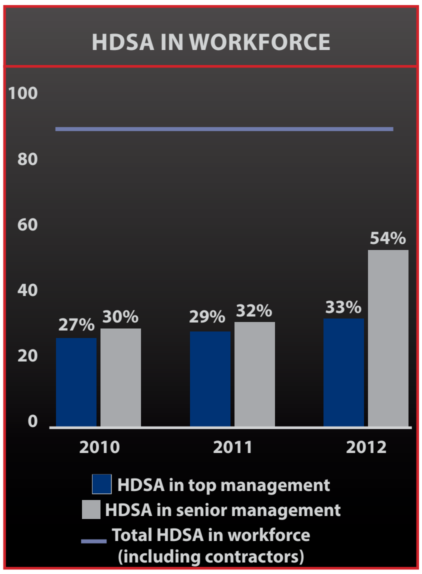
Employment Equity

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 segments.

We nevertheless have a number of initiatives in place to drive employment equity in the group. 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 in the human capital section of this report.





The aggregate Employment Equity score across the group decreased by 11 points as we struggle with retention of qualified engineers and supervisors. We continue to focus on targeted learnerships and invest in the development of internal candidates to transform the demographic profile of our workforce.

Skills Development

A high level of skill is crucial to our ability to compete in a technical industry such as ours and we invest significantly in skills development as described in the human capital section that follows. Our overall score improved by 10 points in 2012. This reflects our continued commitment to skills development as can be seen in the 16% increase in training spend to R11 million (2011: R9,4 million).

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. The group total score again improved significantly (33 points).

Enterprise Development

Metair is committed to supporting small businesses to facilitate social upliftment. Enterprise Development projects across group companies include outsourcing of staff canteens and cleaning services. Hesto outsources certain packaging functions to Stanger Training Centre, a technical-based school for the mentally impaired that aims to build self-sufficiency and income-earning capacity.

Our Enterprise Development (ED) score declined 38 points in the year under review. This is mainly attributable to cost-cutting initiatives at the plastics businesses (Automould and Smiths Plastics) that resulted in their ED scores falling from the maximum allocation (15) last year to less than 1 in 2012.

Socio-economic Development

Metair has social investment initiatives at both 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:

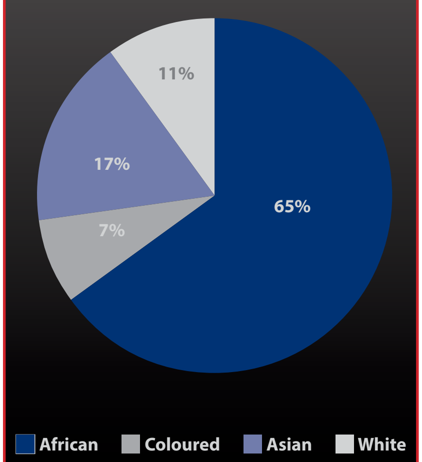
- First National Batteries assists 35 charitable and educational institutions in and around East London and Benoni. Assistance includes sponsoring Rally to Read initiatives, sponsoring libraries, rejuvenating classrooms, bursary programmes and sponsoring science and maths tutelage.
- Hesto supports six local schools as well as the Stanger Training Centre for people with special education needs.
- Lumotech supports several local schools and has a bursary scheme in place.
- Smiths Manufacturing supports eight schools, sponsoring libraries, sports equipment and providing bursaries and educational assistance.
- Unitrade supports various schools, shelters and orphanages. They also support the Essence of Mangete project, a local SME that manufactures cosmetic and domestic oils from lemon grass.

At a group level, 1% of group profit is allocated to supporting community projects. Our main focus is the New Jerusalem Children's Home Container Housing Project in Ivory Park, Thembisa. This project provides holistic and integrated residential care to 80 orphaned, abandoned, abused, traumatised, vulnerable and HIV-positive children. During 2012, Metair engaged with the project to establish a cradle-to-career programme. Once finalised, this initiative will support children through a focussed education programme that will equip them to graduate from the system and enter a career.

Transformation targets for 2013

- Achieve group Level 4 BBBEE compliance by 2014.

STAFF BREAKDOWN



KGABO CARS

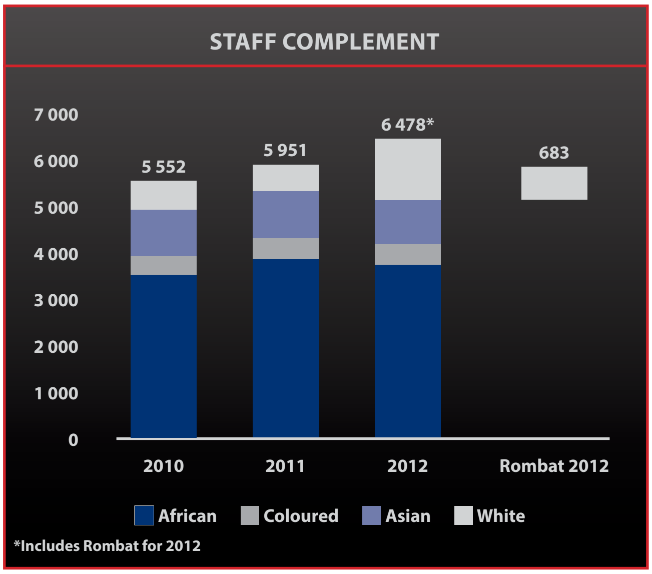
Metair supports Kgabo Cars in Soshanguve. Established in 2001, Kgabo Cars repairs and services cars as well as trains and assists apprentices to become fully qualified, skilled automotive technicians. The company has a specific focus on encouraging females to break industry stereotypes and become successful and self-sufficient motor mechanics. In 2012, Metair paid for the tarring of the company's forecourt.

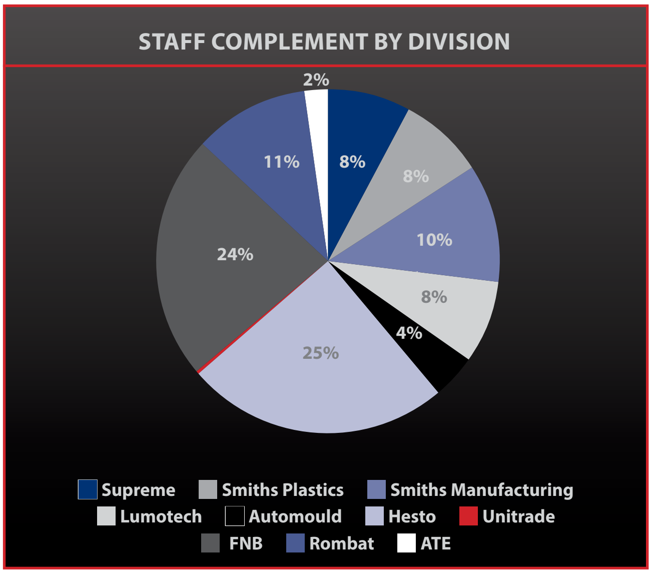
HUMAN CAPITAL

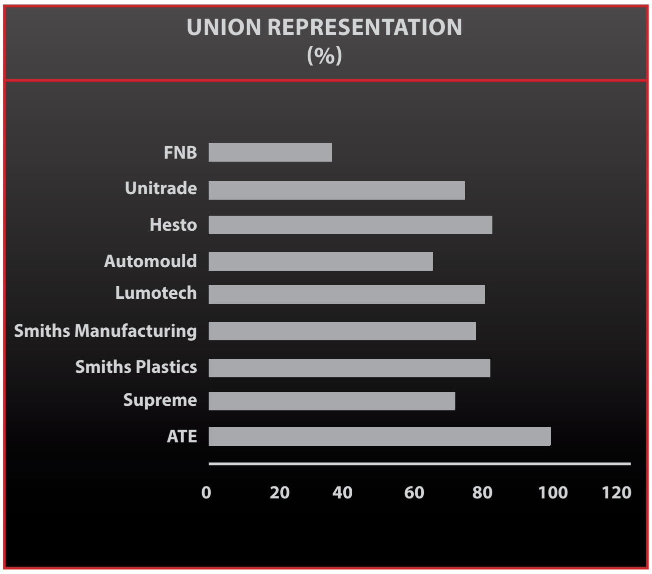
Metair's long-term sustainability is dependent on continued cost-competitiveness. This requires highly efficient manufacturing processes and highly skilled, motivated and disciplined employees. We recognise our employees as key stakeholders in the business and aim to provide a working environment that is safe and healthy and where productivity and commitment are fostered and rewarded.

Each group company has a human resources function and manages its own human capital issues. Employee productivity is measured at plants through individual performance management systems. Employment equity is an important human capital consideration and is discussed in more detail in the section on Transformation.

Of the group's employees, 70% work at four divisions: Hesto, Smiths Manufacturing, Rombat and FNB. While the majority of the employees are employed in South Africa, 11% of the total workforce work at Rombat's operations in Romania.







Group staff complement (including contractors) increased 9% to 6 478 mainly due to the Rombat acquisition during the year. Removing Rombat from the headcount figures, headcount fell 2,6% in 2012 and HDSA representation stayed stable around 90%.

LABOUR RELATIONS

Employee morale is measured by monitoring metrics such as attendance, grievances, disciplinary procedures, staff turnover and health and safety statistics.

The majority of the group is covered in terms of Chapter III of the motor industry bargaining council. Most operations have union representation that exceeds 70% of the workforce. 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 current three-year wage settlement comes to an end in 2013 and labour negotiations are planned.

In the year prior to the Marikana event the group was mostly unaffected by strikes as we mainly dealt with operationally-related labour challenges.

Marikana affected our trade in the mining sector and spilled over into wildcat strikes in the automotive industry that affected us indirectly as these actions were outside the group. A major customer was affected for two weeks due to these actions.

A protected strike experienced in the parts industry influenced the group's view on the required duration for imported products as we increased our lead times and stockholding by an additional week.

Post-Marikana some companies had short illegal work stoppages mostly related to internal operational adjustments required or administration difficulties.

Flexibility to adjust for changes in industry demand is critically important 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.

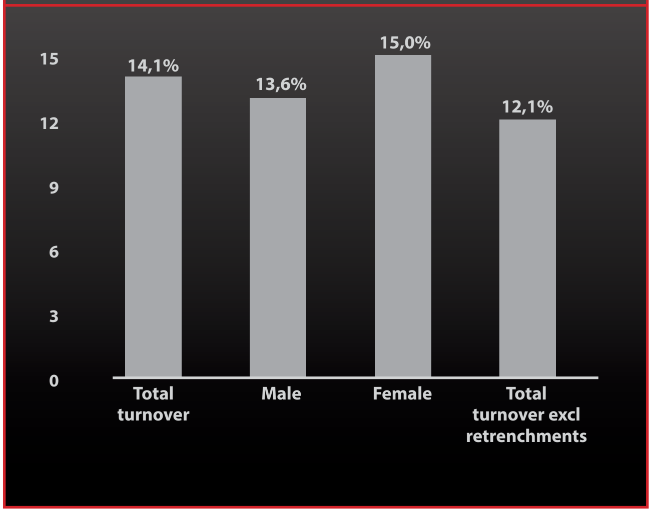
Where any unit cannot compete on a cost basis with the best in the world and our customers choose not to support us at a higher cost, our commitment to our broader stakeholders to ensure a fair economic return means we have to exit that business. Where retrenchments are necessary they are implemented in line with formal agreed and legislated reduction guidelines. During 2012, 122 employees were retrenched (2011: 54). Roughly a third of these arose from the takeover of a going concern, another third from a contract termination linked to changing customer requirements and the remainder from a process efficiency improvement and cost reduction drive.

During 2011 the group embarked on a section 189 labour restructuring exercise at Smiths Plastics. The timing of the process was revised after union consultation and redirected to coincide with any future changes in business levels. The restructuring is necessary for the continued competitiveness of this division. Voluntary severance packages were taken up by 83 employees during the year. The current sensitive labour environment may affect our ability to immediately restructure the business in the short term.

Staff turnover excluding retrenchments for 2012 averaged 12,1%. This figure includes contractors who left the group after fixed-term contracts expired.

Absenteeism for 2012 averaged 1,69%, within our target rate of 4%.

STAFF TURNOVER INCLUDING CONTRACTORS



ATTRACTION, RETENTION AND DEVELOPMENT

The automotive industry is highly technical and 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 invest heavily in skills development and training. This makes us a target for competitors to poach key talent. We believe that the skills that leave us uplift the overall skills base in South Africa to everyone's benefit. Our experience has shown that the skilled employees who leave us frequently 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.

During 2012, there was a significant investment made in upgrading washrooms, canteens and ablution facilities for employees.

Succession planning is an important consideration, especially as management attention and resources are committed to growth within both South Africa and internationally.

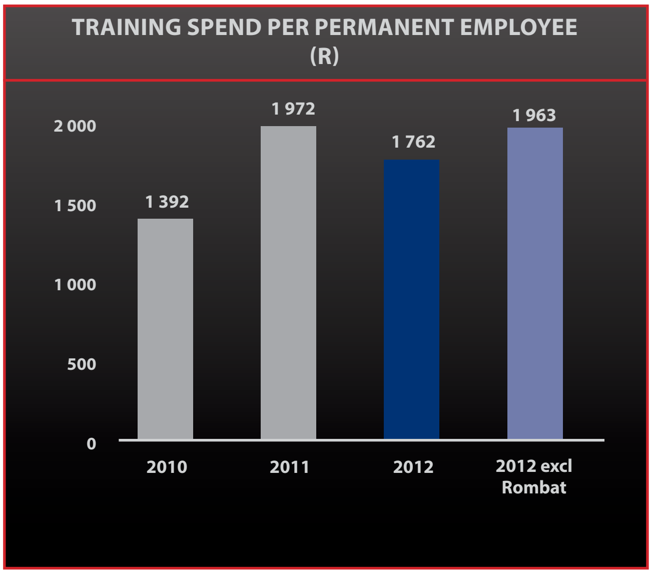
Skills development

Our investment in training increased 16% to R11 million in 2012. We invest the majority of our training spend (88% in 2012) in lower grades in order to develop the critical skills in our employees more rapidly.

The new Dojo training and assessment centre at Smiths Manufacturing was brought into operation and offers various training programmes to help develop fundamental skills, increase efficiencies and improve quality.

TRAINING SPEND BY GRADE (R)

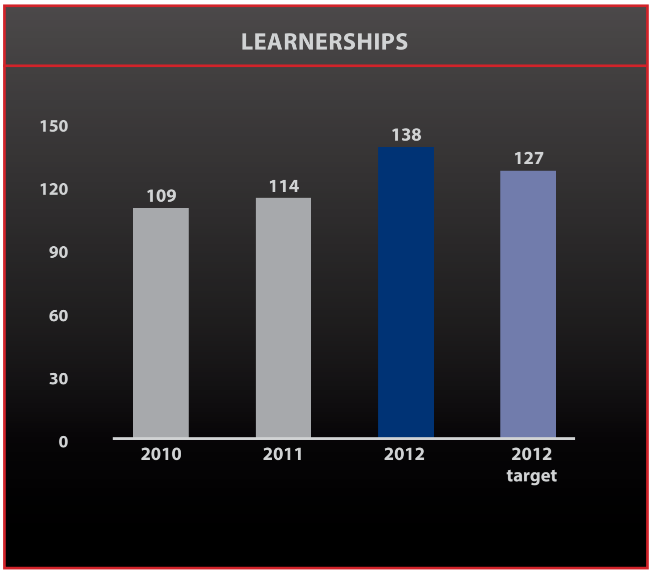
HUMAN CAPITAL
continued



Despite the increase in total training spend, the average training spend per permanent employee exclduing Rombat was R1 963 in 2012 (2011: R1 972).

Total hours of training in the group for 2012 was 83 961, an average of 13,5 hours per permanent employee.

Learnerships represent an important part of our approach to skills development and 138 employees were enrolled in group learnership programmes during the year (2011: 114).



HEALTH AND SAFETY

Providing a safe work environment and the facilities to help our employees manage their health is an important part of maintaining an efficient and effective workforce. Our customers closely monitor our approach to health and safety as well as our performance as part of their supply chain management policies. 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 compliance with OHSAS 18001, the global health and safety standard; and
- 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 (LTIFR) 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 were no fatalities in the group during the year and 30 disabling injuries. There were also 160 lost-time incidents representing an LTIFR of 3,82 per 200 000 hours worked.

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.

At First National Battery and Rombat, lead is used in the manufacturing process. There are stringent safety procedures in place to limit employee exposure. Employees are tested on joining the company and regularly retested for blood lead levels. Where these rise above benchmark levels, employees are restricted from working overtime, receive counselling in the clinic and 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.

Three of our operations, Smiths Manufacturing, Rombat 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.

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 introduced a wellness programme at its East London facility that offers free HIV/AIDS testing at the company's clinics and dispenses antiretrovirals on a daily basis to HIV-positive employees.

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 RIGHTS

Metair is committed to the principles enshrined in the United Nations Global Compact. We respect the rights of our own employees and those of our suppliers to freedom of association. We support the elimination of child labour, forced and compulsory labour and select our suppliers carefully to ensure that they support our ideals. Incidents of discrimination within the company are taken extremely seriously and are subject to the normal disciplinary procedures, including dismissal.

HUMAN CAPITAL TARGETS FOR 2013

- Zero disabling and time loss incidents and each subsidiary has set a specific LTIFR target.
- Absenteeism and staff attrition rate for the group should average below 4%.
- Regain and improve on our 2011 Employment Equity position.
- Maintain or improve group training spend target at R8,7 million.
- Maintain or improve the target of 129 learnerships in the group.

Progress in 2012

Target for 2012		Progress in 2012
Zero disabling and time loss incidents and each subsidiary has set a specific LTIFR target.	↓	There were 30 disabling and 160 lost-time injuries during 2012.
Absenteeism and staff attrition rate for the group should average below 4%.	↓	Absenteeism averaged 1,69% in 2012. Turnover rate excluding retrenchments averaged 12,1% (including contractors).
Employment equity targets need to improve by 7 points on the BBBEE scorecard.	↓	Employment equity score fell by 11 points.
Group training spend target to be R8,7 million.	↑	Training spend totalled R11 million.
Number of learnerships in the group to increase to 129.	↑	There were 138 learnerships.

ENVIRONMENT

Consideration for the environment and an appreciation of the impacts of climate change on the automotive industry and Metair's operations have a critical effect on our approach to doing business. Direct impacts of climate change include distribution challenges due to the impact of severe weather conditions and increased energy costs in cooling manufacturing processes.

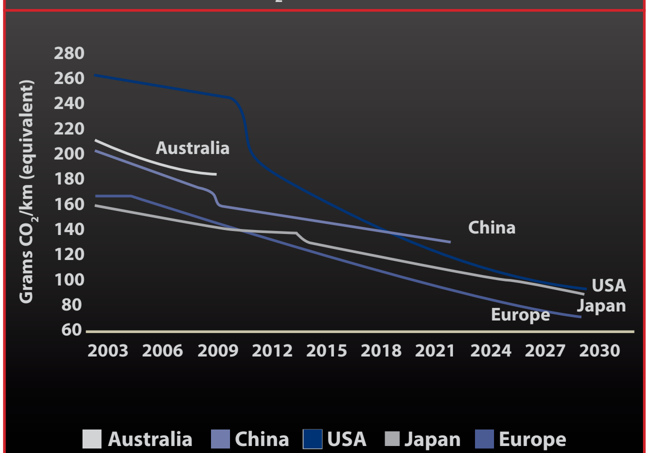
Indirectly, concern about climate change affects emission regulations and other environmental legislation that impact the expectations of our customers and our approach to good corporate citizenship. Increasing concern about climate change also offers opportunities for the group to develop environmentally-friendly and energy-efficient products, such as our Start/Stop battery, high-efficiency Envirolights, heat pumps and solar energy batteries

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, directly impacting Metair.

The chemical makeup of products sold into the European Union is also carefully controlled. The automotive industry has to account for the chemical composition of every component used to make a motor vehicle. 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 a supplier 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.

AUTOMOTIVE CO_2 EMISSION REGULATIONS



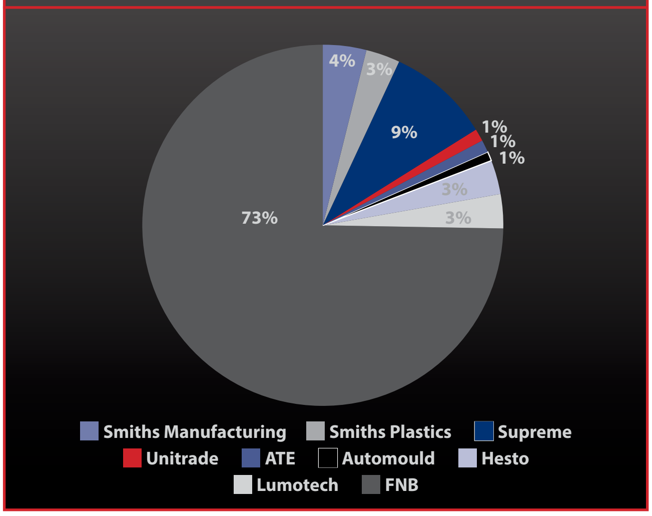
Source: International Council on Clean Transportation

All of our subsidiaries are accredited under the environmental management standard ISO 14001 (refer Appendix II on page 64) .

CARBON FOOTPRINT

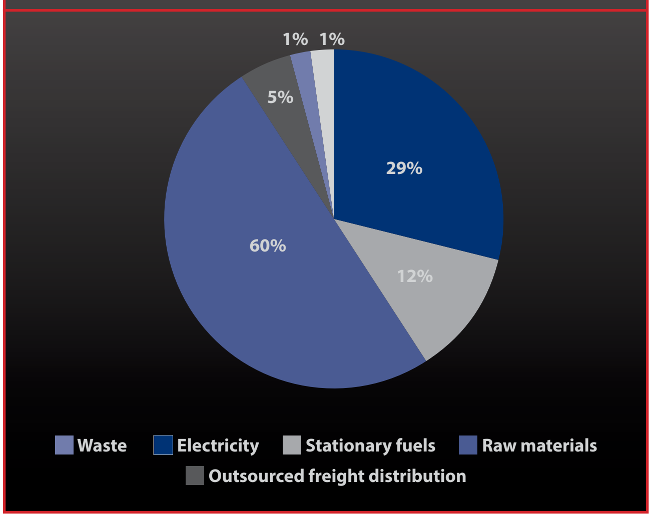
During the year, carbon footprint reports were finalised for all South African subsidiaries for the period January to December 2012. FNB has the largest carbon footprint due to the relative size of the operation, the nature of the material it consumes in production, the high electricity consumption involved in battery manufacture and its large geographic footprint, which results in high logistical costs.

CARBON EMISSIONS BY OPERATION



The 2012 carbon footprint calculation included a measure of the embedded emissions in raw materials consumed (not included in the 2010 calculation). This refinement more than doubled the

CARBON EMISSIONS BY SOURCE



measured carbon footprint of the group.

Across the operations surveyed, emissions embedded in raw materials made up half of all emissions and electricity consumption made up nearly a third. The next largest contributor was carbon emissions from stationary fuels consumed.

Overall, scope 1 & 2 emissions increased 11% on the 2010 base year. Measured per rand of revenue, 2012's scope 1 & 2 carbon emissions fell 11% and increased by 1% when measured per full-time employees.

Transportation of good accounts for a significant portion of scope 3 emissions. Metair continues to participate 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.

ENERGY CONSUMPTION

Electricity is the second biggest contributor to the group's carbon footprint as well as a significant input cost in our manufacturing process. Reducing our electricity consumption is therefore a key focus.

During the year we continued with the utility strategy set for the group during 2011, which includes a strategy to reduce electricity consumption. We have identified three focus areas:

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

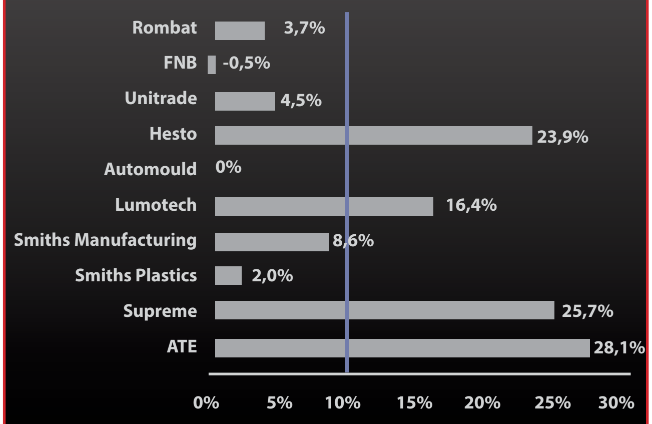
Several capital commitments were approved for the installation of more efficient and controllable electric motors and drivers used in the production facilities. We rolled out Envirolight energy-efficient warehouse/factory lighting (developed in-house) across the group.

Our focus on constantly improving production efficiencies also results in more efficient use of machines and electricity. New and replacement machinery introduced into the production processes also tends to be significantly more energy-efficient.

As a group, energy consumption for 2012 increased 6% on the 2010 baseline, well below the increase in production at our operations.

Each subsidiary measures its own energy consumption per unit of production with a target to improve energy efficiency 10% year on year. Most operations showed an improvement in production-adjusted energy consumption, but not all achieved the 10% target.

PRODUCTION-ADJUSTED ELECTRICITY SAVINGS VS TARGET (10%)



WASTE MANAGEMENT

The most challenging substance we deal with is lead, which is used in car batteries manufactured by First National Battery and Rombat. We aim to take more lead out of the environment than we put into it, so we incentivise customers to return old batteries when buying new ones. We also have 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 as well as 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. 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 63 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 eight of the South African subsidiaries. Water consumption at the operations analysed, mainly from municipal sources, was 360 177 kilolitres for 2012, of which a third 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

ENVIRONMENT
continued

LEAD AND RECYCLING

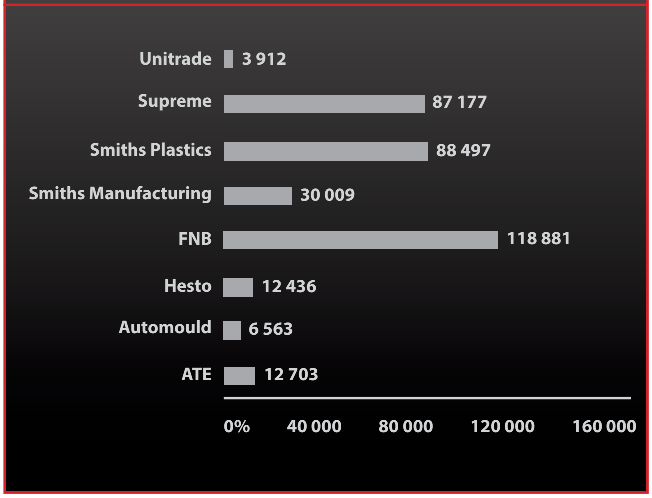
The battery industry is the largest global consumer of lead. Lead comprises the majority of the material in traditional lead-acid batteries and is therefore a critical input in their manufacture. Lead itself has one of the highest recycling rates of all materials in common use today and a high proportion of the lead FNB uses is recycled. Recycling lead not only reduces the chances of contamination, it uses only around one third of the energy needed to produce lead from ore, thereby saving energy and reducing emissions.

FNB uses between 70% and 80% recycled lead on average, but this depends on the availability of scrap lead. The increase in exports of scrap lead from South Africa has increased the challenge of securing supply of sufficient lead.

Metair is represented on the board of the South African Battery Manufacturer's Association (SABMA). During 2012, SABMA engaged with the Department of Environmental Affairs to put forward our case to stop the export of lead battery scrap from South Africa. This has now resulted in a gazetted draft regulation on export of scrap that was published and it is now open for comment until 25 February 2013.

at the plants is 476 000 litres. FNB's injection moulding factory in Fort Jackson has a programme in place that aims to make it completely independent of the municipal water supply.

WATER CONSUMPTION (kl)



ENVIRONMENTALLY-FRIENDLY PRODUCTS

Our exposure to leading technology in the automotive industry, high level of in-house technical skills and a culture of innovation position us well to identify 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.

- **Envirolights** – By developing the high-efficiency reflector technology used in car headlamps, Lumotech has created lights that provide better light quality than traditional lights at a fraction of the energy consumption. Envirolight streetlights also reduce light pollution as 100% of the light is focused onto the ground and they have a life expectancy of over 20 years. Streetlight sales increased strongly in 2012 on sales to PE municipality and exports to Chile. The product range has been extended to Eskom-approved warehouse lights, which have been rolled out in the group, new model streetlights as well as commercial lights.

- **Heat pumps** – Using the technology developed in its heat exchanger product lines, Metair is continuing to develop a locally manufactured on-demand water heater that requires around a third of the energy consumed by traditional water heaters. Smiths Manufacturing is importing a range of units from China that are currently being tested to confirm performance criteria to qualify for the Eskom rebate.

- **Start/Stop batteries** – 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 First National Battery now supplies all of the Start/Stop battery requirements of one OEM customer. Negotiations to supply other OEMs are continuing . Production of the battery started at Rombat's new production facility in Bistrita, Romania during December.

- **Lithium ion cap lamp** – First National Battery finalised its new lithium ion cap lamp during 2012. These lamps provide higher power output, are smaller and lighter and last much longer than the lamps they replace.

- **M Solar batteries** – These solar batteries are used exclusively for solar powered installations using solar panels. Their proven durability ensures years of service and FNB is achieving great success in exporting these batteries to Australia and New Zealand.

START/STOP BATTERIES

By combining a diesel particle fuel management system and a Start/Stop car battery, fuel economy and emissions that get significantly close to a full hybrid vehicle have been achieved, but at a fraction of the cost. We believe that this represents the future of low emissions vehicles and demand for Start/Stop batteries is forecast at 35 million a year from 2016.

First National Battery's award-winning Ultimate AGM Start/Stop battery is a Valve Regulated Lead Acid (VRLA) battery that uses Absorbent Glass Matt (AGM) technology to 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.

In 2012, FNB introduced a new Start/Stop battery designed for smaller cars that do not use regenerative braking. These batteries charge faster and are more durable than traditional batteries, as well as being fully recyclable.

ENVIRONMENTAL IMPACTS

Despite regular inspections of acid installations, a latent defect in the bund wall resulted in a leak at First National Battery's Benoni acid facility when a pipe cracked between an acid holding tank and the shutoff valve. All precautionary measures and corrective action were taken to contain and remediate the spill. The incident was classified as a non-environmental incident by the Ekurhuleni municipality.

Storm water spillage around First National Battery's Benoni facility showed acidity in March 2012. Although it was unclear whether this acidity came from FNB or adjacent mines, FNB replaced the storm water pipes in the area as a token of goodwill.

Copsa Mica

The Rombat acquisition included a smelter site in Romania contaminated with heavy metal that is not possible to rehabilitate. The environmental permit over the land acknowledges past contamination and is valid until 2020. Under the relevant Romanian legislation, the state is responsible for rehabilitating contamination prior to 2007. The necessary resources have been allocated to address lead and antimony contamination at the site that may have occurred since 2007.

ENVIRONMENTAL TARGETS FOR 2013

- **Scrap –** One of the group's main environmental targets relates to scrap. All of our products are produced by using energy and people, the costs of which continue to increase well ahead of inflation. Manufacturing excellence and the elimination of scrap is therefore of utmost importance in improving cost efficiency. The group measures scrap cost per subsidiary and sets very stringent scrap reduction targets for primary and secondary materials per subsidiary.

- **Electricity consumption –** Energy is the single biggest contributor to our carbon footprint as well as a significant production cost. The group is in the process of evaluating the most effective electricity measurement criteria that can be applied across all businesses.

- **Recycling –** The group is also in the process of determining the best measurement criteria for all the recycling of materials. Recycling forms an integral part of the group environmental management process – especially in the battery and plastics business – as we target ISO 14000 accreditation for all companies by 2016.

- **Other resources –** Group water usage, environmental impact incidents and waste disposal tonnage and grades form an important part of our environmental impact matrices. We aim to compile these matrices per company during 2013.

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.

The board established a social and ethics committee during the year to ensure that the company's ethics are managed effectively.

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 apply its principles. A review is performed by the audit and risk committee annually to ensure that the group applied the principles and recommended practices in King III. The analysis also identifies 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 considers adherence to non-binding rules, codes and standards, 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 listings 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 eight directors, of whom two are executive directors (the managing director and the finance director), two 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. Prince B Molotlegi formally announced his resignation from the Metair board as non-executive director on 27 March 2012 as a result of his duties in Phukeng towards the Bafokeng Nation. Details of directors in office are detailed on page 14. In terms of the memorandum of incorporation all new directors appointed during the year, as well as one-third of the existing non-executive 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 2012. The chairman concluded that the board is functioning reasonably well. This process will be coordinated and repeated annually to assess progress. An independent board evaluation was done in January 2013 by Mr J Wolpert, the technical advisor of The Southern African Institute of Chartered Secretaries and Administrators.

Board members are required to regularly declare any shareholding and any interest that they might have in transactions with the group. During the year, Mr Joffe's (a non-executive director) indirect beneficial interest in Metair securities increased to 2 350 593 shares. Messrs CT Loock and BM Jacobs received 6 849 and 3 403 shares respectively in Metair securities as a result of the first vesting of share appreciation rights of the Metair Investments Limited 2009 Share Plan. Proceeds on the vesting of the shares are disclosed in note 3 of the annual financial statements and further details on allocations to the Metair executive directors are disclosed in note 14.2 of the annual financial statements.

Board training is conducted annually on topical subjects by external trainers. During 2012, two training programmes were run:

- Social and ethics committee training, August 2012
- The legislative environment on labour law, November 2012

BOARD MEETING ATTENDANCE								
	3 March 2012	27 March 2012	8 June 2012	31 July 2012	16 August 2012	30 August 2012	16 November 2012	22 November 2012
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						
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

* Prince B Molotlegi resigned from the Metair board on 27 March 2012.

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 Metair board remuneration and nominations committee approves and the company board ratifies the appointments to the boards of major subsidiaries. A governance framework, including strategic objectives of the policy, has been agreed between the group and its subsidiary boards.

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.

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 committee has an independent role with accountability to both the board and shareholders. 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 monitors its combined assurance model annually and the committee confirmed that all areas are adequately covered by either/or external audit, internal audit, management and specialist consultants. Key strategic risks were included in the combined assurance model. A regulatory universe, set up by subsidiary, 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 the integrated report 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 confirms 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. Internal audit includes a risk-based approach to

CORPORATEGOVERNANCE

continued

its plan. 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 were no material breakdowns in internal controls.

Five meetings were held during the year: two in March, one in August, one in September and one in November 2012. The chairman reported to the board after each meeting.

The first meeting of 2012 was held in March.

Audit committee meeting attendance					
	3 March 2012	27 March 2012	16 August 2012	4 September 2012	13 November 2012
JG Best	P	P	P	P	P
A Galiel	P	P	P	P	P
L Soanes	P	P	P	P	P
P = Present					

Group risk management

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

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

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

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

- Identify and agree 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. Compliance with laws, rules, codes and standards form an integral part of the company's risk management process. Risks are continuously reviewed by management to ensure that responses to risk remain current and dynamic. The audit committee bi-annually reviews the risks.

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

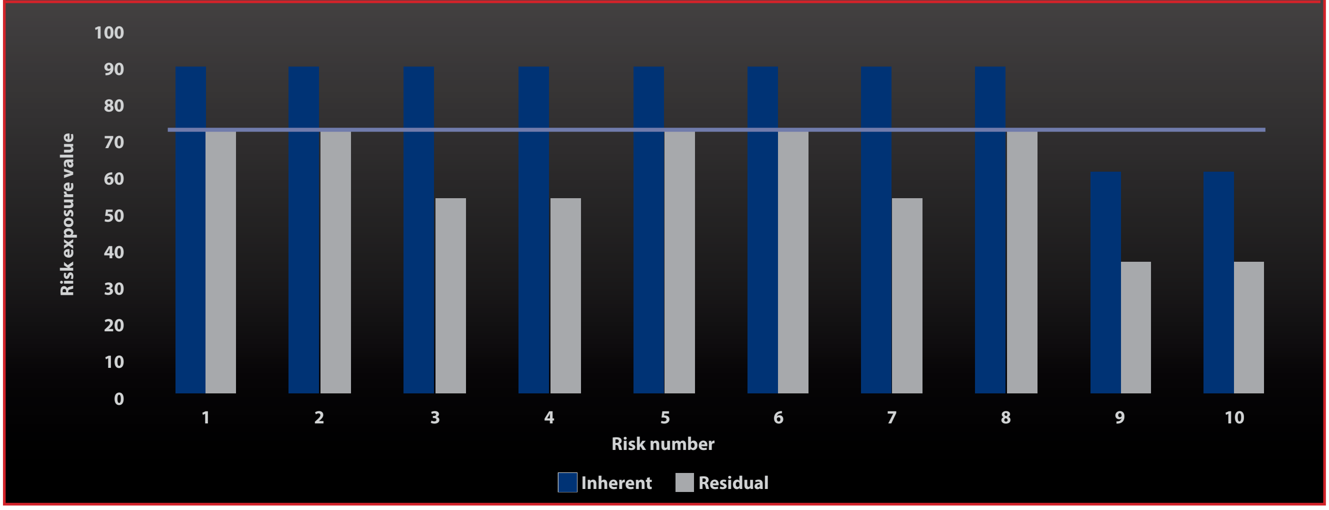
Metair believes that risks are addressed through avoidance, capital, systems, processes, people, insurance and assurance and/or a combination of the above that must always be reflected in business planning and be evident in budgets. A risk management plan is in place and updated annually.

The group identified tolerance levels at group as well as individual level per risk during the year and completed it on 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.

Rank	Move	Risk name	Risk category	Residual vs inherent risk exposure
1	↑	Divergence in focus, views and objectives from collective and individual OEMs versus component manufacturers and suppliers	Strategic	
2	↑	Mismatch of labour and management expectations resulting in Marikana-type events	Strategic	
3	↑	Competitiveness issues relating to global sourcing, the real threat of low-cost countries like India and China, and the strength of the SA Rand	Strategic	
4	↑	SA sustainbility as a world-competitive manufacturer	Financial	
5	↓	Entry of international competitors	Financial	
6	↑	Failure of IT disaster recovery procedures	Continuity of supply	
7	↓	Natural disasters, explosions and conflagrations	Continuity of supply	
8	↑	Policies aimed at managing and controlling currency volatility and alignment with customer requirements and views	Financial	
9	↑	Metair's inability to deliver on its strategic vision	Strategic	
10	↓	Labour disruptions and labour relations	Continuity of supply	

◆ Residual risk ◆ Inherent risk

CONSOLIDATED RISK TOLERANCE



Rank	Risk indicator	Individual risk tolerance levels
1	Sensitivity counter	Zero events
2	Internal incident counter External incident counter	Zero events Zero events
3	Rand/Dollar exchange rate Yen/Rand exchange rate Euro/Rand exchange rate Thai Baht/Rand exchange rate Reduction in percentage local components in vehicles Number of international multi-national (India/China) car part manufacturers in SA	$ = >R7,50 Yen = >R11,50 Euro = >R11,00 Thai Baht = >R4,70 50% local content Zero
4	New business award counter	9 for 2011 and 19 for 2012
5	Percentage market share	>5% movement
6	Annual IT disaster events	Zero events
7	Annualised cumulative events counter	Zero events
8	To be determined	To be determined
9	Increase in percentage aftermarket and non-automotive sales	<50% of Metair total sales
10	To be determined	To be determined

CORPORATEGOVERNANCE
continued

SOCIAL AND ETHICS COMMITTEE

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

The committee comprises two independent non-executive directors, namely Ms A Galiel (chairperson) and Mr RS Broadley and two executive directors, namely Messrs CT Loock and BM Jacobs.

The committee functions according to its terms of reference and will perform its first annual self-evaluation of its effectiveness next year on its first anniversary.

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

The specific functions of the committee are to:

- Review the code of ethics policy document, periodically update the document if required and ensure that the company adheres to it;
- Monitor the company's activities, having regard to any relevant legislation, other legal requirements or prevailing codes of best practice with regards to:
  - Social and economic development, including the 10 principles set out in the United Nations Global Compact Principles, the OECD recommendations regarding corruption, the Employment Equity Act and the Broad-based Black Economic Empowerment Act
  - Good corporate citizenship
  - Environment, health and public safety
  - Consumer relations
  - Labour and employment
- Draw matters within its mandate to the attention of the board;
- Report, through one of its members, to the shareholders at the company's annual general meeting on matters within its mandate.

The committee had its first meeting in November 2012 with attendance as follows:

Social and ethics committee meeting attendance	
	13 November 2012
A Galiel	P
RS Broadley	P
CT Loock	P
BM Jacobs	P
P = Present	

The committee is scheduled to meet at least twice a year.

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 2012), 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 32.

BROAD BASED BLACK ECONOMIC EMPOWERMENT

Metair achieved a score of 20,8 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 32.

COMPANY SECRETARY

Ms SM Vermaak has filled the position of company secretary since 2001. Mrs Vermaak is not a director of the company and the board is therefore satisfied that an arm's-length relationship between the board and the company secretary, in accordance with the recommended practice of King III, is maintained. The board has assessed her competence, qualifications and experience during the year and found her to be competent and suitably qualified to act as company secretary.

All directors have access to the advice and services of the company secretary to enable them to perform their duties and responsibilities and for the board to function effectively. The company secretary fulfils the duties as set out in section 88 of the Companies Act 71 of 2008 and is also responsible to ensure compliance with the Listings Requirements of the JSE Limited.

SPONSOR

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

KING III COMPLIANCE

The company performed a review of the requirements of King III the full results of which are shown in Appendix VI on page 68. 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 71 of 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 2012 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 G Hauptfleisch 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 43 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 risk as it relates to financial reporting.

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

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 and considers adherence to non-binding rules, codes and standards. Compliance form an integral part of the company's risk management process.

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:

- 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.

BOARD AUDIT COMMITTEE REPORT
continued

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.

INTEGRATED ANNUAL REPORT

The committee has evaluated the annual financial statements of Metair Investments Limited and the group for the year ended 31 December 2012 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 annual 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
15 March 2013

SOCIAL AND ETHICS COMMITTEE REPORT

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

The social and ethics committee is constituted as a statutory committee of Metair Investments Limited in respect of its statutory duties in terms of the Companies Act 71 of 2008 (the Act) and a committee of the board in respect of all other duties assigned to it by the board. The committee will assist the board to provide effective leadership and be a good corporate citizen. The committee has complied with its statutory duties and other duties assigned to it by the board for the 2012 financial year.

NAMES AND QUALIFICATIONS OF COMMITTEE MEMBERS

A Galiel (Chairperson)	CA (SA), CFA
RS Broadley	Advanced Technical Certificate (Engineering)
CT Loock	B Eng (Industrial)
BM Jacobs	B Comm B Acc CA (SA)

TERMS OF REFERENCE

The committee has adopted formal terms of reference approved by the board. These terms of reference will be 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.

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

The specific functions of the committee are to:

- Review the code of ethics policy document, periodically update the document if required and ensure that the company adheres to it;
- Monitor the company's activities, having regard to any relevant legislation, other legal requirements or prevailing codes of best practice with regards to:
  - Social and economic development, including the 10 principles set out in the United Nations Global Compact Principles, the OECD recommendations regarding corruption, the Employment Equity Act and the Broad-based Black Economic Empowerment Act
  - Good corporate citizenship
  - Environment, health and public safety
  - Consumer relations
  - Labour and employment
- Draw matters within its mandate to the attention of the board; and
- Report, through one of its members, to the shareholders at the company's annual general meeting on matters within its mandate.

COMPOSITION

The committee comprises two independent non-executive directors, namely Ms A Galiel (chairperson) and Mr RS Broadley and two executive directors, namely Messrs CT Loock and BM Jacobs.

MEETINGS

The committee had its first meeting on 13 November 2012 and this was attended by all members.

No material non-compliance with legislation or best practice, relating to the areas within the committee mandate, has been brought to the attention of the committee.

Based on its monitoring activities to date, the committee has no reason to believe that such non-compliance has occurred.

The committee looks forward to further developiing its role in supporting the group's governance and corporate citizenship, and will report on this progress in the next integrated annual report.

On behalf of the social and ethics committee

A Galiel
Social and ethics committee chairperson
15 March 2013

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.

Two meetings were held during the year – in June and November 2012. The chairman reported to the board after each meeting.

Remuneration committee meeting attendance:

	8 June 2012	13 November 2012
RS Broadley	P	P
L Soanes	P	P
A Joffe	P	P

P = Present

The next meetings are scheduled for June and November 2013.

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

NOMINATIONS COMMITTEE

The committee comprised of four non-executive directors and one independent non-executive director: Messrs RS Broadley, who is the chairman, L Soanes, A Joffe, OME Pooe and Ms A Galiel.

The nominations committee had a separate meeting on November 2012 (see attendance above right) and it was decided that going forward the remuneration committee will serve as the nominations committee for the subsidiary companies. With respect to the Metair board the full board will act as the nominations committee chaired by the lead-independent director, Mr JG Best, as the chairman of the Metair board is not independent.

Nominations committee meeting attendance:

	13 November 2012
RS Broadley	P
L Soanes	P
A Joffe	P
OME Pooe	P
A Galiel	P

P = Present

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 directors on subsidiary level, including making recommendations on the composition of the board generally and the balance between executive and non-executive directors appointed to the board. All appointments to the board will be handled by the Metair board directly.
- Ensure the establishment of a formal process for the appointment of subsidiary 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.
- In respect of the subsidiary companies, 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.
  - recommends 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.

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. Refer to note 3 of the financial statements for details of executive director remuneration.

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 at the bottom of the page indicates the level of relative percentages per performance criteria for the short-term incentive per management classification.

Long-term incentive plan (LTIP)

The remuneration committee and shareholders approved The Metair Investments Limited 2009 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.

STIP (%)								
	PBIT/PAT		ROE/ROA		Transformation	Total		Grand Total
Element	Budget	Target	Budget	Target	Target	Budget	Target	
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

REMUNERATION REPORT

continued

Refer to note 14 in the financial statements for details of all awards/allocations and vesting.

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	32	15	47	16
Senior executive	17	11	28	20
Junior executive	12	10	22	24

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

Executive emoluments	Executive 1 R'000	Executive 2 R'000	Executive 3 R'000
Salaries and allowances	1 841	1 648	1 845
Performance bonuses	1 058	934	1044
Pension and provident fund contributions	246	195	222
Company contributions	37	42	50
Gain on exercise of share options	7 548	7 256	6 125
Total	**10 730**	**10 075**	**9 286**

Non-executive management remuneration

Non-executive directors' proposed fees for 2013, subject to shareholders' approval and effective 1 January 2013, are:

Metair board chairman	R 340 000 per annum
Non-executive directors	R 215 000 per annum
Audit committee chairman	R 36 000 per meeting
Audit committee member	R 22 000 per meeting
Remuneration committee chairman	R 26 700 per meeting
Remuneration committee member	R 16 700 per meeting
Social and ethics committee chairperson	R 23 400 per meeting
Social and ethics committee member	R 12 000 per meeting

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

SHAREHOLDER ANALYSIS

ANALYSIS OF SHAREHOLDERS				
Company:	**Metair Investments Ltd**			
Register date:	**28 December 2012**			
Issued Share Capital:	**152 531 875**			

SHAREHOLDER SPREAD	No of Shareholdings	%	No of Shares	%
1 – 1 000 shares	1 013	39,52	528 583	0,34
1 001 – 10 000 shares	1 120	43,70	3 980 150	2,61
10 001 – 100 000 shares	319	12,45	10 657 879	6,99
100 001 – 1 000 000 shares	88	3,43	30 092 437	19,73
1 000 001 shares and over	23	0,90	107 272 826	70,33
Totals	**2 563**	**100,00**	**152 531 875**	**100,00**

DISTRIBUTION OF SHAREHOLDERS	No of Shareholdings	%	No of Shares	%
Banks/Brokers	36	1,40	27 448 414	18,00
Close Corporations	41	1,60	791 280	0,52
Empowerment	1	0,04	37 911 325	24,85
Endowment Funds	22	0,86	192 719	0,13
Individuals	1 914	74,68	12 315 603	8,08
Insurance Companies	18	0,70	3 588 086	2,35
Investment Companies	6	0,23	2 258 715	1,48
Medical Schemes	1	0,04	150 000	0,10
Mutual Funds	101	3,94	37 660 856	24,69
Nominees & Trusts	265	10,34	4 380 200	2,87
Other Corporations	26	1,01	109 777	0,07
Private Companies	65	2,54	8 237 601	5,40
Public Companies	5	0,20	740 407	0,49
Retirement Funds	60	2,34	9 675 877	6,34
Share Trusts	1	0,04	295 812	0,19
Treasury Stock	1	0,04	6 775 203	4,44
Totals	**2 563**	**100,00**	**152 531 875**	**100,00**

PUBLIC / NON–PUBLIC SHAREHOLDERS	No of Shareholdings	%	No of Shares	%
Non-public Shareholders	8	0,31	63 183 185	41,42
Directors and Associates of the Company	4	0,15	2 600 845	1,71
Share Trusts and Treasury Stock	2	0,08	7 071 015	4,63
Empowerment	1	0,04	37 911 325	24,85
Strategic Holdings	1	0,04	15 600 000	10,23
Public Shareholders	2 555	99,69	89 348 690	58,58
Totals	**2 563**	**100,00**	**152 531 875**	**100,00**

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	11 232 100	7,36
Peregrine	7 007 226	4,59
Investec	6 988 880	4,58
Business Venture Investments No.1217	6 775 203	4,44
Foord	4 978 683	3,27
CoroCapital	4 954 250	3,25
36ONE Asset Management	4 797 717	3,15
Totals	**100 245 384**	**65,72**

SHAREHOLDER ANALYSIS
continued

BREAKDOWN OF NON-PUBLIC HOLDINGS		
Directors	**No of Shares**	**%**
Soanes, L	**240 000**	**0,16**
Soanes, L	240 000	0,16
Loock, CT	**6 849**	**0,00**
Loock, CT	6 849	0,00
Jacobs, BM	**3 403**	**0,00**
Jacobs, BM	3 403	0,00
Joffe, A	**2 350 593**	**1,54**
Joffe, A (indirect via CoroCapital)	2 350 593	1,54
Totals	**2 600 845**	**1,71**
Metair and Associates (Share Trusts and Treasury Stock)	**No of Shares**	**%**
The Metair Share Trust	295 812	0,19
Business Venture Investments No1217	6 775 203	4,44
Totals	**7 071 015**	**4,63**
Empowerment	**No of Shares**	**%**
Royal Bafokeng Metair Trust	37 911 325	24,85
Totals	**37 911 325**	**24,85**
Strategic Holdings (more than 10%)	**No of Shares**	**%**
White Wings Trust – (Barnes, DL)	15 600 000	10,23
Totals	**15 600 000**	**10,23**
BREAKDOWN OF BENEFICIAL SHAREHOLDERS HOLDING 3% OR MORE		
Beneficial Shareholders Holding 3% or more	**No of Shares**	**%**
Royal Bafokeng Metair Trust	**37 911 325**	**24,85**
Royal Bafokeng Metair Trust	37 911 325	24,85
White Wings Trust	**15 600 000**	**10,23**
White Wings Trust	15 600 000	10,23
Investment Solutions	11 232 100	7,36
Investment Solutions Funds – Specialist	5 200 000	3,41
Investment Solutions Funds – Local	2 828 513	1,85
Investment Solutions Funds	1 299 387	0,85
Investment Solutions – Incubator Pure Equity	932 662	0,61
Investment Solutions Funds – Aggressive Equity	395 403	0,26
Investment Solutions Funds – Institutional Equity	267 412	0,18
Investment Solutions Funds	171 505	0,11
Investment Solutions Funds	60 000	0,04
Investment Solutions Institutional Equity	44 509	0,03
Investment Solutions Funds	28 335	0,02
Investment Solutions	4 374	0,00
Peregrine	**7 007 226**	**4,59**
Peregrine Equities	4 304 073	2,82
Peregrine Equities (Broker Proprietary)	2 703 153	1,77
Investec	**6 988 880**	**4,58**
Investec Securities (Broker Proprietary)	2 106 280	1,38
Investec Special Focus Fund	1 819 057	1,19
Investec Emerging Companies Fund	1 810 543	1,19
Investec Equity Fund	710 000	0,46
Investec Growth Fund	543 000	0,36

Beneficial Shareholders Holding 3% or more (continued)	No of Shares	%
Business Venture Investments No1217	**6 775 203**	**4,44**
Business Venture Investments No1217	6 775 203	4,44
Foord	**4 978 683**	**3,27**
Foord Balanced Fund	2 834 883	1,86
Foord Equity Fund	1 545 700	1,01
Foord Absolute Return Fund	537 500	0,35
Foord Compass Ltd	37 900	0,03
Foord Trust	12 300	0,01
Foord Global Macro Fund	10 400	0,01
CoroCapital	**4 954 250**	**3,25**
CoroCapital-Private Equity	4 954 250	3,25
36ONE Asset Management	**4 797 717**	**3,15**
36ONE Hedge Fund	2 384 645	1,56
36ONE Flexible Opportunity Fund	1 206 725	0,79
36ONE Offshore Hedge Fund	616 275	0,41
36ONE Target Return Fund	360 700	0,24
36ONE Fund	229 372	0,15
Totals	**100 245 384**	**65,72**

GRI STATEMENT

This report discloses Metair's material non-financial sustainability information using the guidance of the Global Reporting Initiative's (GRI) G3 Guidelines. The 2012 Metair integrated annual report provides stakeholders with information presented in a consistent and comparable framework.

The GRI index that follows on page 59 links the GRI disclosures in the integrated annual 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 59.

SUSTAINABILITY ASSURANCE STATEMENT

INDEPENDENT THIRD-PARTY ASSURANCE STATEMENT

To the Board and stakeholders of Metair Investments Limited:

Integrated Reporting & Assurance Services (IRAS) was commissioned by Metair to provide independent third-party assurance (ITPA) over the sustainability content within their 2012 Integrated Annual Report ('the Report'), covering the period 1 January to 31 December 2012. The assurance team consisted of Lauren Stirling and Michael H Rea, our Lead Certified Sustainability Assurance Practitioner, with 14 years' experience in environmental and social performance measurement, including sustainability reporting and assurance.

ACCOUNTABILITY AA1000S (REVISED, 2008)

To the best of our ability and significant experience in sustainability report assurance, this engagement has been managed in accordance with AccountAbility's AA1000AS (2008) assurance standard, where the format of the engagement was structured to meet the AA1000AS Type I (Moderate) requirements.

INDEPENDENCE

IRAS has not been responsible for the preparation of any part of the Report, nor has IRAS undertaken any commissions for Metair that would conflict with our independence. Responsibility for producing this report was the responsibility of Metair. Thus IRAS is, and remains, an independent assurer over the content and processes pertaining to this Report.

ASSURANCE OBJECTIVES

The objectives of the assurance process were to provide Metair's stakeholders an independent 'moderate level assurance' opinion on whether:

- The sustainability content within the Report adheres to the AA1000AS (2008) principles of Inclusivity, Materiality and Responsiveness; and,
- The sustainability content within the Report meets the Global Reporting Initiative (GRI) G3 guidelines Application Level B reporting requirements.

ASSURANCE APPROACH AND LIMITATIONS

The process used in arriving at this assurance statement is based on AccountAbility's AA1000AS (2008) guidance, the GRI's G3 Application Level requirements, as well as other best practices in sustainability reporting assurance. Our approach to assurance included the following:

- A review of sustainability measurement and reporting procedures at Metair's head offices to determine the context and content of sustainability management by the company;
- A review of Metair's information collation and reporting procedures to define the content of the Report by looking at the materiality of issues included in the Report, stakeholder engagement responses to issues identified, determination of sustainability context and coverage of material issues, ultimately leading to adherence to the AA1000AS principles of Inclusivity, Materiality and Responsiveness;
- Reviews of drafts of the Report for any significant errors, anomalies and/or insupportable assertions; and,
- Reviews of drafts of the Report to confirm that the requisite number of GRI G3 indicators had been covered in the Report in order to meet the GRI's G3 Application Level C requirements.

The process was limited to the content and assertions made within the Report for the period under review, and did not extend to a comprehensive analysis of the accuracy, reliability, completeness and/or consistency of the data presented by Metair. Rather, sustainability data presented within the Report was subjected to reasonability tests during proof editing. The process was further limited to reviewing policies and procedures for ethics, governance and stakeholder engagements, and did not extend to the physical engagement of any stakeholders to arrive at our assurance opinion.

FINDINGS

Based on our review of the Report, as well as the processes employed to collect and collate information reported herein, it is our assertion that:

- Metair adequately adheres to the Accountability AA1000APS principles of Inclusivity, Materiality and Responsiveness.
- The Report adequately meets the GRI G3's requirements for Application Level C. However, it was found that the reporting of performance against a few indicators continues to require data quality improvements and/or further detail in disclosure.
- Improvements can be made with respect to the collection, collation and reporting of data for key sustainability performance indicators.

CONCLUSIONS AND RECOMMENDATIONS

Based on the information reviewed via desk research and management interviews, IRAS is confident that this report provides a balanced account of Metair's performance for the period under review. The information presented is based on systematic processes and we are satisfied that the reported sustainability information reasonably represents Metair's ability to report on its performance, while meeting the AA1000AS (2008) principles of Inclusivity, Materiality and Responsiveness. Moreover, and although the quality of data of some GRI G3 indicators can be improved, this Report appears to meet the GRI G3's requirements for Application Level C (C+ with this assurance engagement).

However, the following recommendations have been identified:

- With respect to adherence to AccountAbility's AA1000APS principle of Inclusivity, Metair should continue to ensure that stakeholder engagement is formalised to ensure that stakeholder concerns are duly recorded and, where necessary, escalated for board consideration.
- With respect to adherence to AccountAbility's AA1000APS principle of Responsiveness, Metair should continue to ensure that feedback to stakeholders on sustainability matters occurs in line with King III's recommendations for Integrated Reporting.

SUSTAINABILITY ASSURANCE STATEMENT continued

- Metair should improve the extent to which explanations are offered relative to how the company manages key sustainability elements, as per the GRI's guidance around Disclosures on Management Approach. At bare minimum, the company should clearly explain what is measured, how often, and via what measurement techniques.

Having successfully addressed the requirements of GRI G3 Application Level C, Metair should continue to ensure that its future sustainability reporting processes meet no less than the GRI's G3 Application Level B reporting requirements in subsequent reporting periods.

For more information about the assurance process employed to assess the Corporate Responsibility section within Metair's 2012 Integrated Annual Report, email michael@iras.co.za.

IRAS
integrated reporting & assurance services

Integrated Reporting & Assurance Services
13 February 2013
Johannesburg

GLOBAL REPORTING INITIATIVE (GRI) INDEX

A comprehensive GRI content index table is available upon request from Sanet@metair.co.za

Profile Disclosure	Description	Reference and comments	Page No
1.	**Strategy and Analysis**		
1.1	Statement from the most senior decision-maker of the organisation.	Managing director's report, Chairman's statement	16, 18
1.2	Description of key impacts, risks, and opportunities.	Material issues, What we said – what we did, Managing Director's report	10, 12, 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, Inside back cover	1, IBC
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.	Who we are, 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).	Who we are, What we do	1, 8
2.8	Scale of the reporting organisation.	Financial highlights, Financial review, Value added statement	4, 22, 28
2.9	Significant changes during the reporting period regarding size, structure, or ownership.	Scope and boundaries	1
2.10	Awards received in the reporting period.	Awards	13
3.	**Report Parameters**		
3.1	Reporting period (e.g., 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, biennial, etc.)	Scope and boundaries	1
3.4	Contact point for questions regarding the report or its contents.	Scope and boundaries	1
3.5	Process for defining report content.	Material issues	10
3.6	Boundary of the report (e.g., 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 (see completeness principle for explanation of scope).	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
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report. Explain any decisions not to apply, or to substantially diverge from, the GRI Indicator Protocols.	Each section	
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g.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
3.12	Table identifying the location of the Standard Disclosures in the report.	This table	59

GLOBAL REPORTING INITIATIVE (GRI) INDEX

continued

Profile Disclosure	Description	Reference and comments	Page No
3.	**Report Parameters (continued)**		
3.13	Policy and current practice with regard to seeking external assurance for the report.	Scope and boundaries, Assurance statement	1, 57
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	42
4.2	Indicate whether the Chair of the highest governance body is also an executive officer.	Corporate governance	42
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	42
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	Corporate governance, Stakeholder relationships	42, 29
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organisation's performance (including social and environmental performance).	Remuneration report	50
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided.	Corporate governance	42
4.7	Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organisation's strategy on economic, environmental, and social topics.	Corporate governance	42
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation.	Each section	
4.9	Procedures of the highest governance body for overseeing the organisation's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles.	Corporate governance	42
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.	Corporate governance	42
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organisation.	Corporate governance	42
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organisation subscribes or endorses.	Scope and boundaries, Corporate governance	1, 42
4.13	Memberships in associations (such as industry associations) and/or national/international advocacy organisations in which the organisation: ● Has positions in governance bodies; ● Participates in projects or committees; ● Provides substantive funding beyond routine membership dues; or ● Views membership as strategic.	National Association of Automotive Component and Allied Manufacturers (NAACAM), South African Battery Manufacturer's Association (SABMA), Durban Automotive Cluster (DAC), Manufacturing Circle, Motor Industry Bargaining Council (MIBCO), Metal and Engineering Industry Bargaining Council (MEIBC).	
4.14	List of stakeholder groups engaged by the organisation.	Stakeholder relationships	29
4.15	Basis for identification and selection of stakeholders with whom to engage.	Stakeholder relationships	29

Profile Disclosure	Description	Reference and comments	Page No
4.	**Governance, Commitments and Engagement (continued)**		
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	Stakeholder relationships	29
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 relationships	29
Performance Indicators			**Page No**
Indicator	**Description**	**Reference and comments**	
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	28
EC2	Financial implications and other risks and opportunities for the organisation's activities due to climate change.	Environment	38
EC3	Coverage of the organisation's defined benefit plan obligations.	Note 24 to the Financial Statements.	133
EC4	Significant financial assistance received from government.	No financial assistance was received from government	
EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation.	Transformation	32
EC7	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation.	Transformation	32
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.	Transformation	32
Environmental Performance Indicators			
EN2	Percentage of materials used that are recycled input materials.	Environment, Appendix I	38, 63
EN5	Energy saved due to conservation and efficiency improvements.	Environment	38
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
EN7	Initiatives to reduce indirect energy consumption and reductions achieved.	Environment	38
EN8	Total water withdrawal by source.	Environment	38
EN9	Water sources significantly affected by withdrawal of water.	Environment	38
EN10	Percentage and total volume of water recycled and reused.	Appendix I	63
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved.	Environment	38
EN22	Total weight of waste by type and disposal method.	Appendix I	63
EN23	Total number and volume of significant spills.	Environment	38
EN27	Percentage of products sold and their packaging materials that are reclaimed by category.	Environment	38
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	There were no fines or non-monetary sanctions for non-compliance with environmental laws and regulations during the period	

GLOBAL REPORTING INITIATIVE (GRI) INDEX

continued

Performance Indicators			Page No
Indicator	**Description**	**Reference and comments**	
Labour practices and decent work			
LA1	Total workforce by employment type, employment contract, and region.	Human capital	34
LA2	Total number and rate of employee turnover by age group, gender, and region.	Group employee turnover stated, but not broken down by age group.	34
LA4	Percentage of employees covered by collective bargaining agreements.	Human capital	34
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region.	Human capital	34
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	34
LA10	Average hours of training per year per employee by employee category.	Human capital	34
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	Human capital	34
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity.	Human capital, Corporate governance, Appendix IV.	34, 42, 66
Social: Human Rights			
HR4	Total number of incidents of discrimination and actions taken.	Human capital, There were no incidents of discrimination reported during the year.	34
HR5	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights.	Human capital	34
HR6	Operations identified as having significant risk for incidents of child labour, and measures taken to contribute to the elimination of child labour.	Human capital,No operations have a significant risk for incidents of child labour.	34
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.	Human capital,No operations have a significant risk for incidents of forced or compulsory labour.	34
Social: Society			
SO6	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.	There were no contributions to political parties, politicians and related institutions.	
SO7	Total number of legal actions for anti-competitive behaviour, anti-trust, and monopoly practices and their outcomes.	There were no legal actions for anti-competitive behaviour, anti-trust, and monopoly practices.	
SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	There were no significant fines or non-monetary sanctions for non-compliance with laws and regulations during the period.	
Social: Product responsibility			
PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.	Environment	38
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes.	There were no incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services.	

APPENDIX I – SCRAP AND RECYCLING

Waste disposed	ATE		Supreme		Smiths Plastics		Smiths Manufacturing		Lumotech		Automould		Hesto		Unitrade		FNB		Rombat	
	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012
Recycling																				
Waste recycled (tonnes)	392	**86**	399	**381**	361	**295**	707	**501**	102	**102**	13		42	**41**	89	**83**	22 443	**663**		**6 166**
Oil recycled (l)		**10 000**			18 984	**27 120**		**5 038**	2 900	**5 200**									1 298	**2 123**
Thinners recycled (l)					10 000	**8 804**														
Water recycled (l)					95 482 000	**95 482 000**												**13 043 000**	1 250 000	**1 690 000**
Nature of recycled product	Steel, plastic, cardboard.		Scrap metal		Cardboard, plastics, thinners, oil.		Recycled but not re-used at Smiths. Mainly cardboard and aluminium.		Cardboard and white paper, oil, plastic materials (ASA, polycarb, polyprop). All rebated.		Scrap is not disposed of, it is reground and re-used.		Scrapped copper wire, steel, plastics, paper.		ICW waste, shiny copper waste, PVC head waste.		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.		Factory scrap is recycled through our smelter again, and waste from the smelter that cannot be used in any way is disposed.	
Waste disposed																				
Oil (l)				**48 000**				**5 038**		**5 200**		**7 980**	560	**560**	6 942	**8 619**				
Sludge (l)				**75 000**	22 114	**22 114**		**10 500**	380 000	**177 780**						**473**				
General waste (m^3)		**97**		**1 452**	360	**272**	170	**116 290**	7 351	**7 285**		**119**	480	**480**		**945**	330	**371**	371	**696**
Hazardous waste (m^3)		**44**		**448**	84	**51**		**13 460**	50	**45**			6	**4**			6 141	**6 245**	6 245	**248**
Nature of disposed product	Brake dust.		Oil: contaminated quench Sludge: paintline effluent Hazardous: oil, contaminated waste/shot dust.		Oversprayed paint sludge, oily cardboard, rags, chemical tins, chrome plating filter cakes.		Aluminium, general waste, steel, cardboard.		Used machine oil, sludge, solid domestic and production waste. Hazardous waste-solid waste, incl. crushed paint cans, oily rags, paint sludge (scum).				General waste (municipal). Hazardous waste (oily rags, silicone, etc).		Oily sludge, emulsified lubricant, engine oil, copper sludge, oily rags.		Furnace slag, lead contaminated waste, separator scrap.		Lead contaminated waste, separator, oily rags, sludge.	

Please note that certain 2011 comparative figures have been restated for updated information received.
* Rombat was acquired in March 2012 and included in the group results for nine months. 2011 figures are provided for comparison purposes only.

APPENDIX II – ACCREDITATION

CURRENT ACCREDITATION PER SUBSIDIARY									
	Environmental	Health and Safety	Quality (non-auto)	Quality (auto)	Quality (OEM)	Quality (OEM)	Quality (OEM)	Quality (EU)	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		X	X	N/A	
Smiths Manufacturing (Pty) Ltd	X	X	X	X	N/A	X	N/A	X	N/A
Hesto Harnesses (Pty) Ltd	X	N/A	X	X	N/A	X	N/A	N/A	N/A
Smiths Plastics (Pty) Ltd	X	N/A	X	X	N/A	N/A	N/A	N/A	N/A
Automould (Pty) Ltd	X	N/A	X	X	N/A	N/A	N/A	N/A	N/A
Supreme Spring Division	X	N/A	X	X	X	X	X	N/A	N/A
Alfred Teves Brake Systems (Pty) Ltd	X	N/A	X	X	N/A	N/A	N/A	X	N/A
Lumotech (Pty) Ltd	X	N/A	X	X	X	N/A	X	X	X
Tenneco Automotive Holdings SA (Pty) Ltd	X	X	X	X	X	X	X	N/A	N/A
Valeo Systems South Africa (Pty) Ltd	N/A	N/A	X	X	N/A	N/A	N/A	N/A	N/A
Unitrade 745 (Pty) Ltd	X		X	X	N/A	N/A	N/A	N/A	N/A
Rombat S.A.	X	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

METAIR INVESTMENTS LIMITED											
BBBEE ELEMENTS		Smiths Plastics	Smiths Manufacturing	Lumotech	Supreme	Hesto	Unitrade	FNB	Automould	ATE	Group Total
Ownership	23	21,00	20,54	21,00	21,00	20,54	21,00	21,00	21,00	23,00	190,08
Management Control	11	4,16	4,08		2,24	6,67	10,00	1,51	2,00	3,93	34,59
Employment Equity	18	13,59	6,63	3,13	5,11	12,88	9,17	2,19	8,78	2,29	63,77
Skills Development	15	7,95	12,00	8,31	11,36	3,58	1,24	10,62	1,53	5,19	61,78
Preferential Procurement	20	16,22	20,00	15,78	17,00	15,17	13,48	20,00	15,86	15,26	148,77
Enterprise Development	15	0,43	9,16	14,51	6,90	7,05	5,30	15,00	0,97	7,72	67,04
Socio-Economic Development	5	5,00	4,62	5,00	5,00	5,00	5,00	5,00	5,00	5,00	44,62
TOTAL		**68,35**	**77,03**	**67,73**	**68,61**	**70,89**	**65,19**	**75,32**	**55,14**	**62,39**	**610,65**
Level Contributor		**4**	**3**	**4**	**4**	**4**	**4**	**3**	**5**	**5**	

APPENDIX IV – STAFF COMPLEMENT

2011												
	Male				Female							
	African	Coloured	Asian	White	African	Coloured	Asian	White	Foreign	Permanent	Contractors	Retrenchment
ATE	92	3		14	7	7	7	7		124	13	29
Lumotech	102	80	1	81	110	163	1	18	3	330	229	1
Supreme	365	10	8	57	12	2	1	23	2	369	111	1
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	2
Smiths Manufacturing	353	21	135	53	75	8	59	7		680	31	
Smiths Plastics	379	17	69	17	112	3	10	1		590	19	21
Metair				2		1		2		5		
Total	**2 536**	**219**	**474**	**466**	**1 340**	**208**	**569**	**133**	**5**	**4 782**	**1 169**	**54**
Total including contractors										**5 951**		

2012												
	Male				Female							
	African	Coloured	Asian	White	African	Coloured	Asian	White	Foreign	Permanent	Contractors	Retrenchment
ATE	79	1		14	9	7	1	6	6	123		
Lumotech	79	83	2	81	76	142	1	22	3	489	18	
Supreme	282	9	9	55	11	2		25	2	395	114	
Unitrade	13		9	4	3		3			32		
Hesto	125	4	183	9	846	13	423		2	1 605	38	
FNB	1020	98	17	178	51	13	2	64	14	1 457	80	
Automould	144		46	9	35		14	2		250	4	
Smiths Manufacturing	319	23	131	51	82	10	55	7	1	679	1	37
Smiths Plastics	311	9	62	16	93	1	10	1	2	505		85
Rombat				586				97		683		
Metair				2				3		5		
Total	**2 372**	**227**	**459**	**1 005**	**1 206**	**188**	**509**	**227**	**30**	**6 223**	**255**	**122**
Total including contractors										**6 478**		

APPENDIX V – TRAINING BY SUBSIDIARY

2011 TRAINING SPEND (R)							
	Top management	Senior management	Middle management	Junior management	Semi-skilled	Unskilled	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**

2012 TRAINING SPEND (R)							
	Top management	Senior management	Middle management	Junior management	Semi-skilled	Unskilled	Total training spend
ATE	839		4 601	79 449	60 570		145 459
Lumotech	16 949	60 412	2 400	281 427	164 804	303 288	829 280
Supreme	7 376	9 625	86 081	94 944	1 261 717	3 100	1 462 843
Unitrade	12 927	7 270	10 966	35 340	34 446		100 949
Hesto		112 525	345 290	698 054	135 240	4 095	1 295 204
FNB	2 630	108 669	250 185	878 462	2 243 822	829 905	4 313 674
Automould				87 499	51 749		139 248
Smiths Manufacturing	1 875	62 256	182 905	657 454	1 022 158	109 878	2 036 526
Smiths Plastics			49 454	120 985	239 181	105 567	515 187
Rombat		13 686			76 101		89 787
Head office	38 203						38 203
Total	**80 799**	**374 444**	**931 882**	**2 933 615**	**5 289 788**	**1 355 833**	**10 966 361**

APPENDIX VI – KING III CHECKLIST

		Apply/ In progress/ Do not apply	Reference and Comments	Page No
1.	**ETHICAL LEADERSHIP AND CORPORATE CITIZENSHIP**			
1.1	The board should provide effective leadership based on an ethical foundation.	⬆	Corporate governance report	42
1.2	The board should ensure that the company is and is seen to be a responsible corporate citizen.	⬆	Corporate governance report	42
1.3	The board should ensure that the company's ethics are managed effectively.	⬆	Corporate governance report/social and ethics committee report	42, 45
2.	**BOARDS AND DIRECTORS**			
2.1	The board should act as the focal point for the custodian of corporate governance.	⬆	Corporate governance report	42
2.2	The board should appreciate that strategy, risk, performance and sustainability are inseparable.	⬆	Corporate governance report – group risk management	44
2.3	The board should provide effective leadership based on an ethical foundation.	⬆	Corporate governance report	42
2.4	The board should ensure that it is and is seen to be a responsible corporate citizen.	⬆	Corporate governance report	42
2.5	The board should ensure that the company's ethics are managed effectively.	⬆	Corporate governance report/social and ethics committee report	42, 45
2.6	The board should ensure that the company has an effective and independent audit committee.	⬆	Corporate governance report – board audit and risk committee	43
2.7	The board should be responsible for the governance of risk.	⬆	Corporate governance report – group risk management	44
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.	⬆	Corporate governance report – board audit and risk committee	43
2.10	The board should ensure that there is an effective risk-based internal audit.	⬆	Corporate governance report – board audit and risk committee	43
2.11	The board should appreciate that stakeholders' perceptions affect the company's reputation.	⬆	Stakeholder relationships	29
2.12	The board should ensure the integrity of the company's integrated report.	⬆	Scope and boundaries	1
2.13	The board should report on the effectiveness of the company's system of internal controls.	⬆	Board audit committee report	47

Apply ⬆ Needs improvement ➡ Do not apply ⬇

		Apply/ In progress/ Do not apply	Reference and Comments	Page No
2.	**BOARDS AND DIRECTORS (continued)**			
2.14	The board and its directors should act in the best interest of the company.	⬆	Corporate governance report	42
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.	⬆	The board will consider through the board audit and risk committee when required	
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.	⬆	Corporate governance report	42
2.17	The board should appoint the chief executive officer and establish a framework for the delegation of authority.	⬆	Authority levels in place Corporate governance report	 42
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.	⬆	Corporate governance report	42
2.19	Directors should be appointed through a formal process.	⬆	Remuneration report	50
2.20	The induction of an ongoing training and development of directors should be conducted through formal processes.	⬆	Remuneration report	50
2.21	The board should be assisted by a competent, suitably qualified company secretary.	⬆	Corporate governance report	46
2.22	The evaluation of the board, its committees and the individual directors should be performed every year.	⬆	Corporate governance report	42
2.23	The board should delegate certain functions to well-structured committees but without abdicating its own responsibilities.	⬆	Corporate governance report	42-52
2.24	A governance framework, including strategic objectives of the policy, should be agreed between the group and its subsidiary boards.	⬆	Corporate governance report	42
2.25	Companies should remunerate directors and executives fairly and responsibly.	⬆	Remuneration report	50-52
2.26	Companies should disclose the remuneration of each individual director and certain senior executives.	⬆	Remuneration report Annual financial statements – note 3	52-103
2.27	Shareholders should approve the company's remuneration policy.	⬆	Notice to shareholders	141
3.	**RISK AND AUDIT COMMITTEE**			
3.1	The board should ensure that the company has an effective and independent audit committee comprising at least three members.	⬆	Corporate governance – board audit and risk committee	43

Apply ⬆ Needs improvement ➡ Do not apply ⬇

APPENDIX VI – KING III CHECKLIST

continued

		Apply/ In progress/ Do not apply	Reference and Comments	Page No
3.	**RISK AND AUDIT COMMITTEE (continued)**			
3.2	Audit committee members should be suitably skilled and experienced independent non-executive directors.	⬆	Board audit committee report	47
3.3	The audit committee should be chaired by an independent non-executive director.	⬆	Board audit committee report	47
3.4	The audit committee should oversee integrated reporting.	⬆	Board audit committee report	48
3.5	The audit committee should ensure that a combined assurance model is applied to provide a coordinated approach to all assurance activities.	⬆	Board audit committee report	47
3.6	The audit committee should satisfy itself of the expertise, resources and experience of the company's finance function.	⬆	Board audit committee report	48
3.7	The audit committee should be responsible for overseeing the internal audit.	⬆	Board audit committee report	47
3.8	The audit committee should be an integral component of the risk management process.	⬆	Board audit committee report	47
3.9	The audit committee is responsible for recommending the appointment of the external auditor and overseeing the external audit process.	⬆	Board audit committee report	47
3.10	The audit committee should report to the board and shareholders on how it has discharged its duties.	⬆	Board audit committee report	47-48
4.	**THE GOVERNANCE OF RISK**			
4.1	The board should be responsible for the governance of risk.	⬆	Corporate governance report – group risk management	44
4.2	The board should determine the levels of risk tolerance.	⬆	Corporate governance report – group risk management	44-45
4.3	The risk committee or audit committee should assist the board in carrying out its risk responsibilities.	⬆	Corporate governance report – group risk management	44
4.4	The board should delegate to management the responsibility to design, implement and monitor the risk management plan.	⬆	Corporate governance report – group risk management	44
4.5	The board should ensure that risk assessments are performed on a continual basis.	⬆	Corporate governance report – group risk management	44
4.6	The board should ensure that frameworks and methodologies are implemented to increase the probability of anticipating unpredicted risks.	⬆	Corporate governance report – group risk management	44

Apply ⬆ Needs improvement ➡ Do not apply ⬇

		Apply/ In progress/ Do not apply	Reference and Comments	Page No
4.	**THE GOVERNANCE OF RISK (continued)**			
4.7	The board should ensure that management considers and implements appropriate risk responses.	⬆	Corporate governance report – group risk management	44
4.8	The board should ensure continuous risk monitoring by management.	⬆	Corporate governance report – group risk management	44-45
4.9	The board should receive assurance regarding the effectiveness of the risk management process.	⬆	Corporate governance report – group risk management	44
4.10	The board should ensure that there are processes in place enabling complete, timely, relevant, accurate and accessible risk disclosures to stakeholders.	⬆	Corporate governance report – group risk management	44-45
5.	**THE GOVERNANCE OF INFORMATION TECHNOLOGY**			
5.1	The board should be responsible for information technology (IT).	➡	The board takes responsibility for IT, however, the 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.	⬆	Forms part of risk management	
5.3	The board should delegate to management the responsibility for the implementation of an IT governance framework.	⬆	Corporate governance report – group risk management	44
5.4	The board should monitor and evaluate significant IT investments and expenditure.	⬆	Forms part of risk management Financial review	22
5.5	IT should form an integral part of the company's risk management.	⬆	Corporate governance report – group risk management	44
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.	⬆	Corporate governance report – group risk management	44
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.	⬆	Board audit committee report	47
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.	⬆	Corporate governance report	42

Apply ⬆ Needs improvement ➡ Do not apply ⬇

APPENDIX VI – KING III CHECKLIST

continued

		Apply/ In progress/ Do not apply	Reference and Comments	Page No
6	**COMPLIANCE WITH LAWS, RULES, CODES AND STANDARDS (continued)**			
6.3	Compliance should form an integral part of the company's risk management process.	↑	Corporate governance report – group risk management	44
6.4	The board should delegate to management the implementation of an effective compliance framework and processes.	↑	Corporate governance report	42
7	**INTERNAL AUDIT**			
7.1	The board should ensure that there is an effective risk -based internal audit.	↑	Board audit committee report	47
7.2	Internal audit should follow a risk based approach to its plan.	↑	Corporate governance report	43
7.3	Internal audit should provide a written assessment of the effectiveness of the company's system of internal controls and risk management.	↑	Corporate governance report	43
7.4	The audit committee should be responsible for overseeing the internal audit.	↑	Corporate governance report	43
7.5	Internal audit should be strategically positioned to achieve its objectives.	↑	Corporate governance report	43
8.	**GOVERNING STAKEHOLDER RELATIONSHIPS**			
8.1	The board should appreciate that stakeholders' perceptions affect the company's reputation.	↑	Stakeholder relationships	29
8.2	The board should delegate to management to proactively deal with stakeholder relationships.	↑	Stakeholder relationships	29
8.3	The board should strive to achieve the appropriate balance between its various stakeholder groupings, in the best interests of the company.	↑	Stakeholder relationships	29
8.4	Companies should ensure the equitable treatment of shareholders.	↑	Stakeholder relationships	29
8.5	Transparent and effective communications with stakeholders is essential for building and maintaining their trust and confidence.	↑	Stakeholder relationships	29
8.6	The board should ensure that disputes are resolved as effectively, efficiently and expeditiously as possible.	↑	Stakeholder relationships	29
9.	**INTEGRATED REPORTING AND DISCLOSURE**			
9.1	The board should ensure the integrity of the company's integrated report.	↑	Scope and boundaries	1
9.2	Sustainable reporting and disclosure should be integrated with the company's financial reporting.	↑	Integrated annual report 2012	
9.3	Sustainability reporting and disclosure should be independently assured.	↑	Sustainability assurance statement	57

Apply ↑ Needs improvement → Do not apply ↓

ANNUAL FINANCIAL STATEMENTS

EPS increased
7% to 310 cps

HEPS increased
19% to 310 cps

EBITDA improved by
19% to R825 million

NAV increased 21%
to 1 356 cps

ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2012

The following reports and statements in respect of the year ended 31 December 2012 are presented by the board of directors in compliance with the requirements of the Companies Act, Act 71 of 2008.

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LEVEL OF ASSURANCE

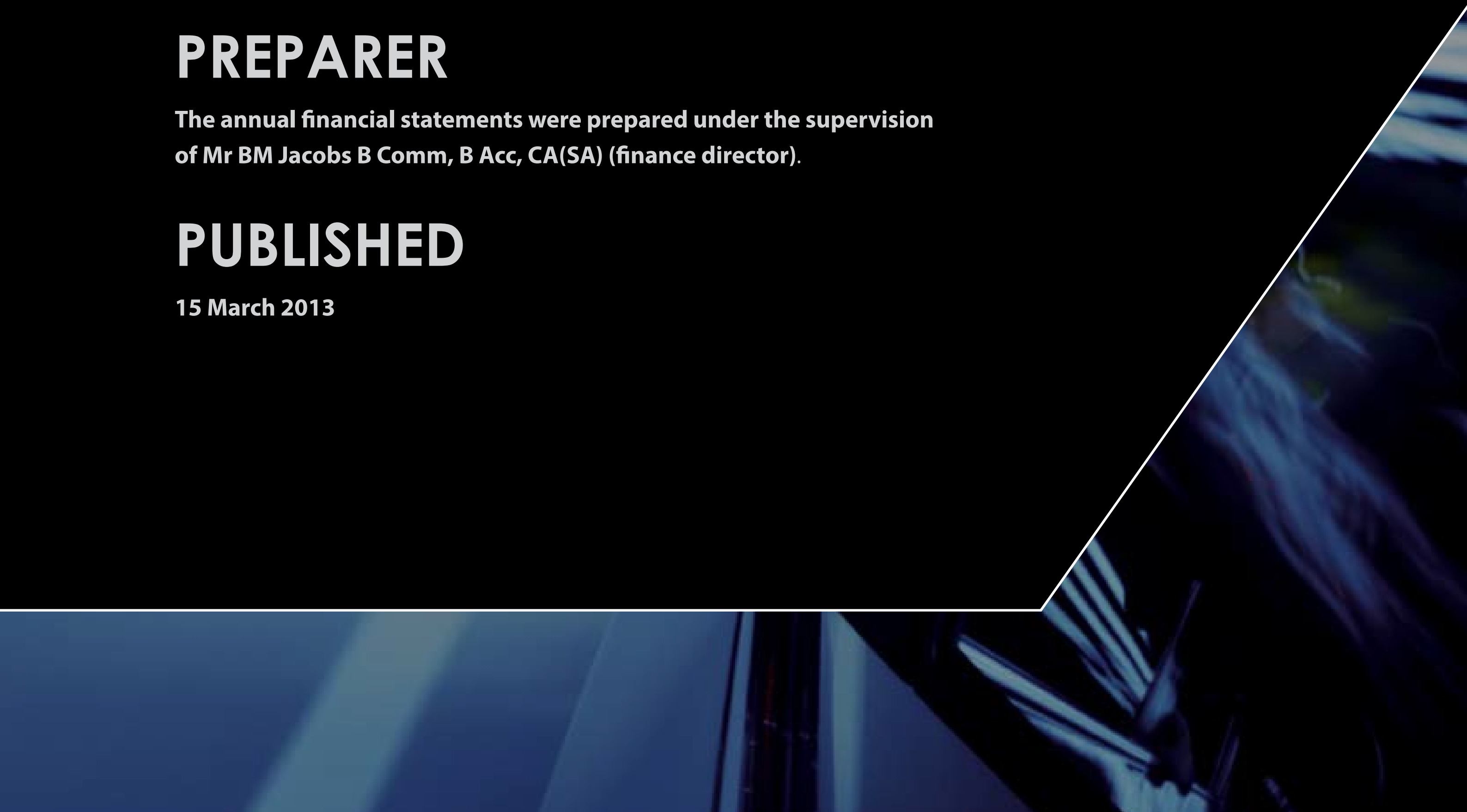
These annual financial statements have been audited in compliance with the applicable requirements of the Companies Act of South Africa.

PREPARER

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

PUBLISHED

15 March 2013



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 group.

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 and separate 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 2012 set out on pages 77 to 140 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 78.

CERTIFICATE BY COMPANY SECRETARY

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 2012, 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
15 March 2013

DIRECTORS' REPORT

For the year ended 31 December 2012

The directors have pleasure in submitting their report for the year ended 31 December 2012.

GENERAL REVIEW

The main business of the group is the manufacture and supply of motor vehicle components for the original equipment and aftermarket sectors in both local and export markets. The group also manufactures non-automotive products. The financial statements on pages 77 to 140 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 R440,5 million (2011: R408,4 million).

DIVIDENDS

The following dividends were declared:	**R'000 2012**	R'000 2011
Ordinary shares Declared and paid with respect to 2011 Ordinary dividend of 72 cents per share	**101 884**	
Declared and paid with respect to 2010 Ordinary dividend of 65 cents per share		91 750

A dividend of 95 cents per share was declared on 15 March 2013 in respect of 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 the notes 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 of 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
– Acquisition of Rombat	269 929
– Additions	298 520
– Disposals	(4 820)

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

	R'000
– Acquisition of Rombat	64 078
– Additions	2 108

DIRECTORS

The composition of the board of directors is set out on page 14.

SECRETARY

S M Vermaak

Business address:
10 Anerley Road, Parktown, Johannesburg, 2193
Postal address:
P O 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 140.

During the year the group acquired a majority shareholding in Rombat S.A. through Metair International Cooperatief U.A. (refer note 9 and note 28).

HOLDING COMPANY

The company has no holding company.

FIRE AT SUPREME SPRING LEAF SPRING MANUFACTURING FACILITY

Subsequent to year end, on 31 January 2013, a fire damaged the leaf spring manufacturing facility at Supreme Spring. The total effect of the insurance claim is estimated at R35 million. Supreme Spring expects all insurance claims to be finalised during the first half of 2013. The facility has re-commenced operations.

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.

APPROVAL OF ANNUAL FINANCIAL STATEMENTS

The directors have approved the annual financial statements on pages 77 to 140 which are signed on their behalf by:

OME Pooe
Chairman

C T Loock
Managing Director

Johannesburg
15 March 2013

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Metair Investments Limited

We have audited the consolidated and separate financial statements of Metair Investments Limited set out on pages 79 to 140 which comprise the balance sheets as at 31 December 2012, and the income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The company's directors are responsible for the preparation and fair presentation of these consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of 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 consolidated and separate 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 consolidated and separate 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 consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Metair Investments Limited as at 31 December 2012, 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.

OTHER REPORTS REQUIRED BY THE COMPANIES ACT

As part of our audit of the consolidated and separate financial statements for the year ended 31 December 2012, we have read the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated and separate financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited consolidated and separate financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: George Hauptfleisch
Registered Auditor
Johannesburg
15 March 2013

ACCOUNTINGPOLICIES

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 137.

a) Standards, amendments and interpretations effective in 2012

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 on-going risks the entity faced due to derecognised receivables and other financial assets.

The amendment had no impact on the group.

Amendment to IAS 12 – Income taxes on deferred taxation (effective from 1 January 2012): Currently IAS 12 – Income taxes, requires an entity to measure the deferred taxation 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 taxation assets or liabilities arising on investment property measured at fair value. As a result of the amendment, SIC 21 – Income taxes – recovery of re-valued 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.

The amendments had no impact on the group.

b) Standards, amendments and interpretations effective in 2012 but not relevant to 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 de-recognition 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.

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

Amendment to IFRS 1 – First-time adoption on government loans (effective from 1 January 2013): This amendment addresses how a first-time adopter would account for a government loan with a below-market rate of interest when transitioning to IFRS. It also adds an exception to the retrospective application of IFRS, which provides the same relief to first-time adopters granted to existing preparers of IFRS financial statements when the requirement was incorporated into IAS 20 in 2008.

The amendments will currently have no impact on the group.

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.

The amendment currently has no impact on the group. Management will consider in future.

ACCOUNTING POLICIES
continued

Improvements to IFRSs (issued May 2012) (unless otherwise specified the amendments are effective for annual periods beginning on or after 1 January 2013): 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.

Management is currently considering the effect of the change.

Amendment to IFRS 7 – Financial Instruments: Disclosures – Asset and Liability offsetting (effective from 1 January 2013): The IASB has published an amendment to IFRS 7, 'Financial instruments: Disclosures', reflecting the joint requirements with the Financial Accounting Standards Board (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.

Management is currently considering the effect of the change. It is not considered to be significant.

Amendment to IFRS 7 – Financial Instruments: Disclosures – IFRS 9 Transitional Disclosures (effective for financial periods beginning on/after 1 January 2015): This amendment requires additional disclosure on the transition from IAS 39 to IFRS 9. This additional disclosure is only required when an entity adopts IFRS 9 for financial periods beginning on/after 1 January 2013. If an entity adopts IFRS 9 for financial periods beginning on/after 1 January 2012 and before 1 January 2013, the entity can either provide the additional disclosure or restate prior periods. The additional disclosure highlights the changes in classification of financial assets and financial liabilities upon the adoption of IFRS 9.

Management is currently considering the effect of the change.

Amendments to IAS 1 – Presentation of Financial Statements, on presentation of items of other comprehensive income (OCI) (effective from 1 July 2012): The IASB has issued an amendment to IAS 1, 'Presentation of financial statements'. The main change resulting from these amendments is a requirement for entities to group items presented in OCI on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI.

Management will amend disclosure requirements when this becomes effective.

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.

Management is currently considering the effect of the change. It is not considered to be significant.

IFRS 9 – Financial Instruments (2009) (effective from 1 January 2015): 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.

Management is currently considering the effect of the change. It is not considered to be significant.

IFRS 9 – Financial Instruments (2010) (effective from 1 January 2015): The IASB has updated IFRS 9, 'Financial instruments' to include guidance on financial liabilities and de-recognition 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.

Management is currently considering the effect of the change. It is not considered to be significant.

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 have also been modified.

Management is currently considering the effect of the change.

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 consolidates as its subsidiaries.

Management is currently considering the effect of the change and will apply it for future periods.

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.

Management will amend disclosure requirements when this becomes effective. It is currently not available.

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.

Management is currently considering the effect of the change. It is not considered to be significant.

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.

Management is currently considering the effect of the change. It is not considered to be significant.

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.

Management is currently considering the effect of the change. It is not considered to be significant.

Amendments to IAS 32 – Financial Instruments: Presentation (effective from 1 January 2014): 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 statement of financial position continue to be different from US GAAP.

Management will amend disclosure requirements when this becomes effective.

Amendment to the transition requirements in IFRS 10 – Consolidated financial statements, IFRS 11 – Joint Arrangements, and IFRS 12 – Disclosure of interests in other entities (effective from 1 January 2013): The amendment clarifies that the date of initial application is the first day of the annual period in which IFRS 10 is adopted – for example, 1 January 2013 for a calendar-year entity that adopts IFRS 10 in 2013. Entities adopting IFRS 10 should assess control at the date of initial application; the treatment of comparative figures depends on this assessment. The amendment also requires certain comparative disclosures under IFRS 12 upon transition.

Management is currently considering the effect of the change. It is not considered to be significant.

IFRIC 20 – Stripping Costs in the Production Phase of a Surface Mine (effective for financial periods beginning on/after 1 January 2013): The Interpretations Committee was asked to clarify when and how to account for stripping costs (the process of removing waste from a surface mine in order to gain access to mineral ore deposits) to address diversity in practice. The Interpretation clarifies when production stripping should lead to the recognition of an asset and how that asset should be measured, both initially and in subsequent periods.

This amendment is not applicable for the group.

Amendments to IFRS 10, IFRS 12 and IAS 27 – Investment entities (effective for financial periods beginning on/after 1 January 2014): The amendments apply to a particular class of business that qualify as investment entities. The IASB uses the term 'investment entity' to refer to an entity whose business purpose is to invest funds solely for returns from capital appreciation, investment income or both. An investment entity must also evaluate the performance of its investments on a fair value basis. Such entities could include private equity organisations, venture capital organisations, pension funds, sovereign wealth funds and other investment funds. Under IFRS 10 Consolidated Financial Statements, reporting entities were required to consolidate all investees that they control (i.e. all subsidiaries). Preparers and users of financial statements have suggested that consolidating the subsidiaries of investment entities does not result in useful information for investors. Rather, reporting all investments, including investments in subsidiaries, at fair value, provides the most useful and relevant information. In response to this, the Investment Entities amendments provide an exception to the consolidation requirements in IFRS 10 and require investment entities to measure particular subsidiaries at fair value through profit or loss, rather than consolidate them. The amendments also set out disclosure requirements for investment entities.

This amendment is currently not applicable for the group.

Annual Improvements issued May 2012

Improvements to IFRSs (issued May 2012) were issued by the IASB as part of the 'annual improvements process' resulting in the following amendments to standards issued, but not yet effective for 31 December 2012 year-ends:

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.

ACCOUNTING POLICIES

continued

IFRS	Effective Date	Subject of amendment
Amendments to IFRS 1 – First-time adoption of IFRS	1 January 2013	The amendment clarifies that an entity may apply IFRS 1 more than once under certain circumstances.
		The amendment clarifies that an entity can choose to adopt IAS 23 – Borrowing costs, either from its date of transition or from an earlier date.
		The consequential amendment (as a result of the amendment to IAS 1 discussed below) clarifies that a first-time adopter should provide the supporting notes for all statements presented.
Amendment to IAS 1 – Presentation of financial statements	1 January 2013	The amendment clarifies the disclosure requirements for comparative information when an entity provides a third balance sheet, either as required by IAS 8 – Accounting policies, changes in accounting estimates and errors, or voluntarily.
Amendment to IAS 16 – Property, plant and equipment	1 January 2013	The amendment clarifies that spare parts and servicing equipment are classified as property, plant and equipment rather than inventory when they meet the definition of property, plant and equipment.
Amendment to IAS 32 – Financial instruments: Presentation	1 January 2013	The amendment clarifies the treatment of income taxation relating to distributions and transaction costs. The amendment clarifies that the treatment is in accordance with IAS 12. So, income taxation related to distributions is recognised in the income statement, and income taxation related to the costs of equity transactions is recognised in equity.
Amendment to IAS 34 – Interim financial reporting	1 January 2013	The amendment brings IAS 34 into line with the requirements of IFRS 8 – Operating segments. A measure of total assets and liabilities is required for an operating segment in interim financial statements if such information is regularly provided to the chief operating decision makers (CODM) and there has been a material change in those measures since the last annual financial statements.

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.

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 are deconsolidated from the date that control is lost.

The acquisition method of accounting is used to account for business combinations of subsidiaries by the group.

The consideration transferred for the acquisition of a subsidiary is measured at the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity instruments issued at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the proportionate share of the 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 in the period in which the costs are incurred or services received.

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

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 re-measured, and its subsequent settlement is accounted for within equity.

Changes in ownership interests 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 remeasured 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.

ASSOCIATED COMPANIES

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

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

The group's share of associated earnings less dividends received is tranferred to a non-distributable reserve within the statement of changes in equity.

FOREIGN CURRENCIES TRANSLATION

a) 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 within operating expenses 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.

ACCOUNTING POLICIES
continued

b) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
(iii) all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

c) 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.

INTANGIBLES

a) Goodwill

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

b) Trademarks and licences

Separately acquired trademarks and licences are shown at historical cost. Trademarks and licences acquired in a business combination are recognised at fair value at the acquisition date. Trademarks and licences have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of trademarks and licences over their estimated useful lives:

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	50 years
Plant and equipment	3 – 20 years
Capitalised leased assets	5 – 20 years

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

LEASES

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

IMPAIRMENT OF NON-FINANCIAL ASSETS

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

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

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

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

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

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

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

INVENTORY

Inventory is stated at the lower of cost or net realisable value, due account being taken of possible obsolescence. 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 taxation expense for the period comprises current and deferred tax. Taxation 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 taxation charge is calculated on the basis of the taxation 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 taxation returns with respect to situations in which applicable taxation regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the taxation authorities.

Deferred taxation assets and liabilities

Deferred income taxation is recognised, using the liability method, on temporary differences arising between the taxation bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred taxation liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income taxation 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 taxation is determined using taxation rates (and laws) that have been enacted by the balance sheet date and are expected to apply when the related deferred income taxation asset is realised or deferred income taxation liability is settled.

ACCOUNTING POLICIES
continued

Deferred income taxation 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 taxation is provided on temporary differences arising on investments in subsidiaries and associates, except for deferred income taxation 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 taxation assets and liabilities are offset when there is a legally enforceable right to offset current taxation assets against current taxation liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

PROVISIONS

Provisions are recognised when the group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. The group recognises the estimated liability on all products still under warranty at the 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-taxation 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.

Sales of goods – Original Equipment Manufacturers (OEM) and aftermarket

The group manufactures and sells a range of products predominantly for the automotive industry. The group produces and supplies components to major OEM manufacturers 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.

Sales of goods are recognised when a group entity has delivered products to the customer and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery does not occur until the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products and all risks and rewards associated with them, the acceptance provisions have lapsed or the group has objective evidence that all criteria for acceptance have been satisfied.

The automotive products are sometimes sold with a right to return faulty products. Accumulated experience is used to estimate and provide for such returns at the time of sale. Sales are recorded based on the price specified in the sales contracts or agreed pricing.

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 and incentive shares.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

FINANCIAL INSTRUMENTS

Financial instruments carried at the balance sheet date include cash and bank balances, investments, receivables, trade creditors and borrowings.

Financial assets 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 remeasured at their fair value.

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

a) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or
b) 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 or loss are 'financial assets held for trading'. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as 'held for trading' unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date. Refer to note 21.

Loans and receivables

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

Recognition and measurement

Regular purchases and sales of financial assets are recognised on trade-date – the date on which the group commits to purchase or sell the asset. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss 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:
  (i) Adverse changes in the payment status of borrowers in the portfolio; and
  (ii) National or local economic conditions that correlate with defaults on the assets in the portfolio.

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

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

Impairment 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.

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, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the 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 operated a group defined benefit plan and operates a number of defined contribution plans, the assets of which are generally held in separate trustee-administered funds. The plans are generally funded by payments from employees and by the relevant group companies taking account of the recommendations of independent qualified actuaries.

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

ACCOUNTING POLICIES
continued

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 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. 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.

The grant by the company of options over its equity instruments to the employees of subsidiary undertakings in the group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity accounts.

The group's net vesting impact on share-based payment obligations is transferred to retained earnings within the statement of changes in 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. 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 taxation effects, is included in equity attributable to the company's equity holders.

Dividends received on treasury shares are eliminated on consolidation.

DIVIDENDS PAYABLE

Dividend distribution to the company's shareholders is recognised as a liability in the group's financial statements in the period in which the dividends are approved by the company's shareholders.

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 board of directors that makes strategic decisions.

SECONDARY TAXATION ON COMPANIES AND DIVIDENDS WITHOLDING TAX

Secondary taxation on companies (STC) was provided in respect of net dividends declared up to 31 March 2012 and is recognised as a taxation charge. STC was abolished in April 2012 and the 15% dividends withholding taxation is now applicable.

OFFSETTING FINANCIAL INSTRUMENTS

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

BALANCE SHEETS

As at 31 December 2012

	Notes	GROUP 2012 R'000	GROUP 2011 R'000	COMPANY 2012 R'000	COMPANY 2011 R'000
ASSETS					
Non-Current Assets		**1 379 105**	841 318	**521 285**	405 354
Property, plant and equipment	7	**1 237 007**	762 752		
Intangible assets	8	**85 050**	22 718		
Interest in subsidiaries	9			**518 492**	399 416
Investment in associates	10	**47 351**	44 582	**2 793**	3 838
Deferred taxation	17	**9 697**	11 266		2 100
Current Assets		**2 024 613**	1 640 808	**149 995**	174 272
Inventory	11	**869 989**	693 646		
Trade and other receivables	12	**706 862**	518 527	**144**	133
Taxation		**424**	6 342		
Short-term loans – subsidiaries	9			**149 374**	173 934
Derivative financial assets	21.5	**162**	615		205
Cash and cash equivalents	13	**447 176**	421 678	**477**	
Total Assets		**3 403 718**	2 482 126	**671 280**	579 626
EQUITY AND LIABILITIES					
Capital and Reserves					
Share capital and premium	14	**42 876**	42 876	**42 876**	42 876
Treasury shares	14	**(72 232)**	(113 509)		
Share-based payment reserve	15.4	**38 428**	17 542	**12 252**	11 709
Hedging reserve	15.3		(3 471)		
Foreign currency translation reserve	15.2	**36 660**			
Non-distributable reserves	15.1	**43 308**	39 494		
Retained earnings		**1 883 541**	1 599 664	**613 866**	517 022
Ordinary shareholders equity		**1 972 581**	1 582 596	**668 994**	571 607
Non-controlling interests		**126 701**	118 812		
Total Equity		**2 099 282**	1 701 408	**668 994**	571 607
Non-Current Liabilities		**278 932**	116 650		
Borrowings	16	**183 804**	27 458		
Post-employment medical benefits	24	**28 713**	25 074		
Deferred taxation	17	**66 415**	64 118		
Current Liabilities		**1 025 504**	664 068	**2 286**	8 019
Trade and other payables	18	**669 090**	533 374	**2 286**	315
Borrowings	16	**67 398**	24 627		
Taxation		**14 024**	7 541		
Provisions for liabilities and charges	19	**71 508**	60 651		
Bank overdrafts	13	**191 928**	25 106		
Derivative financial liabilities	21.5	**11 556**	12 769		7 704
Total Liabilities		**1 304 436**	780 718	**2 286**	8 019
Total Equity and Liabilities		**3 403 718**	2 482 126	**671 280**	579 626

INCOME STATEMENTS

For the year ended 31 December 2012

	Notes	GROUP 2012 R'000	GROUP 2011 R'000	COMPANY 2012 R'000	COMPANY 2011 R'000
Revenue	1	**5 273 370**	4 294 152		
Cost of sales		**(4 037 654)**	(3 376 719)		
Gross profit		**1 235 716**	917 433		
Other operating income	3	**69 293**	166 236	**335 166**	204 792
Distribution costs		**(176 341)**	(132 750)		
Administrative expenses		**(438 098)**	(372 440)		
Other operating expenses		**(22 138)**	(2 256)	**(14 345)**	(5 873)
Operating profit		**668 432**	576 223	**320 821**	198 919
Interest income	2	**21 065**	14 296	**5**	
Interest expense	2	**(26 961)**	(7 858)	**(4 082)**	
Share of results of associates	10	**27 817**	19 339		
Profit before taxation	3	**690 353**	602 000	**316 744**	198 919
Taxation	4	**(197 718)**	(150 906)	**(12 354)**	(7 815)
Profit for the year		**492 635**	451 094	**304 390**	191 104
Attributable to:					
Equity holders of the company		**440 543**	408 365	**304 390**	191 104
Non-controlling interests		**52 092**	42 729		
		492 635	451 094	**304 390**	191 104
Earnings per share					
Basic earnings per share (cents)	5	**310**	289		
Diluted earnings per share (cents)	5	**304**	283		

STATEMENTS OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

		GROUP		COMPANY	
	Notes	2012 R'000	2011 R'000	2012 R'000	2011 R'000
Profit for the year		**492 635**	451 094	**304 390**	191 104
Other comprehensive income:					
Actuarial losses recognised	24	**(1 321)**	(5 345)		
Exchange gains arising on translation of foreign operations	15.2	**36 845**			
Cash flow hedges	15.3, 21.5	**(7 548)**	(4 821)		
Taxation on other comprehensive income	17	**(1 054)**	2 645		
Other comprehensive income for the year net of taxation		**26 922**	(7 521)		
Total comprehensive income for the year		**519 557**	443 573	**304 390**	191 104
Attributable to:					
Equity holders of the company		**467 280**	401 033	**304 390**	191 104
Non-controlling interests		**52 277**	42 540		
		519 557	443 573	**304 390**	191 104

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2012

GROUP	Share capital and premium R'000	Treasury shares R'000	Share-based payment reserve R'000	Hedging reserve R'000	Foreign currency translation reserve R'000	Non-distributable reserve R'000	Retained earnings R'000	Attributable to equity holders of the company R'000	Non-controlling interests R'000	Total equity R'000
Year ended 31 December 2012										
Balance as at 1 January 2012	**42 876**	**(113 509)**	**17 542**	**(3 471)**		**39 494**	**1 599 664**	**1 582 596**	**118 812**	**1 701 408**
Net profit for the year							**440 543**	**440 543**	**52 092**	**492 635**
Other comprehensive income				**(8 898)**	**36 660**		**(1 025)**	**26 737**	**185**	**26 922**
Total comprehensive income for the year				**(8 898)**	**36 660**		**439 518**	**467 280**	**52 277**	**519 557**
Non-controlling interest arising on acquisition of subsidiary									**2 055**	**2 055**
Employee share plan:										
– Value of service provided			**8 520**					**8 520**	**345**	**8 865**
– Deferred taxation			**12 098**					**12 098**	**1 167**	**13 265**
Vesting of share-based payment obligation:										
– Utilisation of treasury shares to settle obligation		**34 289**	**(34 289)**							
– Estimated taxation effects of utilisation of treasury shares			**(16 418)**					**(16 418)**		**(16 418)**
– Transfer of net vesting impact to retained earnings			**55 169**				**(49 943)**	**5 226**	**(5 226)**	
– Loss on settlement of old scheme			**(4 194)**					**(4 194)**		**(4 194)**
Transfer to purchase consideration of subsidiary				**12 369**				**12 369**		**12 369**
Shares disposed by the Metair Share Trust		**6 988**						**6 988**		**6 988**
Transfer of associate profit and dividend						**3 814**	**(3 814)**			
Dividend *							**(101 884)**	**(101 884)**	**(42 729)**	**(144 613)**
Balance as at 31 December 2012	**42 876**	**(72 232)**	**38 428**		**36 660**	**43 308**	**1 883 541**	**1 972 581**	**126 701**	**2 099 282**
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 plan:										
– 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)			
Dividend **							(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

* An ordinary dividend of 72 cents per share was declared in respect of the year ended 31 December 2011.

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

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2012

COMPANY

	Share capital and pre-mium R'000	Treasury shares R'000	Share-based payment reserve R'000	Retained earnings R'000	Attri-butable to equity holders of the company R'000	Total equity R'000
Year ended 31 December 2012						
Balance as at 1 January 2012	**42 876**		**11 709**	**517 022**	**571 607**	**571 607**
Net profit for the year				**304 390**	**304 390**	**304 390**
Total comprehensive income for the year				**304 390**	**304 390**	**304 390**
Employee share plan:						
– Value of service provided			**8 865**		**8 865**	**8 865**
Purchase of treasury shares		**(106 045)**			**(106 045)**	**(106 045)**
Settlement of share options		**106 045**	**(8 322)**	**(97 723)**		
Dividend *				**(109 823)**	**(109 823)**	**(109 823)**
Balance as at 31 December 2012	**42 876**		**12 252**	**613 866**	**668 994**	**668 994**
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

* An ordinary dividend of 72 cents per share was declared in respect of the year ended 31 December 2011.

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

STATEMENTS OF CASH FLOWS

For the year ended 31 December 2012

	Notes	GROUP 2012 R'000	GROUP 2011 R'000	COMPANY 2012 R'000	COMPANY 2011 R'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash generated from/(utilised in) operations	20.1	**749 751**	450 400	**(14 691)**	4 713
Interest paid	2	**(26 961)**	(7 858)	**(4 082)**	
Taxation paid	20.2	**(181 574)**	(126 833)	**(10 254)**	(9 915)
Dividends paid	20.3	**(144 613)**	(130 102)	**(109 823)**	(99 146)
Dividend income from associate		**24 003**	8 993		
Net cash inflow/(outflow) from operating activities		**420 606**	194 600	**(138 850)**	(104 348)
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisition of property, plant and equipment	7	**(298 520)**	(159 749)		
Acquisition of intangible assets	8	**(2 108)**	(2 397)		
Proceeds on insurance claim relating to property, plant and equipment	3	**898**	49 392		
Acquisition of subsidiary	28	**(443 149)**		**(400 103)**	
Decrease/(increase) in advances to subsidiaries excluding impairment				**305 587**	(102 531)
Interest received	2	**21 065**	14 296	**5**	
Dividends received	3			**233 838**	206 879
Proceeds on disposal of property, plant and equipment		**5 003**	10 282		
Net cash (outflow)/inflow from investing activities		**(716 811)**	(88 176)	**139 327**	104 348
CASH FLOWS FROM FINANCING ACTIVITIES					
Long-term loans raised		**199 798**	9 753		
Long-term loans repaid		**(68 999)**	(14 207)		
Short-term loans raised		**144 939**	2 203	**100 000**	
Short-term loans repaid		**(110 050)**		**(100 000)**	
Decrease in treasury shares		**2 794**	2 575		
Costs of vesting of shares		**(16 418)**			
Net cash inflow from financing activities		**152 064**	324		
Net (decrease)/increase in cash and cash equivalents		**(144 141)**	106 748	**477**	
Cash and cash equivalents at beginning of the year		**396 572**	289 824		
Exchange gains on cash and cash equivalents		**2 817**			
Cash and cash equivalents at end of the year	13	**255 248**	396 572	**477**	

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

1. SEGMENTAL REVIEW (R'000)

	Local						
	Original equipment	**Segment % of revenue**	**After-market**	**Segment % of revenue**	**Non-auto**	**Segment % of revenue**	**Total**
for the year ended 31 December 2012							
Revenue	**3 046 190**	**58**	**1 162 136**	**22**	**462 957**	**9**	**4 671 283**
Profit before interest and taxation	**313 241**		**202 786**		**59 141**		**575 168**
for the year ended 31 December 2011							
Revenue	2 697 984	63	893 159	21	441 385	10	4 032 528
Profit before interest and taxation	276 631		194 157		58 956		529 744

	Direct exports						
	Original equipment	**Segment % of revenue**	**After-market**	**Segment % of revenue**	**Non-auto**	**Segment % of revenue**	**Total**
for the year ended 31 December 2012							
Revenue	**94 844**	**1**	**471 953**	**9**	**35 290**	**1**	**602 087**
Profit before interest and taxation	**10 415**		**40 304**		**2 849**		**53 568**
for the year ended 31 December 2011							
Revenue	86 201	2	139 060	3	36 363	1	261 624
(Loss)/profit before interest and taxation	(7 941)		20 698		2 782		15 539

	Property Rental	**Local Total**	**Direct Exports Total**	**Reconciling items***	**Total**
for the year ended 31 December 2012					
Revenue	**67 053**	**4 671 283**	**602 087**	**(67 053)**	**5 273 370**
Profit before interest and taxation	**66 124**	**575 168**	**53 568**	**1 389**	**696 249**
Net finance costs					**(5 896)**
Profit before taxation					**690 353**
Included in the above:					
– Depreciation and amortisation					**(127 210)**
– Impairment charges					**(1 045)**
for the year ended 31 December 2011					
Revenue	60 873	4 032 528	261 624	(60 873)	4 294 152
Profit/(loss) before interest and taxation	59 980	529 744	15 539	(9 701)	595 562
Net finance costs					6 438
Profit before taxation					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)

* 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 who make the strategic decisions of the group.

The group manufactures automotive components mainly for the automotive market. In order to determine operating and reportable segments, management reviewed various factors, including product markets 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 have therefore not been disclosed.

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

Refer note 7 and 8 for the details of the impairment charges of property, plant and equipment and the impairment charge relating to intangible assets in the previous year. There has been no further impact on the measurement of the company's assets and liabilities. An impairment of the investment in the associate company Vizirama 112 (Pty) Ltd of R1 045 000 was recorded during the current year. Goodwill arising in the year amounted to R32 814 000 as a result of the acquisition of Rombat S.A. Rombat operates predominantly in the original equipment and aftermarket segments (refer note 28).

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

The breakdown of such segments are provided above.

Major Customers

43% (2011: 46%) of total revenue results from sales to a single external customer.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

		GROUP		COMPANY	
		2012 R'000	2011 R'000	**2012 R'000**	2011 R'000
2.	**NET FINANCE**				
	Interest income:				
	On bank deposits	**21 065**	14 296	**5**	
		21 065	14 296	**5**	
	Interest expense:				
	Bank borrowings	**(26 005)**	(7 042)	**(4 082)**	
	Finance leases	**(956)**	(816)		
		(26 961)	(7 858)	**(4 082)**	
	Net finance (expense)/income	**(5 896)**	6 438	**(4 077)**	
3.	**PROFIT BEFORE TAXATION**				
	Profit before taxation is stated after taking into account the following:				
	Other operating income				
	– Dividends from subsidiaries (unlisted)			**212 278**	199 039
	– Dividends from associates (unlisted)			**21 560**	7 840
	– Distribution from subsidiaries			**97 723**	
	– Management and committee fees received	**1 293**	1 228		
	– Government grants	**13 535**	9 483		
	– Profit on tooling and scrap sales	**11 101**	14 556		
	– Bad debts recovered	**312**	368		
	– Rent received	**2 323**	1 365		
	– Financial assets at fair value through profit or loss				
	– Fair value losses	**(18 563)**	(28 215)		(2 087)
	– Fair value gains	**22 864**	29 831	**3 605**	
	– Insurance proceeds on FNB fire*	**24 702**	122 637		
	– Other	**11 726**	14 983		
		69 293	166 236	**335 166**	204 792

		GROUP		COMPANY	
		2012 R'000	2011 R'000	**2012 R'000**	2011 R'000
3.	**PROFIT BEFORE TAXATION (continued)**				
	Expenses by nature				
	Auditors' remuneration				
	– Audit fees	**7 861**	6 245	**14**	13
	– Expenses	**128**	60		
	– Non-audit assurance fees	**541**	527		
	– Non-audit non-assurance fees	**1 730**	4 812		
	Depreciation and amortisation (notes 7 and 8)	**127 210**	89 150		
	Impairment charges (notes 8 and 10)	**1 045**	1 115	**1 045**	
	Impairment of property, plant and equipment relating to FNB fire*		6 785		
	Other operational losses on FNB fire*	**971**	25 803		
	Profit on disposal of property, plant and equipment	**(183)**	(5 099)		
	Operating lease charges				
	– Property	**18 604**	15 319		
	– Plant and equipment	**14 449**	13 749		
	Bad debt write-offs	**68**	375		
	Managerial and technical service fees paid to outside parties	**10 393**	5 874	**1 295**	
	Foreign exchange losses	**19 380**	2 653	**11 415**	5 412
	Distribution costs	**176 341**	132 750		
	Changes in inventories of finished goods, after acquisition of subsidiary	**84 884**	21 517		
	Raw materials, consumables used and other overheads	**3 178 913**	2 628 270	**563**	434
	Employee benefit expense	**1 031 896**	934 260	**13**	14
	Total cost of sales, distribution costs and other operating and administrative expenses	**4 674 231**	3 884 165	**14 345**	5 873

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

		GROUP		COMPANY	
		2012 R'000	2011 R'000	**2012 R'000**	2011 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 in 2011. Related operational losses have been recognised in profit/(loss) and includes inventory damaged by the fire (and written off) and incidental business interruption expenses. The total profit recognised relating to the replacement of property, plant and equipment, inventory and business interruption amounted to R24 million (2011: R90 million). FNB expects all insurance claims to be finalised during the first half of 2013.				
	The total profit recognised for the year is allocated as follows:				
	Profit on insurance recovery on property, plant and equipment	**898**	42 607		
	Insurance recovery on stock written off and business interruption expenses	**22 833**	47 442		
	Total profit for the year	**23 731**	90 049		
	Made up of:				
	Total insurance proceeds recognised for the year	**24 702**	122 637		
	Less: Impairment of property, plant and equipment		(6 785)		
	Stock written off and business interruption expenses	**(971)**	(25 803)		
	Total profit for the year	**23 731**	90 049		
	Employee benefit expense				
	– Wages and salaries	**913 759**	838 349	**13**	14
	– Share-based payment expenses	**8 865**	4 415		
	– Termination benefits		2 569		
	– Social security costs	**52 839**	35 335		
	– Pension costs – defined contribution plans	**53 736**	48 354		
	– Defined benefit plans (note 24)		1 852		
	– Post-employment medical benefits (note 24)	**2 697**	3 386		
		1 031 896	934 260	**13**	14
	Number of persons employed by the group at the end of the year:				
	Hourly	**4 565**	4 650		
	Monthly	**1 913**	1 301		
		6 478	5 951		

		GROUP		COMPANY	
		2012 R'000	2011 R'000	**2012 R'000**	2011 R'000
3.	**PROFIT BEFORE TAXATION (continued)**				
	Directors' emoluments				
	Executive directors				
	Salaries and allowances	**9 892**	11 733	**9 892**	11 733
	Other benefits	**28 863**	446	**28 863**	446
		38 755	12 179	**38 755**	12 179
	Paid by subsidiary company	**(38 755)**	(12 179)	**(38 755)**	(12 179)
	Non-executive directors	**13**	14	**13**	14
	Fees	**1 663**	1 930	**1 663**	1 930
	Paid by subsidiary company	**(1 650)**	(1 916)	**(1 660)**	(1 916)

	COMPANY 2012				
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				**3 185**	**1 694**
Performance bonuses				**3 184**	**1 829**
Pension and provident fund contributions				**170**	**181**
Company contributions				**125**	**46**
Gain on the exercise of share options				**18 893**	**9 448**
				25 557	**13 198**
Paid by subsidiary companies				**(25 557)**	**(13 198)**
Non-executive directors	**2**	**2**	**2**		
Fees	**233**	**310**	**229**		
Paid by subsidiary company	**(231)**	**(308)**	**(227)**		
	B Molotlegi R'000	**OME Pooe ** R'000**	**A Galiel R'000**	**JG Best R'000**	
Non-executive directors	**1**	**2**	**2**	**2**	
Fees	**50**	**200**	**310**	**341**	
Paid by subsidiary company	**(49)**	**(198)**	**(308)**	**(339)**	

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

		COMPANY 2012				
		2011				
3.	**PROFIT BEFORE TAXATION (continued)**					
	Directors' emoluments (continued)	**RS Broadley**	**L Soanes**	**A Joffe ***	**CT Loock**	**BM Jacobs**
		R'000	**R'000**	**R'000**	**R'000**	**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	**OME Pooe ****	**A Galiel**	**JG Best**	
		R'000	**R'000**	**R'000**	**R'000**	
	Non-executive directors	2	2	2	2	
	Fees	205	209	315	344	
	Paid by subsidiary company	(203)	(207)	(313)	(342)	

* Paid to CoroCapital Limited

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

		GROUP		COMPANY	
		2012	2011	**2012**	2011
		R'000	R'000	**R'000**	R'000
4.	**TAXATION**				
	South African normal taxation	**184 442**	137 157	**2 100**	(2 100)
	Current:				
	– this year	**190 777**	125 566		
	– prior years	**(10 078)**	(2 328)		
	Deferred:				
	– this year	**2 393**	13 919		(2 100)
	– prior years	**1 350**		**2 100**	
	Secondary taxation on companies	**13 276**	13 749	**10 254**	9 915
		197 718	150 906	**12 354**	7 815
		%	**%**	**%**	**%**
	Reconciliation of taxation rate:				
	Standard rate	**28**	28	**28**	28
	Associates' results net of tax	**(1,2)**	(1,0)		
	Prior year adjustment:				
	– Current	**(1,5)**	(0,4)		
	– Deferred	**0,2**		**1**	
	Secondary taxation on companies	**1,9**	2,3	**3**	5
	Exempt income and non-deductible expenses	**1,3**	(3,9)	**(28)**	(29)
	Foreign tax rate difference	**(0,8)**			
	Tax losses for which no deferred tax asset was recognised	**0,7**			
	Effective rate	**29**	25	**4**	4

Deferred income taxation assets are recognised for assessable taxation losses to the extent that the realisation of the related taxation benefit through profits is probable and is based primarily on the future forecasted profitability of the relevant entity.

The group did not recognise deferred income taxation assets of R32 030 406 (2011: R35 940 000) in respect of estimated taxation losses amounting to R134 924 868 (2011: R159 827 813) that can be carried forward against future taxable income.

		GROUP		COMPANY	
		2012	2011	**2012**	2011
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.	**310**	289		
	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 Circular 3/2012, divided by the weighted average number of shares in issue during the year excluding treasury shares.	**310**	260		
5.1	**Diluted earnings per share**				
	Diluted earnings per share (cents)	**304**	283		
	Diluted headline earnings per share (cents)	**304**	255		
	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 'purchased' shares to be added to the ordinary shares outstanding for the purpose of computing the dilution.				

	GROUP			
Reconciliation between earnings and headline earnings:	**Earnings 2012 R'000**	**Per share 2012 cents**	Earnings 2011 R'000	Per share 2011 cents
Earnings per share				
Net profit attributable to ordinary shareholders	**440 543**	**310**	408 365	289
Profit on disposal of property, plant and equipment	**(132)**		(3 671)	(3)
Gross amount	**(183)**		(5 099)	
Taxation effect	**51**		1 428	
Profit on insurance recovery on FNB fire impaired property, plant and equipment	**(788)**	**(1)**	(37 482)	(27)
Gross amount (allocated proceeds less impairment)	**(898)**		(42 607)	
Estimated taxation effect	**110**		5 125	
Net other impairment charges	**1 045**	**1**	601	1
Gross amount	**1 045**		1 115	
Taxation effect			(312)	
Non-controlling interest effect			(202)	
Headline earnings	**440 668**	**310**	367 813	260
Weighted average number of shares in issue ('000)	**142 030**		141 217	

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

		GROUP			
		2012	cents	2011	cents
5.	**EARNINGS PER SHARE (continued)**				
	Diluted earnings per share				
	Net profit attributable to ordinary shareholders (R'000)	**440 543**	304	408 365	283
	Number of shares used for diluted earnings calculation ('000)	**144 963**		144 176	
	Diluted headline earnings per share				
	Headline earnings (R'000)	**440 668**	304	367 813	255
	Weighted average number of shares in issue ('000)	**142 030**		141 217	
	Adjustment for dilutive share options ('000)	**2 933**		2 959	
	Number of shares used for diluted earnings calculation ('000)	**144 963**		144 176	

		GROUP		COMPANY	
		2012 R'000	2011 R'000	2012 R'000	2011 R'000
6.	**DIVIDENDS**				
	A dividend of 72 cents (2011: 65 cents) per share in respect of the 2011 (2010) year declared on 23 March 2012 (10 March 2011) and paid on 23 April 2012 (19 April 2011)	**101 884**	91 750	**109 823**	99 146

		Land and buildings R'000	Plant and equipment R'000	Capitalised leased assets R'000	Total R'000
7.	**PROPERTY, PLANT AND EQUIPMENT**				
	2012				
	Group				
	At cost	**331 512**	**1 759 209**	**17 046**	**2 107 767**
	Less: Accumulated depreciation	**(19 589)**	**(722 915)**	**(10 560)**	**(753 064)**
	Accumulated impairment		**(111 407)**	**(6 289)**	**(117 696)**
		311 923	**924 887**	**197**	**1 237 007**
	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
	1 January 2011				
	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

		Land and buildings R'000	Plant and equipment R'000	Capitalised leased assets R'000	Total R'000
7.	**PROPERTY, PLANT AND EQUIPMENT (continued)**				
	Reconciliation of movement:				
	Group				
	Year ended 31 December 2012				
	Opening net book value	216 363	545 888	501	762 752
	Net acquisition of subsidiary	75 339	194 590		269 929
	Additions	20 703	277 817		298 520
	Disposals		(4 793)	(27)	(4 820)
	Depreciation	(6 671)	(113 966)	(277)	(120 914)
	Currency adjustments	6 189	25 351		31 540
	Closing net book value	**311 923**	**924 887**	**197**	**1 237 007**
	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**

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 borrowings as set out in note 16.

The following items include work in progress:
Land and buildings: R20 232 543 (2011: R929 000)
Plant and equipment: R52 052 777 (2011: R39 483 388)

Impairment losses and reversals are recognised within operating expenses in the income statement.

No impairment losses and reversals were recognised in the 2012 or 2011 year of assessment.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

		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**							
	2012							
	Group							
	At cost	**66 353**	**31 967**	**27 095**	**11 802**	**5 802**	**6 629**	**149 648**
	Less: Accumulated amortisation		**(2 031)**	**(20 408)**	**(2 209)**	**(2 713)**	**(2 583)**	**(29 944)**
	Accumulated impairment	**(33 539)**		**(1 115)**				**(34 654)**
		32 814	**29 936**	**5 572**	**9 593**	**3 089**	**4 046**	**85 050**
	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
	1 January 2011							
	Group							
	At cost	33 539	1 000	24 639	11 802	5 802	1 816	78 598
	Less: Accumulated amortisation and impairment	(33 539)	(349)	(14 162)	(1 265)	(1 553)	(1 363)	(52 231)
			651	10 477	10 537	4 249	453	26 367
	Reconciliation of movement:							
	Group							
	Year ended 31 December 2012							
	Opening net book value		**585**	**8 125**	**10 065**	**3 669**	**274**	**22 718**
	Acquisition of subsidiary	**32 814**	**28 782**				**2 482**	**64 078**
	Additions			**72**			**2 036**	**2 108**
	Amortisation		**(1 616)**	**(2 625)**	**(472)**	**(580)**	**(1 003)**	**(6 296)**
	Currency adjustments		**2 185**				**257**	**2 442**
	Closing net book value	**32 814**	**29 936**	**5 572**	**9 593**	**3 089**	**4 046**	**85 050**
	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

Amortisation expenses of R6 296 000 (2011: R4 931 000) is included within administration expenses in the income statement. The impairment of R1 115 000 in the prior year relates to licences no longer in use at the Smiths Manufacturing OEM unit.

Additions to intangibles through business combinations of R64 078 000 in the current year related to the acquisition of Rombat S.A. (refer note 28). This includes goodwill of R32 814 000 arising and allocated fully to the Rombat cash-generating unit. Goodwill is allocated to the group's cash-generating units which support the valuation of the goodwill.

		GROUP		COMPANY	
		2012	2011	**2012**	2011
		R'000	R'000	**R'000**	R'000
9.	**INTEREST IN SUBSIDIARIES**				
	Unlisted				
	Shares at cost less amounts written off			**452 798**	52 695
	Non-current advances to subsidiary companies			**278 171**	559 741
	Share-based payment costs			**12 252**	11 709
	Provision for impairment			**(224 729)**	(224 729)
				518 492	399 416
	Current advances			**149 374**	173 934
				667 866	573 350
	The group acquired majority shareholding in Rombat S.A. through Metair International Cooperatief U.A. (refer note 28).				
	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 whilst various subsidiaries are indebted to the bank.				
	Non-current advances have no fixed terms of repayment.				
	Current advances are interest-free and payable on demand.				
	The provision for impairment relates to non-current advances to subsidiary companies.				
	(Directors' valuation of shares held – R3 478 013 000) (2011: R2 803 000 000)				
	Aggregate attributable income and losses after taxation of subsidiaries:				
	Income	**625 925**	464 546		
	Losses	**(19 922)**	(16 619)		
	Details of subsidiaries are disclosed on page 140.				
10.	**INVESTMENT IN ASSOCIATES**				
	Unlisted				
	Shares at cost less impairment	**4 043**	5 088	**2 793**	3 838
	Share of post-acquisition reserves included in non-distributable reserves	**43 308**	39 494		
	Income from associates in current year less dividends	**3 814**	10 346		
	In respect of prior years	**39 494**	29 148		
	Total carrying value	**47 351**	44 582	**2 793**	3 838
	Reconciliation of movements:				
	Balance at beginning of the year	**44 582**	34 236	**3 838**	3 838
	Provision for impairment	**(1 045)**		**(1 045)**	
	Share of equity accounted earnings	**27 817**	19 339		
	Dividends received	**(24 003)**	(8 993)		
	Investment in associates	**47 351**	44 582	**2 793**	3 838
	Directors' valuation	**47 351**	44 582		
	An impairment of R1 045 000 was recorded for Vizirama 112 (Pty) Ltd.				

		GROUP 2012 R'000	GROUP 2011 R'000	COMPANY 2012 R'000	COMPANY 2011 R'000
10.	**INVESTMENT IN ASSOCIATES (continued)**				
	The summarised financial information of material associates in aggregate are as follows:				
	Income statement:				
	Revenue	**931 100**	880 812		
	Profit before taxation	**122 736**	113 577		
	Taxation	**(34 566)**	(33 988)		
	Profit after taxation	**88 170**	79 589		
	Balance sheet:				
	Assets				
	Non-current assets	**49 693**	40 910		
	Current assets	**393 996**	339 896		
		443 689	380806		
	Equity and liabilities				
	Shareholders' equity	**260 697**	226 585		
	Current liabilities	**182 992**	154 221		
		443 689	380 806		

	Percentage holding	Number of shares held	Group carrying amount R'000	Company cost R'000
2012				
Unlisted				
Tenneco Automotive Holdings SA (Pty) Ltd	**25,1%**	**154 712**	**12 111**	
Toyoda Gosei (Pty) Ltd	**20%**	**200**	**7 885**	
Valeo Systems SA (Pty) Ltd	**49%**	**490**	**27 355**	**2 793**
Vizirama 112 (Pty) Ltd	**33%**	**40**		**1 045**
			47 351	**3 838**
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

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 140.

		GROUP		COMPANY	
		2012	2011	**2012**	2011
		R'000	R'000	**R'000**	R'000
11.	**INVENTORY**				
	Raw material	**452 766**	431 570		
	Work in progress	**94 359**	42 560		
	Finished goods	**322 864**	219 516		
		869 989	693 646		
	Included in the above inventories are inventory stated at net realisable value of R31 429 499 (2011: R25 744 643). The cost of inventories recognised as expense and included in 'cost of sales' amounted to R2 636 714 865 (2011: R2 349 989 753).				
12.	**TRADE AND OTHER RECEIVABLES**				
	Trade receivables	**673 800**	405 058		
	Less: Provision for impairment of trade receivables	**(25 857)**	(13 287)		
		647 943	391 771		
	Prepayments	**23 041**	9 257		
	Insurance proceeds receivable	**12 842**	92 447		
	Other receivables	**23 036**	25 052	**144**	133
		706 862	518 527	**144**	133

The fair value of accounts receivable approximates their carrying value.

Trade receivables can be categorised in the following categories:

	Fully performing R'000	**Past due and not impaired R'000**	**Impaired and provided for R'000**	**Total R'000**
2012				
Original equipment	**208 542**	**11 810**	**8 047**	**228 399**
Export	**128 088**	**16 103**	**11 237**	**155 428**
Aftermarket	**204 881**	**20 299**	**3 866**	**229 046**
Non-automotive	**27 795**	**30 425**	**2 707**	**60 927**
	569 306	**78 637**	**25 857**	**673 800**
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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

12. TRADE AND OTHER RECEIVABLES (continued)

The carrying amounts of the groups trade and other receivables are denominated in the following currencies:

	2012 R'000	2011 R'000
Rand	**440 206**	493 879
British Pound	**1 467**	108
Euro	**130 668**	18 179
US Dollar	**4 558**	5 912
Australian Dollar	**243**	449
Romanian Lei	**129 720**	
	706 862	518 527

No interest is applicable to accounts receivable balances.

The provision for impairment can be analysed as follows:

2012						2011				
Total R'000	**Original equip-ment R'000**	**Export R'000**	**After-market R'000**	**Non-auto-motive R'000**	**Provision for impairment**	Original equip-ment R'000	Export R'000	After-market R'000	Non-auto-motive R'000	Total R'000
13 287	**8 156**	**1 393**	**2 582**	**1 156**	At 1 January			3 624	566	4 190
11 203		**9 917**	**1 286**		Acquisition of subsidiary					
3 686		**1 640**	**497**	**1 549**	Provision for receivables impairment	8 156	1 393		1 303	10 852
(2 319)	**(107)**	**(1 385)**	**(827)**		Unused amounts reversed			(1 042)	(713)	(1 755)
25 857	**8 049**	**11 565**	**3 538**	**2 705**	At 31 December	8 156	1 393	2 582	1 156	13 287

The ageing profile of trade receivables are presented below:

2012						2011				
Total R'000	**Original equip-ment R'000**	**Export R'000**	**After-market R'000**	**Non-auto-motive R'000**	**Ageing of trade receivables**	Original equip-ment R'000	Export R'000	After-market R'000	Non-auto-motive R'000	Total R'000
632 526	**217 299**	**140 604**	**221 526**	**53 097**	Up to 3 months	173 961	41 408	109 009	60 764	385 142
14 919	**2 666**	**3 349**	**5 103**	**3 801**	3 – 6 months	11 614	396	4 140	3 057	19 207
26 355	**8 434**	**11 475**	**2 417**	**4 029**	Over 6 months	2	(3)	445	265	709
673 800	**228 399**	**155 428**	**229 046**	**60 927**		185 577	41 801	113 594	64 086	405 058

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	
	2012	2011	**2012**	2011
	R'000	R'000	**R'000**	R'000
13. CASH AND CASH EQUIVALENTS				
For the purposes of the cash flow statement, cash and cash equivalents consists of the following:				
Cash at bank and on hand	**447 176**	421 678	**477**	
Bank overdrafts	**(191 928)**	(25 106)		
	255 248	396 572	**477**	
The effective weighted interest rate on short-term bank deposits was 4,49% (2011: 4,75%) and the effective weighted interest rate on South African bank overdrafts was 9,42% (2011: 9,57%) and European bank overdraft was 1,91%. Refer to note 21.2 regarding credit quality of assets.				
14. SHARE CAPITAL AND PREMIUM AND TREASURY SHARES				
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 (2011: 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	**(113 509)**	(116 084)		
Shares disposed by the Metair Share Trust	**6 988**	2 575		
Shares disposed by Business Venture Investments No 1217 (Pty) Ltd (vesting utilisation)	**34 289**			
Balance at the end of the year	**(72 232)**	(113 509)		
Treasury shares are held as follows: (number of shares)				
Metair Share Trust	**295 812**	900 812		
Business Venture Investments No 1217 (Pty) Ltd	**6 775 203**	10 180 273		
	7 071 015	11 081 085		

14. SHARE CAPITAL AND PREMIUM AND TREASURY SHARES (continued)

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

Share options

A share purchase option scheme exists with 295 812 (2011: 900 812) 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:

	2012 Average offer price per share R	**2012** Options 000's	2011 Average offer price per share R	2011 Options 000's
At 1 January	**5,17**	**901**	4,77	1 294
Exercised and delivered	**4,62**	**(605)**	3,84	(393)
At 31 December	**6,30**	**296**	5,17	901

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

2012 Number of shares	2011 Number of shares	**Option price**	**Date granted**	**Date exercisable**
	31 875	R1,00	07/01/00	07/01/05
	10 625	R2,36	07/01/02	07/01/06
	67 500	R2,36	07/01/02	07/01/07
8 312	290 812	R4,34	01/04/03	01/04/08
287 500	500 000	R6,36	05/04/04	05/04/09

605 000 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 ten 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 ten years from date of the grant (unless dispensation has been approved).

All outstanding options at 31 December 2012 and 2011 were exercisable.

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

605 000 (2011: 392 875) shares were transferred during the year from the Metair Share Trust. The market value of these shares as at 31 December 2012 was R32,35 (2011: R19,60) per share.

The trust held 295 812 (2011: 900 812) shares in Metair Investments Limited at year-end.

	2012	2011
Number of shares held by the Metair Share Trust in respect of share option scheme	**295 812**	900 812
Market value of shares held by the Metair Share Trust in respect of share option scheme	**R9 569 518**	R17 655 915

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

14. SHARE CAPITAL AND PREMIUM AND TREASURY SHARES (continued)

14.2 The Metair Investments Limited 2009 Share Plan (equity settled share-based payment scheme)

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

If an employee ceases to be employed by the group by reason of no fault termination prior to the vesting and/or exercise of the share appreciation rights, performance shares and bonus shares, the share appreciation rights, performance shares or bonus shares available to vest and/or be exercised shall be deemed to have vested and been exercised and shall be settled to the employee in terms of the share plan with effect from the date of termination of employment.

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:

		2012		2011	
		Number of grants	**Weighted average grant price R**	Number of grants	Weighted average grant price R
Balance at beginning of year		**6 371 380**	**6,86**	5 799 983	5,96
Granted		**340 278**	**30,79**	571 397	16,04
Lapsed		**(6 045)**	**16,04**		
Vested		**(1 771 944)**	**(6,08)**		
Balance at end of year		**4 933 669**	**10,97**	6 371 380	6,86
IFRS 2 share-based payment charge			**R2 935 236**		R2 372 621
Rights outstanding at the end of the year vest in the following years, subject to the fulfilment of performance conditions					
Year ending 31 December:					
	2012			5 172 394	
	2013	**1 919 213**		627 589	
	2014	**2 103 084**		571 397	
	2015	**500 649**			
	2016	**297 297**			
	2017	**113 426**			
		4 933 669		6 371 380	

Rights outstanding at the end of the year were adjusted to disclose vesting in equal thirds on the third, fourth and fifth years, in the prior year the full vesting was shown in the first year of vesting.

14. SHARE CAPITAL AND PREMIUM AND TREASURY SHARES (continued)

14.2 The Metair Investments Limited 2009 Share Plan (equity settled share-based payment scheme) (continued)

b) Performance shares

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

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

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

Movements in the number of shares awarded are as follows:

		2012 Number of shares	2011 Number of shares
Balance at beginning of year		**1 311 700**	988 235
Granted *		**1 412 964**	323 465
Lapsed		**(9 579)**	
Vested		**(1 983 896)**	
Balance at end of year		**731 189**	1 311 700
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
	2014	**312 836**	323 465
	2015	**330 353**	
	2016	**44 000**	
	2017	**44 000**	
		731 189	1 311 700
IFRS 2 share-based payment charge		**R2 949 329**	R1 757 404

* Included in performance shares granted is 988 362 additional shares granted and approved by the remuneration committee in terms of the fulfilment of performance conditions.

c) Bonus shares

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

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

14. SHARE CAPITAL AND PREMIUM AND TREASURY SHARES (continued)

	2012		2011	
	Number of shares	**Weighted average award price R**	Number of shares	Weighted average award price R
Balance at beginning of year	**570 081**	**10,86**	278 751	7,45
Granted	**368 631**	**24,25**	291 330	14,03
Lapsed				
Vested	**(29 035)**	**29,28**		
Balance at end of year	**909 677**	**15,70**	570 081	10,86

14. SHARE CAPITAL AND PREMIUM AND TREASURY SHARES (continued)

14.2 The Metair Investments Limited 2009 Share Plan (equity settled share-based payment scheme) (continued)

c) Bonus shares (continued)

		Number of shares	Number of shares
IFRS 2 share-based payment charge		**R2 980 157**	R998 604
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	**263 055**	278 751
	2014	**283 027**	291 330
	2015	**363 595**	
Balance at end of the year		**909 677**	570 081

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

2012	**Share appreciation rights**	**Performance shares**	**Bonus shares**
Spot price	**R30,59/R30,50**	**R24,25/R24,89**	**R24,85**
Strike price	**R30,79/R30,72**	**N/A**	**N/A**
Volatility **	**49,31%/49,22%**	**N/A**	**N/A**
Dividend yield	**2,91%/2,93%**	**3,75%/3,02%/3,05%**	**3,75%**
Valuation	**R2 874 931**	**R4 953 199**	**R5 816 428**
2011			
Spot price	R15,99	R13,32	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

The total IFRS 2 employee share-based payment expense for the year was R8 864 722 (2011: R5 128 629), 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 underlying shares.

14. SHARE CAPITAL AND PREMIUM AND TREASURY SHARES (continued)

14.2 The Metair Investments Limited 2009 Share Plan (equity settled share-based payment scheme) (continued)

e) Share awards, options and other grants allocated to and exercised by Metair 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.

	Share appreciation rights	Performance shares	Bonus shares	Total
Yearly award:				
2012				
CT Loock	**44 277**	**114 260**	**17 967**	**176 504**
BM Jacobs	**19 916**	**12 042**	**12 680**	**44 638**
2011				
CT Loock	79 893	43 451	124 996	248 340
BM Jacobs	36 878	19 838	17 251	73 967
Exercise:				
2012				
CT Loock	**(435 290)**	**(128 668)**		**(563 958)**
BM Jacobs	**(216 308)**	**(64 920)**		**(281 228)**
Cumulative:				
2012				
CT Loock	**1 095 926**	**157 711**	**197 024**	**1 450 661**
BM Jacobs	**535 911**	**31 880**	**45 044**	**612 835**
2011				
CT Loock	1 486 939	172 119	179 057	1 838 115
BM Jacobs	732 303	84 758	32 364	849 425

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

14.3 Interest of directors

At 31 December 2012 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 2012								31 December 2011							
	Beneficial				**Non-beneficial**				Beneficial				Non-beneficial			
	Direct		**Indirect**		**Direct**		**Indirect**		Direct		Indirect		Direct		Indirect	
Director	**Number**	**%**	**Number**	**%**	**Number**	**%**	**Number**	**%**	Number	%	Number	%	Number	%	Number	%
Executive directors																
CT Loock	**6 849**															
BM Jacobs	**3 403**															
Non-executive directors																
A Joffe			**2 350 593**	**1,54**							1 626 171	1,07				
Independent non-executive directors																
L Soanes	**240 000**	**0,16**							240 000	0,16						
Total	**250 252**	**0,16**	**2 350 593**	**1,54**					240 000	0,16	1 626 171	1,07				

		GROUP		COMPANY	
		2012	2011	2012	2011
		R'000	R'000	R'000	R'000
15.	**OTHER RESERVES**				
15.1	**Non-distributable reserves**				
	Interest in distributable and non-distributable reserves of associate companies	43 308	39 494		
	Balance at beginning of the year	39 494	29 148		
	Transfers from retained earnings	3 814	10 346		
	Balance at end of the year	43 308	39 494		
	Transfer from retained earnings consists of:				
	Share of associate companies' after taxation income	27 817	19 339		
	Dividends received	(24 003)	(8 993)		
		3 814	10 346		
15.2	**Foreign currency translation reserve**				
	Exchange gains arising from translation of foreign operations: – Group	36 845			
	– Non-controlling interests	(185)			
	Balance at end of the year	36 660			
15.3	**Hedging reserve**				
	Balance at beginning of the year	(3 471)			
	Effects of cash flow hedges	(7 548)	(4 821)		
	Deferred taxation	(1 350)	1 350		
	Transfer to acquisition of subsidiary	12 369			
	Balance at end of the year		(3 471)		
15.4	**Share-based payment reserve**				
	Balance at the beginning of the year	17 542	2 813	11 709	6 580
	Loss on settlement (Metair Share Trust)	(4 194)	(1 067)		
	Value of service provided	8 520	4 415	8 865	5 129
	Deferred taxation on value of service	12 098	11 381		
	Utilisation of treasury shares to settle obligation*	(34 289)		(8 322)	
	Estimated taxation effects of utilisation of treasury shares	(16 418)			
	Transfer of net vesting impact to retained earnings	55 169			
	Balance at the end of the year	38 428	17 542	12 252	11 709

* The market value of the treasury shares utilised to settle the obligation amounted to R106 million.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

		Group 2012 R'000	Group 2011 R'000	Company 2012 R'000	Company 2011 R'000
16.	**BORROWINGS**				
	Secured				
	– Instalment sale agreement secured over plant with a book value of R10 938 229 (2011: R13 041 729) bearing interest at prime minus 1,75%. Repayable in annual instalments of R3 618 681 (2011: R3 642 072) until May 2016.	**10 745**	13 508		
	– Instalment sale agreement secured over plant with a book value of R2 447 955 (2011: R2 996 400) bearing interest at prime minus 1,5%. Repayable in annual instalments of R833 430 (2011: R841 512) until June 2016.	**2 581**	3 205		
	– Instalment sale agreement secured over plant with a book value of R3 333 212 (2011: R3 845 769) bearing interest at prime minus 1,5%. Repayable in annual instalments of R677 410 (2011: R684 732) until January 2017.	**2 382**	3 173		
	– Capitalised finance lease secured over motor vehicles with a book value of R83 544 (2011: R188 303) bearing interest at 7,5% (2011: 8%). Repayable in monthly instalments of R6 981 for 2012 and 2011.	**95**	246		
	– Mortgage bond secured over plant with a book value of R3 687 000 (2011: R3 687 000) bearing interest at 7,5%. Repayable in monthly instalments of R19 210 (2011: R19 210).	**1 301**	1 424		
	– Instalment sale agreement secured over plant with a book value of R7 318 963 (2011: R8 804 832) bearing interest at prime minus 1,5%. Repayable in annual instalments of R4 339 848 (2011: R6 529 612) until August 2013.	**4 229**	10 200		
	– Instalment sale agreement secured over plant with a book value of R5 409 509 bearing interest at prime minus 1,5%. Repayable in annual instalments of R1 204 258 until October 2017.	**5 621**			
	– Capitalised finance lease secured over plant with a nil book value bearing interest at 9,0%.		26		
	– Term loan credit facility agreement (unsecured), bearing interest at JIBAR plus 2,5%. Repayable in half year instalments of R21 454 545 until 14 March 2017.	**193 091**			
	– Long term loan facility with Royal Bank of Scotland (RBS), secured over plant with a book value of R72 998 510 bearing interest at EURIBOR 1 month plus 2,5%. Repayable in annual instalments of R8 543 000 until December 2015.	**25 628**			
	– Instalment sale agreement secured over plant with a book value of R3 573 000 (2011: R3 573 000) bearing interest at prime minus 1,00%. Repayable in monthly instalments of R103 058 (2011: R103 058). Settled in October 2012.		947		
	– Instalment sale agreement secured over plant with a book value of R7 663 884 (2011: R8 463 000) bearing interest at prime minus 1,00%. Repayable in monthly instalments of R185 119 (2011: R185 119) until April 2016.	**2 918**	4 848		
	– Instalment sale agreement secured over plant with a book value of R6 209 801 bearing interest at prime less 2,25%. Settled in 2012.		3 373		
	– Instalment sale agreement secured over plant with a book value of R6 397 000 (2011: R10 685 419) bearing interest at prime less 2,75%. Repayable in monthly instalments of R302 704 (2011: R303 247) until March 2013.	**898**	4 350		

	GROUP 2012 R'000	GROUP 2011 R'000	COMPANY 2012 R'000	COMPANY 2011 R'000
16. BORROWINGS (continued)				
– Instalment sale agreement secured over plant with a book value of R14 118 000 (2011: R16 986 911) bearing interest at prime less 2,75%. Repayable in monthly instalments of R347 798 (2011: R348 421) until March 2013.	**1 033**	4 998		
– Instalment sale agreement secured over plant with a book value of R2 185 000 (2011: R2 901 432) bearing interest at prime less 2,75%. Repayable in monthly instalments of R99 198 (2011: R99 457) until July 2013.	**680**	1 787		
	251 202	52 085		
	251 202	52 085		
Current portion included in current liabilities	**(67 398)**	(24 627)		
	183 804	27 458		
Maturity of borrowings (excluding finance lease liabilities)				
Not later than 1 year	**67 361**	24 532		
Between 2 and 5 years	**183 746**	27 281		
	251 107	51 813		
Finance lease liabilities – minimum lease payments:				
Not later than 1 year	**45**	112		
Later than 1 year and not later than 5 years	**58**	193		
	103	305		
Future finance charges on finance leases	**(8)**	(33)		
Present value of finance lease liabilities	**95**	272		
The present value of all finance lease liabilities may be analysed as follows:				
Not later than 1 year	**40**	95		
Later than 1 year and not later than 5 years	**55**	177		
	95	272		
Borrowing facilities				
The group has the following contracted borrowing facilities:				
Floating rate:				
Expiring beyond 1 year	**150 517**	46 414		
Expiring within 1 year	**458 741**	484 622		
Fixed rate:				
Expiring beyond 1 year				
The borrowing powers of the company are unlimited in terms of its Memorandum of Incorporation.				
The carrying amounts of non-current borrowings approximate their fair values.				
The carrying amounts of the group's borrowings are determined in the following currencies:				
Rands	**225 574**	52 085		
Euros	**25 628**			
	251 202	52 085		

		GROUP		COMPANY	
		2012 R'000	2011 R'000	2012 R'000	2011 R'000
17.	**DEFERRED TAXATION**				
	Deferred income taxation is calculated on all temporary differences under the liability method using a principal taxation rate of 28% (2011: 28%).				
	The following amounts are shown in the consolidated balance sheet:				
	Deferred taxation assets	(89 020)	(72 671)		(2 100)
	Deferred taxation liabilities	145 738	125 523		
	Net deferred taxation liability	56 718	52 852		(2 100)
	The movement on the deferred income taxation account is as follows:				
	At beginning of year	52 852	52 959	(2 100)	
	Acquisition of subsidiary	11 594			
	Income statement charge/(credit):				
	– Current year	3 743	13 919	2 100	(2 100)
	Taxation credited to other comprehensive income:				
	– Actuarial losses	(296)	(1 295)		
	– Cash flow hedges	1 350	(1 350)		
		1 054	(2 645)		
	Taxation credited to equity:				
	– Share-based payments	(13 265)	(11 381)		
	Currency adjustments	740			
	At end of year	56 718	52 852		(2 100)
	Deferred income taxation assets in respect of taxation losses carried forward are recognised to the extent that realisation of the related taxation benefit is probable.				
	Deferred taxation assets:				
	– Deferred taxation asset to be recovered after more than 12 months	(72 622)	(62 483)		
	– Deferred taxation asset to be recovered within 12 months	(16 398)	(10 188)		
		(89 020)	(72 671)		
	Deferred taxation liabilities:				
	– Deferred taxation liability to be recovered after more than 12 months	135 496	122 293		
	– Deferred taxation liability to be recovered within 12 months	10 242	3 230		
		145 738	125 523		

GROUP

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

Deferred taxation liabilities — **GROUP 2012**

R'000	Pension and post employment benefits	Plant and equipment allowances	Intangibles	Other	Total
Opening balance	4 025	108 078	3 724	9 696	125 523
Acquisition of subsidiary		6 989	4 605		11 594
(Credited)/charged to the income statement	(4 025)	8 802	(259)	3 328	7 846
Currency adjustments		425	350		775
Closing balance		124 294	8 420	13 024	145 738

17. DEFERRED TAXATION (continued)

Deferred taxation liabilities (continued)

R'000	Pension and post employment benefits	Plant and equipment allowances	Intangibles	Other	Total
	GROUP 2011				
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

Deferred taxation 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 2012				
Opening balance	**(13 723)**	**(2 100)**	**(7 986)**	**(10 404)**	**(453)**	**(10 513)**	**(27 492)**	**(72 671)**
(Credited)/charged to the income statement	**(2 474)**	**750**	**(1 821)**	**4 655**	**(448)**	**(2 139)**	**(2 626)**	**(4 103)**
Deferred taxation on share-based payment reserve*	**(13 265)**							**(13 265)**
Charge to other comprehensive income		**1 350**	**(296)**					**1 054**
Currency adjustments							**(35)**	**(35)**
Closing balance	**(29 462)**		**(10 103)**	**(5 749)**	**(901)**	**(12 652)**	**(30 153)**	**(89 020)**
				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)
Deferred taxation on share-based payment reserve*	(11 381)							(11 381)
Charged 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)

Aggregated based on subsidiary companies	**2012**	2011
	R'000	R'000
Deferred taxation assets	**9 697**	11 266
Deferred taxation liabilities	**(66 415)**	(64 118)
	(56 718)	(52 852)

Deferred taxation assets

R'000	**Derivative liability**	**Total**
	COMPANY 2012	
Opening balance	**(2 100)**	**(2 100)**
Charged to the income statement	**2 100**	**2 100**
	COMPANY 2011	
R'000	Derivative liability	Total
Credited to the income statement	(2 100)	(2 100)
Closing balance	(2 100)	(2 100)

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

		GROUP		COMPANY	
		2012	2011	**2012**	2011
		R'000	R'000	**R'000**	R'000
18.	**TRADE AND OTHER PAYABLES**				
	Trade creditors	**351 386**	273 041		
	Accrual for leave pay	**21 776**	14 466		
	Sundry creditors and accruals	**255 555**	243 804	**2 286**	315
	Deferred income on government grants	**40 373**	2 063		
		669 090	533 374	**2 286**	315
	The fair value of trade and other payables approximates their carrying value.				
	At year-end an amount of R423 169 (2011: R1 925 333) was overdue.				
	The carrying amounts of the group's trade and other payables are denominated in the following currencies:				
	Yen	**57 235**	88 037		
	US Dollar	**11 817**	17 617		
	Euro	**101 210**	24 590		
	British Pound	**9 101**	354		
	Thai Baht	**18 392**	19 851		
	Rand	**395 768**	382 925	**2 286**	315
	Romanian Lei	**75 567**			
		669 090	533 374	**2 286**	315
	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 initiated not yet settled.

Executive bonuses

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

	2012			
GROUP	**Executive bonus R'000**	**Warranty R'000**	**Other R'000**	**Total R'000**
Balance at beginning of the year	**17 235**	**35 874**	**7 542**	**60 651**
Acquisition of subsidiary	**338**	**2 025**		**2 363**
Charged to income statement				
– Additional provision	**17 034**	**10 480**	**1 645**	**29 159**
Utilised during the year	**(16 459)**	**(3 806)**	**(607)**	**(20 872)**
Currency adjustments	**63**	**144**		**207**
Balance at end of the year	**18 211**	**44 717**	**8 580**	**71 508**

	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 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

		GROUP 2012 R'000	GROUP 2011 R'000	COMPANY 2012 R'000	COMPANY 2011 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	**690 353**	602 000	**316 744**	198 919
	Depreciation and amortisation	**127 210**	89 150		
	Impairment charge	**1 045**	1 115	**1 045**	
	Profit on disposal of property, plant and equipment	**(183)**	(5 099)		
	Profit on insurance proceeds for property, plant and equipment	**(898)**	(42 607)		
	– Proceeds	**(898)**	(49 392)		
	– Impairment		6 785		
	Subsidiary acquisition costs	**7 808**			
	Financial assets at fair value through profit or loss:				
	– Fair value losses	**18 563**	28 215		2 087
	– Fair value gains	**(22 864)**	(29 831)	**(3 605)**	
	Foreign exchange losses on operating activities	**19 380**	2 653	**11 415**	5 412
	Net share-based payment charge effects	**8 865**	3 348	**543**	5 129
	Pension fund		1 852		
	Post-retirement benefit	**2 697**	3 386		
	Income from subsidiaries and associates	**(27 817)**	(19 339)	**(331 561)**	(206 879)
	Interest income	**(21 065)**	(14 296)	**(5)**	
	Interest expense	**26 961**	7 858	**4 082**	
	Operating profit/(loss) before working capital changes	**830 055**	628 405	**(1 342)**	4 668
	Working capital changes:				
	Increase in inventory	**(77 692)**	(87 099)		
	Decrease/(increase) in trade and other receivables	**724**	(121 793)	**(11)**	(16)
	(Decrease)/increase in trade and other payables	**(3 336)**	30 887	**(13 338)**	61
	Cash generated from/(utilised in) operations	**749 751**	450 400	**(14 691)**	4 713
20.2	**Taxation paid**				
	Taxation paid is reconciled to the amount disclosed in the income statement as follows:				
	Amounts (unpaid)/overpaid at beginning of year	**(1 199)**	8 955		
	Income statement charge (note 4)	**(193 975)**	(136 987)	**(10 254)**	(9 915)
	Amounts unpaid at end of year	**13 600**	1 199		
		(181 574)	(126 833)	**(10 254)**	(9 915)
20.3	**Dividends paid**				
	To shareholders	**(101 884)**	(91 750)	**(109 823)**	(99 146)
	To non-controlling interests	**(42 729)**	(38 352)		
		(144 613)	(130 102)	**(109 823)**	(99 146)

21. FINANCIAL INSTRUMENTS

21.1 Financial Instruments by category

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

31 December 2012

R'000	Loans and receivables	Assets at fair value through profit and loss	Total
Assets as per balance sheet			
Derivative financial instruments		162	162
Trade and other receivables*	683 821		683 821
Cash and cash equivalents	447 176		447 176
Total	1 130 997	162	1 131 159

R'000	Other financial liabilities at fair value through profit and loss and OCI	Other financial liabilities carried at amortised cost	Total
Liabilities as per balance sheet			
Borrowings		251 202	251 202
Derivative financial instruments	11 556		11 556
Bank overdrafts		191 928	191 928
Trade and other payables**		606 941	606 941
Total	11 556	1 050 071	1 061 627

31 December 2011

R'000	Loans and receivables	Assets at fair value through profit and loss	Total
Assets as per balance sheet			
Derivative financial instruments		615	615
Trade and other receivables*	509 270		509 270
Cash and cash equivalents	421 678		421 678
Total	930 948	615	931 563

R'000	Other financial liabilities at fair value through profit and loss and OCI	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 overdrafts		25 106	25 106
Trade and other payables**		516 845	516 845
Total	12 769	594 036	606 805

* Prepayments are excluded from the trade and other receivables balance, as this analysis is required only for financial instruments.

** Leave pay and deferred income are excluded from trade and other payables balance, as this analysis is required only for financial instruments.

21. FINANCIAL INSTRUMENTS (continued)

21.2 Financial risk management

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

A. Market risk

i. Foreign exchange risk

The group operates internationally and is therefore exposed to exchange risk arising from various currency exposures.

These consist primarily of exposures with respect to the Euro, US Dollar, Japanese Yen and the Romanian Lei.

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

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

	Reflected in the balance sheet				**Purchase orders not yet reflected as liabilities in the balance sheet**			
	2012		2011		**2012**		2011	
	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	**238**	**2 004**			**(3 505)**	**(30 015)**	(1 011)	(7 125)
Euro	**(2 688)**	**(30 268)**	(96)	(998)	**(4 098)**	**(44 983)**	(1 756)	(19 503)
Japanese Yen	**(280 606)**	**(27 792)**	(92 287)	(9 717)	**(981 471)**	**(102 125)**	(425 215)	(37 943)
Australian Dollars	**(35)**	**(310)**			**(53)**	**(482)**	(15)	(127)
British Pounds	**78**	**1 062**					55	322
Thai Baht	**(61 028)**	**(17 019)**	(10 399)	(2 685)	**(74 680)**	**(20 772)**	(85 732)	(19 270)
Total		**(72 323)**		(13 400)		**(198 377)**		(83 646)

(Amounts in brackets represent liabilities).

At 31 December 2012, if the Rand had weakened/strengthened by 10% against the US Dollar, with all other variables held constant, post-taxation profit for the year would have been R5 146 000 (2011: R1 011 000) 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 2012, if the Rand had weakened/strengthened by 10% against the Japanese Yen, with all other variables held constant, post-taxation profit for the year would have been R7 000 000 (2011: R7 606 000) 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 2012, if the Rand had weakened/strengthened by 10% against the British Pound, with all other variables held constant, post-taxation profit for the year would have been R549 000 (2011: R21 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 2012, if the Rand had weakened/strengthened by 10% against the Euro, with all other variables held constant, post-taxation profit for the year would have been R3 388 000 (2011: R554 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 2012, if the Rand had weakened/strengthened by 10% against the Thai Baht, with all other variables held constant, post-taxation profit for the year would have been R1 324 000 (2011: R1 715 000) higher/lower, mainly as a result of foreign exchange gains/losses on translating foreign denominated trade receivable and trade payables at the mark-to-market valuation of forward exchange contracts.

At 31 December 2012, if the Rand had weakened/strengthened by 10% against the Australian Dollar, with all other variables held constant, post-taxation profit for the year would have been R20 000 (2011: R39 000) higher/lower, mainly as a result of foreign exchange gains/losses on translating foreign denominated trade receivable and trade payables at the mark-to-market valuation of forward exchange contracts.

At 31 December 2012, if the Rand had weakened/strengthened by 10% against the Romanian Lei, with all other variables held constant, post-taxation profit for the year would have been R3 981 000 higher/lower, mainly as a result of the translation of Rombat S.A. into Rands.

21. FINANCIAL INSTRUMENTS (continued)

21.2 Financial risk management (continued)

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

At 31 December 2012, if the average interest rates on borrowings, overdrafts and cash and cash equivalents had been 1% higher with all other variables held constant, post-taxation profit for the year would have been R1 255 000 (2011: R2 480 000) higher.

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

	2012 R'000	2011 R'000
6 months or less	**18 736**	14 740
6 – 12 months	**173 192**	10 366
	191 928	25 106

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.

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 receivables are presented net of the provision for impairment.

Credit quality can be analysed as follows:

Trade receivables
Counterparties without external credit rating:

	2012 R'000	2011 R'000
Group 1	**5 277**	93 086
Group 2	**637 101**	390 688
Group 3	**5 565**	444
	647 943	484 218

21. FINANCIAL INSTRUMENTS (continued)

21.2 Financial risk management (continued)

B. Credit risk and quality (continued)

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.

Cash and cash equivalents
Bank balances were held as follows:

	2012 R'000	2011 R'000
South African banks – A1+ rated	**408 933**	421 678
European banks	**38 243**	
Total	**447 176**	421 678

(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. Based on Moody's short-term at 26 June 2012.)

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.

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.

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

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

As at 31 December 2012	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	**191 928**	**191 928**	**191 928**			
Borrowings	**251 202**	**288 885**	**81 806**	**68 999**	**137 543**	**537**
Trade and other payables	**606 941**	**606 941**	**606 088**	**853**		
As at 31 December 2011						
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		

21. FINANCIAL INSTRUMENTS (continued)

21.2 Financial risk management (continued)

C. Liquidity risk (continued)

Analysis of derivative financial instruments which will be settled into relevant maturity

Details of the outstanding foreign exchange contracts which will be settled 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.

21.4 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 2012 and 2011 were as follows:

	2012	2011
Total borrowings (notes 13 and 16)	**443 130**	77 191
Less: Cash and cash equivalents (note 13)	**(447 176)**	(421 678)
Net debt	**(4 046)**	(344 487)
Ordinary shareholders equity	**1 972 581**	1 582 596
Total capital	**1 968 535**	1 238 109
Gearing ratio*	**(0,2%)**	(28%)

* If cash and cash equivalents was not set off from borrowings the gearing ratio would be 18% (2011: 5%).

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)

21 FINANCIAL INSTRUMENTS (continued)

21.5 Derivative financial instruments (continued)

	GROUP				
		2012 R'000		2011 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**	**162**	**11 142**	**615**	**3 737**
Forward foreign exchange contracts – cash flow hedge	**2**				**7 704**
Copper swap transaction – floating to fixed pricing	**2**		**414**		**1 328**
		162	**11 556**	**615**	**12 769**

	COMPANY				
		2012 R'000		2011 R'000	
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 forward 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.

Group:

Cash flow hedge

During the year, the group concluded the acquisition of Rombat S.A. (refer note 28, business combinations) and the cash flow hedge was recognised as part of the cost of acquisition. The ineffective portion recognised in the profit or loss that arises from the cash flow hedge amounts to a loss of R3,9 million (2011: R0,6 million) and is included within other operating expenses in the income statement.

The effective portion of the fair value of the cash flow hedge recognised in equity and recognised as part of the acquisition cost in the balance sheet is as follows:

	GROUP		COMPANY	
	2012 R'000	2011 R'000	**2012 R'000**	2011 R'000
Fair value loss in year	**(7 548)**	(4 821)		
Taxation on fair value loss	**(1 350)**	1 350		
	(8 898)	(3 471)		

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

21. FINANCIAL INSTRUMENTS (continued)

21.5 Derivative financial instruments (continued)

Forward exchange contracts

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

Imports	R amount '000	Foreign amount '000	Average forward rate	Currency used	Period to maturity
US Dollar	88 318	10 085	8,80	USD	11 January 2013 – 9 September 2013
Euro	25 671	2 244	11,42	EURO	25 January 2013 – 30 April 2013
Japanese Yen	154 464	1 449 738	9,39	JPY	25 January 2013 – 30 April 2013
Great British Pound	14	1	14,28	GBP	31 January 2013
	268 467				

Exports	R amount '000	Foreign amount '000	Average forward rate	Currency used	Period to maturity
US Dollar	9 585	1 089	8,77	USD	7 January 2013 – 9 September 2013
Euro	8 072	708	11,38	EURO	14 January 2013 – 4 February 2013
Australian Dollar	518	56	9,09	AUD	22 January 2013 – 15 February 2013
	18 175				

Company:

The company obtained foreign exchange contracts in respect of the acquisition of a the investment in Rombat S.A. (refer note 28, business combinations).

Fair value movements are recognised in the income statement as hedge accounting has not been applied at company level.

	GROUP 2012 R'000	GROUP 2011 R'000	COMPANY 2012 R'000	COMPANY 2011 R'000
22. CONTINGENT LIABILITIES				
The group has contingent liabilities in respect of bank, other guarantees and other matters such as claims and disputes arising in the ordinary course of business. It is not anticipated that any material liabilities will arise from the contingent liabilities.				
Letters of support in respect of secured loans and overdrafts of subsidiaries	**3 675**	3 675	**3 675**	3 675
	3 675	3 675	**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 ordinary cause of business. It is not anticipated that any material liabilities will arise from these.

Refer note 25 for details on subordination agreements with subsidiaries.

		GROUP		COMPANY	
		2012	2011	**2012**	2011
		R'000	R'000	**R'000**	R'000
23.	**COMMITMENTS**				
	Capital commitments	**304 438**	207 486		
	Contracted:				
	– Plant, machinery, tools, jigs and dies	**72 925**	24 913		
	Authorised by the directors but not yet contracted:				
	– Plant, machinery, tools, jigs and dies	**231 513**	182 573		
	Unexpired portion of operating lease contracts	**87 284**	96 972		
	Payable within one year	**22 534**	22 557		
	Payable later than 1 year and not later than 5 years	**59 591**	63 795		
	Payable thereafter	**5 159**	10 620		
		391 722	304 458		

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

		GROUP	
		2012	2011
		R'000	R'000
24.	**RETIREMENT BENEFIT INFORMATION**		
	The policy of the group is to provide retirement benefits for its employees.		
	Amounts recognised in the balance sheet are:		
	Post-employment medical benefit liability	**(28 713)**	(25 074)

24.1 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 (projected unit credit method).

In addition to the assumptions used for the pension schemes, the main actuarial assumption is a long term increase in health costs of 6,1% (2011: 7,0%) per year.

		GROUP	
		2012	2011
		R'000	R'000
24.	**RETIREMENT BENEFIT INFORMATION (continued)**		
	The amounts recognised in the income statement are as follows :		
	Current service costs	**521**	224
	Interest costs	**2 176**	3 162
		2 697	3 386
	Movement in the liability recognised in the balance sheet :		
	At beginning of year	**25 074**	21 329
	Total expense per income statement	**2 697**	3 386
	Contributions paid	**(379)**	(334)
	Actuarial loss recognised in other comprehensive income	**1 321**	693
	At end of year	**28 713**	25 074
	The amounts recognised in other comprehensive income are as follows:		
	Recognised actuarial loss	**1 321**	693

	The effect of a 1% movement in the assumed medical cost trend rate is as follows:		
		Increase R'000	**Decrease R'000**
	Effect on the aggregate of the current service cost and interest cost	**3 104**	**796**
	Revised defined benefit obligation	**31 817**	**27 917**
	The principal actuarial assumptions used were:		
	– Discount rate for obligation	**7,5%**	8,0%

24.2 Pension Scheme

The policy of the group is to provide retirement benefits for its employees. Participation in retirement benefit plans is, however, not compulsory, but 94% (2011: 90%) of the group's employees are members of a pension arrangement.

In the prior year members of the Metair Group Pension benefit fund were transferred onto a defined contribution scheme and this resulted in a gain on curtailment of plan benefits for R12,2 million recognised in profit/loss. 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 and the surplus of R15,5 million was accounted for as past service cost.

Section 14 approval by the Financial Services Board is expected to occur early in 2013.

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

		GROUP	
		2012	2011
		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)**	(130 898)
	Fair value of plan assets	**130 898**	130 898
	The movement in the defined benefit obligation for the year is as follows:		
	Beginning of year	**130 898**	127 594
	Current service cost		456
	Interest cost		10 478
	Contributions by plan participants		150
	Actuarial losses recognised in other comprehensive income		6 707
	Curtailment and other benefits paid		(17 770)
	Curtailment gains		(12 248)
	Past service cost		15 530
	End of year	**130 898**	130 898
	The movement in the fair value of plan assets for the year is as follows:		
	Beginning of year	**130 898**	134 099
	Expected return on plan assets		12 369
	Actuarial gains recognised in other comprehensive income		2 055
	Employee and employer contributions		145
	Curtailment and other benefits paid		(17 770)
	End of year	**130 898**	130 898
	The amounts recognised in the income statement are as follows:		
	Current service costs		456
	Interest costs		10 478
	Expected return on assets		(12 369)
	Contributions by plan participants		5
	Curtailment gain		(12 248)
	Past service cost		15 530
			1 852
	The amounts recognised in other comprehensive income are as follows:		
	Recognised actuarial loss		(5 345)

24. RETIREMENT BENEFIT INFORMATION (continued)

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

	2012 R'000	2011 R'000	2009 R'000	2008 R'000	2007 R'000
Present value of funded obligations	**(130 898)**	(130 898)	(127 595)	(166 257)	(394 146)
Fair value of plan assets	**130 898**	130 898	134 099	186 219	383 061
Asset/(liability) in the balance sheet			6 504	19 962	(11 085)
The principal actuarial assumptions used were :					
Discount rate for obligation	**N/A**	8%			
Expected return on plan assets	**N/A**	N/A			
Salary increase	**N/A**	7%			
Pension increase	**N/A**	4%			
Inflation	**N/A**	6%			
Actual average return on plan assets	**N/A**	13%			

		GROUP		COMPANY	
		2012	2011	**2012**	2011
		R'000	R'000	**R'000**	R'000
25.	**SUBORDINATION AGREEMENTS**				
	The company has subordinated loans to the following subsidiary in favour of and for the benefit of the other creditors for the purpose of banking facilities in lieu of recapitalisation of subsidiaries:				
	Smiths Plastics (Pty) Ltd			**147 000**	147 000

26. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Management makes judgements, estimates and assumptions in the preparation of the financial statements that affect the disclosure and amounts of assets, liabilities, income, expenses and equity.

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.

The group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

IFRS 2 – Equity-settled schemes

IFRS 2 charges were calculated based on option pricing models for the share option scheme in operation. The charge is based on certain assumptions applied to the calculation models such as vesting period and conditions, risk-free interest rate, volatility factors and dividend yields.

Warranties

Warranty estimates and assumptions are based on the extrapolation of past claims experience over the warranty period.

This is applied to warrantable sales. Specific occurrences are used as guides for these assumptions.

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

Deferred taxation assets on assessed losses

The group recognises the net future taxation benefit related to deferred income taxation 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 taxation 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 taxation 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 taxation 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.

27. RELATED PARTIES

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 pages 109 to 110 and page 140.

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 Metair Investments Limited 2009 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.

	2012 R'000	2011 R'000
Purchases of goods and services:		
Denso Corporation	**40 371**	41 414
Yazaki Corporation and its subsidiaries	**285 275**	200 104
	325 646	241 518
Outstanding balance at year-end:		
Denso Corporation	**17 909**	
Yazaki Corporation and its subsidiaries	**39 242**	41 827
	57 151	41 827

28. BUSINESS COMBINATIONS

Rombat S.A.

On 14 March 2012, the group acquired 99,426% of the issued shares of Rombat S.A. (Rombat). Rombat is a joint stock company incorporated under Romanian law and is a manufacturer of "lead-acid batteries" for the original equipment manufacturers (OEM), aftermarket, non-automotive and export segments. Rombat was acquired to complement the group's existing battery operations and to deliver strategic and financial benefits.

Total consideration transferred amounted to a total of R449,8 million of which R437,4 million is cash and capitalisation of the currency hedging of R12,4 million. The provisional goodwill of R33 million arising from the acquisition is attributable to the anticipated profitability arising from the group's access to new geographic markets, increased supply and the anticipated future operating synergies from the combination.

The following table summarises the consideration paid for Rombat and the amounts of the assets acquired and liabilities assumed recognised at the acquisition date.

Recognised amounts of identifiable assets acquired and liabilities assumed	**Provisional fair value R'000**
Assets	
Trademark and other intangible assets	**31 264**
Property, plant and equipment	**269 928**
Inventory	**98 131**
Trade and other receivables	**188 062**
Cash and cash equivalents	**111 177**
	698 562
Liabilities	
Borrowings	**(33 429)**
Provisions	**(2 363)**
Trade and other payables	**(135 417)**
Overdraft	**(96 756)**
Net deferred taxation	**(11 594)**
	(279 559)
Total identifiable net assets	**419 003**
Less: Non-controlling interest	**(2 055)**
Goodwill	**32 814**
Purchase consideration (including currency hedging)	**449 762**
Acquisition of subsidiary net of cash acquired	
Purchase consideration (including currency hedging)	**449 762**
Cash and cash equivalents	**(111 177)**
Overdraft	**96 756**
	435 341
Acquisition-related costs	**7 808**
	443 149

Acquisition-related costs included in administration expenses in the group consolidated income statement for the period ended 31 December 2012 amounted to R7,8 million.

Trade receivables with a fair value of R188 million is included within trade and other receivables and R11 million is considered doubtful. None of the goodwill recognised is expected to be deductible for income taxation purposes.

In respect of this acquisition, the cash consideration of €42,86 million has been translated at an effective closing rate of R10,21.

Non-controlling interest has been calculated based on their proportionate share in net assets.

Impact of the acquisition on the results of the group	**R'000**
From the dates of acquisition, the acquired businesses contributed:	
– Revenue	**576 190**
– Attributable profit	**39 813**
Had the acquisition been consolidated from 1 January 2012 the income statement would have included:	
– Revenue	**713 174**
– Attributable profit	**45 539**

INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

	Type	Issued share capital 2012 R'000	Issued share capital 2011 R'000	% Direct (indirect) interest 2012 %	% Direct (indirect) interest 2011 %	Direct (indirect) cost of shares 2012 R'000	Direct (indirect) cost of shares 2011 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)		
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)		
Metair International Cooperatief U.A.**	ordinary			**90 (10)**		**400 103 (44 456)**	
Rombat S.A.**	ordinary	**76 010**		**(99,4)**		**(437 393)**	
MANAGEMENT SERVICES							
Metair Management Services (Pty) Ltd	ordinary			**100**	100		
Business Venture Investments No 1217 (Pty) Ltd	ordinary			**100**	100		
PROPERTIES							
SMSA Property (Pty) Ltd	ordinary	**3 000**	3 000	**(100)**	(100)		
ILM Investments (Pty) Ltd	ordinary	**1**	1	**(100)**	(100)		
Honeypenny (Pty) Ltd	ordinary			**(100)**	(100)		
Climate Control Properties (Pty) Ltd	ordinary			**(100)**	(100)		
						452 798 (481 849)	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 2011.
** All subsidiaries and associates are incorporated in South Africa except for:
Metair International Cooperatief U.A. – Netherlands
Rombat S.A. – Romania (issued share capital in Romania Lei is 32 615 000)

	2012 R'000	2011 R'000
Indebtedness by subsidiaries to the holding company before impairment:		
Metindustrial (Pty) Ltd		236 370
Metair Management Services (Pty) Ltd	**184 101**	109 711
Lumotech (Pty) Ltd	**74 707**	74 707
Unitrade 745 (Pty) Ltd	**5 047**	10 247
Smiths Plastics (Pty) Ltd	**198 417**	238 417
Business Venture Investments 1217 (Pty) Ltd	**(47 504)**	48 058
Metair Share Trust	**12 777**	16 165
	427 545	733 675

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 Thursday, 2 May 2013, 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 2012.

2. To re-elect Mr OME Pooe as director, who retires in terms of the Companies Memorandum of Incorporation ('MOI'), but, being eligible, has offered himself for re-election (refer to page 15 of the integrated annual report for a brief curriculum vitae of Mr OME Pooe).

3. To re-elect Mr A Joffe as director, who retires in terms of the MOI, but, being eligible, has offered himself for re-election (refer to page 15 of the integrated annual report for a brief curriculum vitae of Mr A Joffe).

4. To re-elect Mr L Soanes as director, who retires in terms of the MOI, but, being eligible, has offered himself for re-election (refer to page 15 of the integrated annual report for a brief curriculum vitae of Mr L Soanes).

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 Mr JG 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 integrated annual report (refer page 50) be approved through a non-binding advisory vote.

NOTICE TO SHAREHOLDERS

continued

Special resolution number 1

Resolved, as a special resolution in terms of the Companies Act, Act 71 of 2008, as amended that the remuneration of the non-executive directors with effect from 1 January 2013 to 31 December 2013 (refer to page 52 of the integrated annual report) be and is hereby approved.

The reason for and effect of special resolution number 1 is to approve, to the extent required, the directors' remuneration for the period commencing 1 January 2013 and ending 31 December 2013.

Special resolution number 2

Resolved, as a special resolution in accordance with section 45 of the Companies Act, Act 71 of 2008, as amended ('the Act'), the board be and is hereby authorised, by way of a general authority to, at any time and from time to time during the period of two years commencing on the date of passing of this special resolution to provide, any direct or indirect financial assistance (but subject to the provisions of section 45(1) of the Act and the Listing Requirements of the JSE Limited) in such amount and in any form (including, but not limited to, by way of loan (on an interest-free or a market-related interest basis), guarantee, the provision of security or otherwise) to any of its present or future subsidiaries and/or any juristic person that the company directly or indirectly controls from time to time and for the time being on such terms and conditions as it in its discretion deems fit, for any purpose whether in the normal course of business of the Metair group or of a transactional nature. The board will, before making such financial assistance available, satisfy itself that:

– immediately after providing the financial assistance, the company will satisfy the solvency and liquidity test in the Act; and
– the terms under which the financial assistance is proposed to be given are fair and reasonable to the company.

The special resolution is required in terms of Section 45 of the Act to grant the directors of the company the authority to cause the company to provide financial assistance by way of loan, guarantee, the provision of security or otherwise, to any company which is related or inter-related to Metair or any other juristic person that the company directly or indirectly controls. The special resolution does not authorise the provision of financial assistance to a director or prescribed officer of the company.

In accordance with section 45(5) of the Act, the board hereby gives notice to its shareholders of the fact that it passed a resolution authorising the company to provide financial assistance to certain related and/or inter-related companies which board resolution will take effect on the passing of the special resolution set out above.

Special resolution number 3

Resolved, as a special resolution in terms of the Companies Act, Act 71 of 2008, as amended ('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 (i.e. in respect of repurchases by the company and/or its subsidiaries of its own securities) set out in special resolution number 3, some of which are set out elsewhere in the integrated annual report of which this notice forms part.

Directors and management – refer to page 14.
Major shareholders of the company – refer to page 53.
Directors' interests in the company's securities – refer to page 54.
Share capital – refer to page 113.

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 14 of this integrated annual report, collectively and individually, accept full responsibility for the accuracy of the information pertaining to the above special resolution number 3 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 integrated annual report and the posting date hereof.

Special resolution number 4

Resolved, as a special resolution in terms of section 16(1)(c) of the Companies Act, Act 71 of 2008 ('the Act'), as amended, the company's existing Memorandum of Incorporation ('MOI') be and is hereby substituted in its entirety with the company's revised MOI as signed by the chairperson of the annual general meeting on the first page thereof for identification purposes, with effect from the date of filing of the required notice of amendment with the Companies and Intellectual Property Commission.

Explanatory note in respect of special resolution number 4
This special resolution is proposed in order to adopt the revised MOI in substitution for the existing MOI to harmonise the company's constitutional documents with the provisions of the Act and the JSE Limited Listings Requirements.

The existing MOI and revised MOI will be available for inspection by shareholders on the company's website (www.metair.co.za) and at the registered offices of the company, during normal business hours, from Friday, 22 March 2013 and until the conclusion of the annual general meeting.

A summary of the salient provisions of the company's revised MOI is set out in Annexure 1 to this notice.

NOTICE TO SHAREHOLDERS

continued

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, 15 March 2013, 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, 26 April 2013, 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, 19 April 2013.

In terms of section 63(1) of the Companies Act, Act 71 of 2008, as amended 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 Tuesday, 30 April 2013 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
15 March 2013

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

SHAREHOLDERS' DIARY

Financial year-end	December
Annual general meeting	May

REPORTS AND PROFIT STATEMENTS

Interim report	August
Annual report and financial statements	March

ORDINARY DIVIDENDS

Declared	March
Payment	April

Shareholders are reminded to notify the Transfer Secretaries of any change in address.

ANNEXURE 1 SUMMARY OF SALIENT PROVISIONS OF THE REVISED MOI

INTRODUCTION

The board has adopted a resolution in terms of which it will be proposed to shareholders that the company adopt a revised Memorandum of Incorporation (MOI) in substitution for its existing MOI. This proposal, if adopted and approved by the company's shareholders by way of a special resolution at the annual general meeting, will harmonise the administration of the company with the principles and provisions contained in the Companies Act No. 71 of 2008, as amended ('Companies Act'), as well as the JSE Limited Listings Requirements ('Listings Requirements').

To assist shareholders in understanding the new MOI, and its consequences for, as well as its impact on the company, the company has prepared a summary of the salient provisions of the revised MOI as set out below.

SUMMARY OF THE SALIENT PROVISIONS OF THE REVISED MOI

Shares and share capital

The MOI stipulates that the authorised share capital of the company is R3 750 000 divided into 187 500 000 ordinary shares of R0,02 each.

In addition, the MOI sets out that each ordinary share in the issued share capital of the company ranks *pari passu* with all other ordinary shares in respect of all rights and shall entitle the holder thereto to:

- notice of every general meeting and adjourned general meeting of the company;
- be present and to vote at each general meeting and adjourned general meeting of the company;
- vote on all matters requiring an ordinary or special resolution of the company;
- exercise one vote on a show of hands on any matter to be decided by the shareholders of the company and to one vote in respect of each in the case of a vote by means of a poll;
- participate proportionally in any distribution made by the company; and
- receive proportionally the net assets of the company upon its liquidation, or of any return of capital by the company.

Amendment of the MOI

The MOI may only be altered or amended:

- by way of special resolution adopted by the company in general meeting, or unless such alteration is expressly permitted in terms of such provision or the article in question; or
- by the board of directors, in terms of section 17(1) of the Companies Act.

Rules

The board may not make or amend "rules" as contemplated in section 15 of the Companies Act.

The prohibition against making such rules is a requirement of the Listings Requirements.

Indemnity

No director, prescribed officer, manager, secretary or other officer or servant of the company shall be liable for the acts, receipts, neglects or defaults of any other director, prescribed officer or servant or for joining in any receipt or other act of conformity, or for loss/suffering or expenses incurred to the company.

Variation of share capital

The shareholders of the company may from time to time, by way of special resolution and in accordance with the requirements of the Listings Requirements:

- increase the number of its shares having no par value, as they think expedient;
- increase its stated capital constituted by shares of no par value by transferring reserves or profits to the stated capital, with or without a distribution of shares;
- convert any shares (whether or not having a par value) into stock and re-convert any stock into shares of no par value;
- reduce the number of the issued no par value shares;
- consolidate any of its shares into shares of a larger amount than its existing shares or consolidate and reduce the number of issued no par value shares;
- increase the number of its issued no par value shares without an increase of its capital;
- convert all of its ordinary share or preference share capital consisting of shares having a par value into stated capital constituted by shares of no par value;
- cancel shares which at the time of the passing of the resolution, have not been taken or agreed to be taken by any person and diminish that amount of its authorised capital by the amount of the shares so cancelled or may cancel shares of no par value which have not so been taken or agreed to be taken; and

- convert any shares in the capital of the company to shares of a different class, whether issued or not, and in particular (but without derogating from the generality of the foregoing) convert ordinary shares or preference shares to redeemable preference shares.

Issue of shares and other securities and variation of rights

Subject to the provisions of the Companies Act and the Listings Requirements, the directors, with the prior approval of an ordinary resolution or, if so required by the Companies Act, with the prior approval of a special resolution, adopted at a general meeting, may issue any shares in the authorised capital or any debt instrument or grant options to subscribe for unissued securities, with such preferences, rights, limitations or such other terms, whether in regard to dividend, voting, return of capital or otherwise as the resolution adopted at the general meeting may from time to time determine.

The company may only issue and/or grant options to acquire shares, and/or other securities for cash, in accordance with the provisions of the Listings Requirements. All shares issued by the company shall be freely transferable and fully paid up.

All or any preferences, rights, limitations or terms for the time being attached to any class of shares forming part of the capital may, whether or not the company is being wound up, be varied in any manner by a special resolution on which the holders of the class of shares concerned shall be entitled to vote and with the sanction or ratification of a resolution passed in the same manner as a special resolution at a separate meeting of the holders of the shares of that class.

Transfer of securities

The MOI provides, inter alia, that:

- the transferor of any securities shall be deemed to remain the holder of such security until the name of the transferee is entered in the securities register in respect thereof;
- the transfer of any security shall be implemented in accordance with the then common form of transfer; and
- the board may decline to register any transfer to a minor or a person of unsound mind or to a trustee, curator, executor, administrator or other person in any representative capacity of any security.

Capitalisation

The company in general meeting or the board may at any time and from time to time pass a resolution that, subject to compliance with the provisions of section 47 of the Companies Act, it is expedient to capitalise any sum forming part of the undivided profits standing to the credit of the company's reserve fund, or any sum in the hands of the company.

Acquisition by the company of its own shares

In accordance with sections 46 and 48 of the Companies Act and the Listings Requirements, the board may determine that the company acquires a number of its own shares subject to the prior approval of a special resolution of shareholders.

Proxies

In terms of the MOI:

- any shareholder may, at any time by written proxy appointment, appoint any individual who is not a shareholder of the company, as a proxy;
- the board may determine a standard form of proxy appointment and make it available to shareholders on request;
- An instrument appointing a proxy:
  - need not bear a handwritten signature of the shareholder appointing the proxy and may be an instrument created by electronic or other means, including electronic mail or fax;
  - must be accompanied by such documentary or other evidence as may be required by the board in order to establish the validity and/or authenticity thereof, including the authority of the person appointing the proxy;
  - will be deemed to confer the power generally to act at the general meeting in question, subject to any specific direction contained in the proxy instrument as to the manner of voting; and
  - a shareholder may appoint more than one person concurrently as proxies.

Shareholders' meetings

The board, at such times and places as it may determine, shall convene and hold a general meeting in accordance with the provisions of the Companies Act and the Listings Requirements to be known and described in the notice calling such as an 'annual general meeting'.

Where in terms of the Listings Requirements, any general meeting or a separate meeting of the holders of any class of shares is required to be held to decide or determine any matter, such meeting may not be held by means of written resolution, notwithstanding the provisions of section 60 of the Companies Act.

ANNEXURE 1 SUMMARY OF SALIENT PROVISIONS OF THE REVISED MOI continued

Proceedings at meetings

Business may only be transacted at any meeting while a quorum is present. A quorum for a general meeting shall be three separate shareholders present at a meeting and sufficient persons present at such meeting to exercise, in aggregate, at least 25% of all voting rights.

After a quorum has been established for a shareholders meeting, the meeting may continue for so long as shareholders' constituting a quorum for the meeting are present at the meeting.

The chairman of the board shall preside as the chairman of each shareholders meeting.

Written resolutions by shareholders

The MOI prohibits the adoption of any resolution by a written vote of the shareholders, as contemplated in section 60 of the Companies Act, and stipulates that all resolutions of the shareholders must be voted on at a properly convened and constituted shareholders' meeting.

This restriction is a requirement of the Listings Requirements.

Appointment of directors

The board will comprise a minimum of five directors and a maximum of 15 directors.

The shareholding qualification for directors and alternate directors may be fixed, and from time to time varied, by the company at any general meeting and unless and until so fixed no qualification shall be required.

No director shall serve for an indefinite term, as contemplated in section 68(1) of the Companies Act.

In addition to the grounds of ineligibility and disqualification of directors as contained in section 69 of the Companies Act, a director will cease to be eligible to continue to act as a director if he/she absents himself/herself from all meetings of the board occurring within a period of six consecutive months without the leave of the board, and the board resolves that his/her office be vacated.

Chairperson of the board

The company in general meeting and on the recommendation of the board, shall be entitled to appoint any non-executive director to be the chairperson of the company for such period as the shareholders may deem fit.

The chairperson of the board shall preside as the chairperson of each meeting of the board.

The chairperson will not carry a casting vote at any meeting of the board.

Directors meetings

A meeting of the board may be held at the instance of a board member.

The board may provide for a meeting of the board to be conducted in whole or in part by electronic communication.

The quorum for meetings of the board will be a majority in number of directors then in office.

At any meeting of the board, each director will be entitled to exercise one vote. Questions arising at any meeting of the board shall be decided by a majority of votes and in the case of any equality of votes, the chairperson shall not have a second or casting vote.

Written resolutions by directors

A decision that could be voted on at a meeting of the board may instead be adopted by a written resolution that has been submitted to all of the directors and signed by a majority of the directors.

Distributions to securities holders

Subject to the provisions of section 46 of the Companies Act, the company in general meeting or the board may, from time to time, determine a dividend or other payment to be made to the shareholders in such manner as the company in general meeting or the board, as the case may be, may determine and direct the time of declaration, including, without limiting the foregoing, that a payment shall be made by distribution of specific assets or in a specific currency.

The company in general meeting may not declare a dividend that is greater than recommended by the board.

FORM OF PROXY

Annual general meeting of shareholders

(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 Thursday, 2 May 2013 at Wesco House, 10 Anerley Road, Parktown, Johannesburg. A proxy need not be a shareholder of the company.

I, ____
(name in block letters)

of (address) ____

____

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

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

Voting instruction:

Please indicate with an 'X' in the appropriate spaces how votes are to be cast	In favour	Against	Abstain
1. Adoption of financial statements	☐	☐	☐
2. Re-election of Mr OME Pooe as a director	☐	☐	☐
3. Re-election of Mr A Joffe as a director	☐	☐	☐
4. Re-election of Mr L Soanes as a director	☐	☐	☐
5. Re-appointment of auditors	☐	☐	☐
6. Appointment of group audit committee members			
a. Re-election of Mr JG Best as chairman 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: Provision of financial assistance	☐	☐	☐
Special resolution number 3: General authority to repurchase the company's securities	☐	☐	☐
Special resolution number 4: Substitution of the existing Memorandum of Incorporation (MOI) with the revised MOI	☐	☐	☐

Signed at ________________________ on ____________________ 2013.

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 Tuesday, 30 April 2013 at 14:00.

Please read the notes on the reverse side hereof.

METAIR
INVESTMENTS LIMITED
automotive | industrial | retail

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 shareholder'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 or (PO Box 61051, Marshalltown, 2107) so as to be received by not later than 14:00 on Tuesday, 30 April 2013.

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.

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
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Further information on this report and its contents
can be obtained from the company secretary:

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Email: sanet@metair.co.za

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