METAIR
INVESTMENTS LIMITED
automotive | industrial | retail

Integrated Annual Report 2013

Growing our international footprint

Growing our international footprint

In our 2012 Integrated Annual Report we reflected on Metair's journey over the preceding five years – a journey that has shaped Metair into an international business and created the platform for the next stage of our growth. This journey took us from critical introspection to strategic reflection that saw us at a crossroads in 2009. After refining our business structures to achieve better balance in our business, we were finally able to look at optimising the business for the future.

We saw that this future had potential that could take us beyond our borders.

A highlight of this new journey was our first cross-border acquisition – of Rombat, the largest lead-acid battery manufacturer in Romania in 2012. This helped balance our business by developing our presence in the aftermarket sector, and giving substance to our "3 x 50%" strategy. This strategy targets 50% of turnover from the original equipment manufacturers (OEM) sector, 50% from aftermarket, non-automotive and exports, and 50% of our overall business to be in batteries.

In 2013 Metair took further strides in establishing itself as a truly international company. In December, we acquired Mutlu Akü, the leading lead-acid battery manufacturer and distributor in Turkey and the Middle East.

As the cover image demonstrates, the acquisitions in Romania and Turkey have taken Metair's manufacturing footprint international in a relatively narrow band of time zones. The group also has unmatched access to several of the fastest growing developing regions, including Eastern Europe, the Middle East and Africa (EMEA).

With these acquisitions, the Metair group is now the third largest player in the EMEA battery market. We are also strategically positioned to support OEM customers in the developed markets of Western Europe and to launch our new technology into these markets.

Our internationalisation strategy is maturing, but we will persist in applying fresh thinking to our journey. We continue to build on our learnings from the past six years, as well as those gained from the acquisition processes, to identify synergies within our operations and new opportunities in strategic markets.

Contents

About this report

This Integrated Annual Report 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).

This report covers the financial activities of Metair for the period 1 January to 31 December 2013 in the annual financial statements. Other matters are covered up to the date of this report.

The group acquired a majority interest in Turkish battery manufacturer and distributor Mutlu Akü in December 2013. Apart from this acquisition, and the changes to reporting of subsidiaries due to IFRS changes discussed in the financial review, there have been no significant changes to our business that would affect our reporting since 2012. Prior period financial results have been adjusted to account for the effect of the new IFRS.

Metair operates in South Africa, Romania and, through Mutlu Akü, in Turkey. The group consists of a number of subsidiaries, associates, management services companies and property companies. The full structure of the Metair group is shown on page 10. Metair has a decentralised management model 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. Mutlu Akü has not been included in non-financial disclosures. The transformation information on page 46, as well as the carbon footprint information on page 55, 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 2013, which includes estimates for the last two months of the year. The consolidated B-BBEE information referred to in the transformation section uses the latest available externally verified information that relates to December 2012 as disclosed in the full table in Appendix III on page 84.

In preparing this report, we have followed the recommendations of the International Integrated Reporting Council (IIRC) International <IR> Framework as it applies to our business. Sustainability information in this Integrated Annual Report is presented in alignment with the Global Reporting Initiative (GRI) G3 reporting guidelines.

Our GRI declaration appears on page 76 and the GRI Index on page 79. Integrated Reporting & Assurance Services have provided external assurance on the sustainability information included in this integrated report. Their report appears on page 77.

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 on our progress in our next Integrated Annual Report.

The audit committee and the board of Metair have reviewed this report and believe that it accurately represents the affairs of the company for the year under review.

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

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HIGHLIGHTS FOR 2013

Revenue increased 13.6% to **R5.2 billion**

Headline earnings per share of **219 cents** impacted by labour disruptions and transactions costs

Dividend per share of **70 cents** declared in 2014 in respect of the 2013 financial year

Excellent progress on delivery of the group's **"3 x 50%" strategy**

Rombat integration completed and new **Start/Stop battery** facility commissioned

Who we are

Metair Investments Limited (Metair) is a publicly owned company, headquartered in Johannesburg and listed on the Johannesburg Securities Exchange. The group manages an international 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 major original equipment manufacturers (OEMs) in South Africa and Renault Dacia in Europe through its Romanian subsidiary 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. The group acquired a majority interest in Rombat, a battery manufacturer in Romania in 2012. In December 2013, the group acquired a majority stake in Mutlu Akü, Turkey's largest battery manufacturer and distributor. Rombat and Mutlu Akü sell products to aftermarket customers in Romania, Turkey, Europe and the Middle East as well as to OEMs in Romania, Turkey and Russia.

Segment	Activity	Key Markets
Original equipment (OE)	Manufactures and distributes components used in the assembly of new vehicles.	South Africa, Romania, Slovakia, Russia, Turkey
Aftermarket	Manufactures and distributes aftermarket automotive products, such as batteries, brake pads and spark plugs.	Africa, Europe, Turkey, Middle East, Russia
Non-automotive	Manufactures and distributes products mostly related to telecoms, utility, mining, retail and materials/products handling sectors.	Sub-Saharan Africa, Turkey
Property	The group's properties are owned and managed by the respective operating subsidiaries.	South Africa, Turkey, Romania

Our key businesses

Logo	Company	Ownership	Key business area and products	OE design partners with IP in product development	Manufacturing partnerships	Key OE relationships
	Mutlu Akü First National Battery and Rombat	96.4% 100.0% 99.5%	Batteries, solar systems, backup systems, standby systems, charging systems, Battery Centre franchise	☑		
	Supreme Springs and ATE	100.0%	Coil springs, leaf springs, stabilisers, torsion bars, brakes, calipers, brake pads	☑		
	Lumotech	100%	Headlights, plastic injection mouldings, lamps, wheel trims, horns, tail lights, streetlights, warehouse lights	☑		
	Tenneco Automotive	25.1%	Shock absorbers, struts, track control arm		☑	
	Hesto Harnesses	74.9%	Wiring harnesses		☑	
	Valeo SA	49%	Front end modules		☑	
	Smiths Plastics and Automould	100%	Plastic injection moulding		☑	
	Smiths Manufacturing	75%	Climate control systems, air-conditioning systems, air cleaners, radiators, wiper systems, ECUs, alternators, etc		☑	
	Unitrade	100%	Automotive cable, automotive wire	☑		

2014
B-BBEE target achieved
a year early – all South African subsidiaries at Level 4 or better

Carbon footprint of South African subsidiaries
decreased 15.9%

Production-adjusted
energy consumption limited to a 1.8% increase
across the group

Mutlu Akü acquisition represents the next step in the group's international expansion and establishes the group as the third largest battery manufacturer in the EMEA region

The transformation of Metair

PRE-2006

- Part of Wesco and owned by the Wessels family.
- Strong link with Toyota – 85% of business.
- Intently focused on where vehicles are produced.

2006–2008

- 51% shareholding changed: RBH, Corocap, management.
- First component manufacturer with B-BBEE credentials.
- "3 x 5" strategy introduced: R5 billion turnover and R500 million PBIT in 5 years.
- 2008 financial crisis heralded a period of major change in the global auto market.

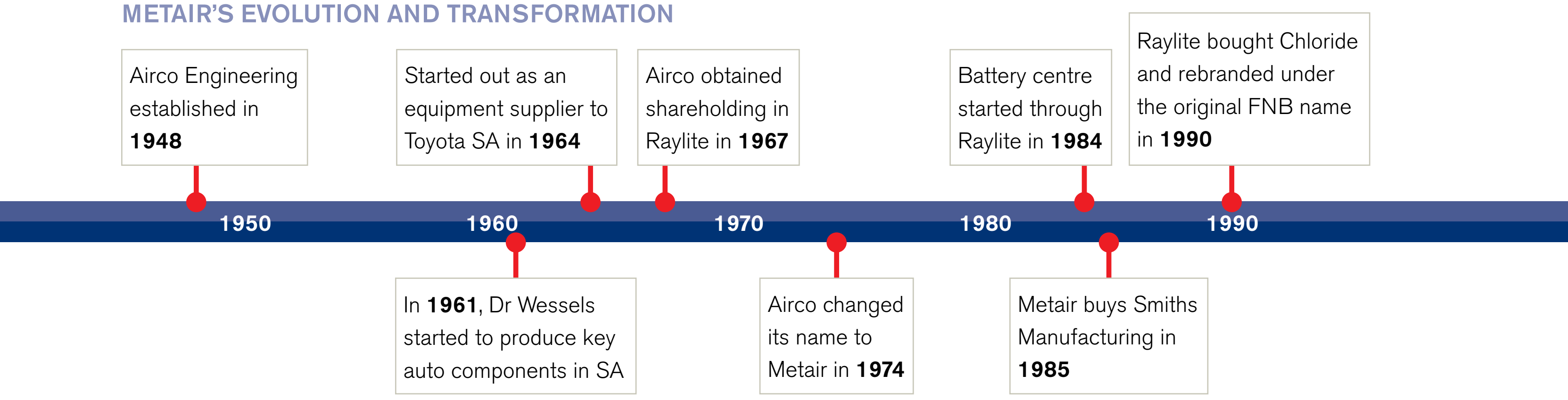
2008–2010

- 2009 to 2010 saw the redesign of Metair in response to the global financial crisis.
- Metair lost 35% of OE business during the crisis:
  - Toyota cut production in South Africa, forcing Metair to sell its surplus capacity to other OEMs – Toyota now only accounts for around 40% of the business.
  - Forced to increase its focus on aftermarket products to reduce OE dependency.
  - Reduced headcount by 3 500 employees to save R600m in costs.
- Internationally governments responded with support programmes like "cash for clunckers" to stimulate demand and by introducing new emission standards backed up by carbon taxes, aimed at forcing the industry to embrace sustainability.
- Response of the European automotive industry was:
  - Collaboration in the form of the German OE Council.
  - Emergence of Start/Stop as the technology of choice to comply with emission standards.
- FNB was approached by the German OE Council to participate in the Start/Stop programme. From engaging with battery manufacturers, Metair discovered that its practices were not just good, but world class and that its AGM technology developed for mining lamps, was ideally suited to Start/Stop batteries.

2010–PRESENT

- FNB releases its award-winning Ultimate AGM Start/Stop VRLA battery.
- FNB chosen to supply all the Start/Stop battery needs of a leading OEM in South Africa.
- "3 x 50%" strategy put in place.
- In 2012, Metair acquires Rombat, a battery manufacturer in Romania serving aftermarket customers in Romania and Europe as well as OEMs in Romania.
- FNB's Start/Stop batteries receive worldwide series release approval.
- Rombat's new Start/Stop battery line is commissioned in December 2012.
- A second OEM in South Africa chooses FNB's Start/Stop batteries.
- Metair acquires Mutlu Akü in December 2013, expanding the group's international footprint into Turkey and the Middle East.
- OEM base becomes more diversified across customer base.
- Increased efficiency and cost productivity improve cost competitiveness on OEM products.

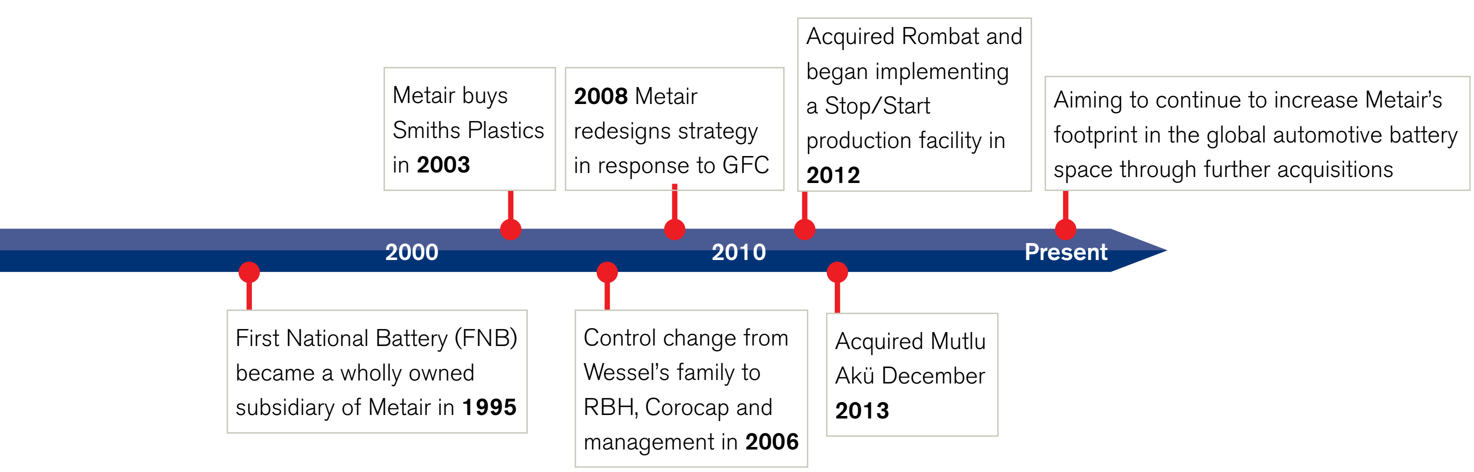
METAIR'S EVOLUTION AND TRANSFORMATION



Our vision

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

Our branding aligns with our vision and our strategy. We take pride in our Manufacturing Excellence – the "ME" in Metair – and we are also acutely aware that as we continue to grow our international footprint, we also need to cultivate Marketing Excellence. Industry veteran Brand Pretorius was appointed to the board in 2013 to drive the development of marketing excellence in the group.



Our strategy

Metair's world-class proprietary Start/Stop battery technology and manufacturing capability position us strategically to act as a global industry consolidator, creating significant value through technology transfer and increased relevance to OEMs. Metair is one of the few battery producers with the Start/Stop battery technology that enables OEMs to achieve the targeted reduction in CO_2 emissions in their products. OEMs have indicated their preference for competing offerings from globally relevant suppliers.

Metair's "3 x 50%" strategy was set in place in 2012 and focusses on balancing revenue between OE (50%) and aftermarket (50%). The third leg of the strategy aims to ensure that 50% of revenue across both OE and aftermarket comes from batteries. The group is positioned to achieve this goal in 2014 when Mutlu Akü is consolidated. **[1]**

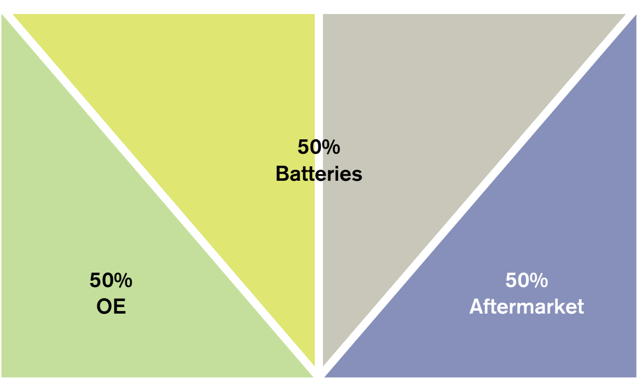
With the group now established as an international company, the next five years will be about developing Metair into a truly global company. This is the goal of our new strategy: over the next five years the group aims to be represented on five continents.

The group's ambitious long-term goals are supported by the design of the business. There are three design pillars, each with a specific focus **[2]**:

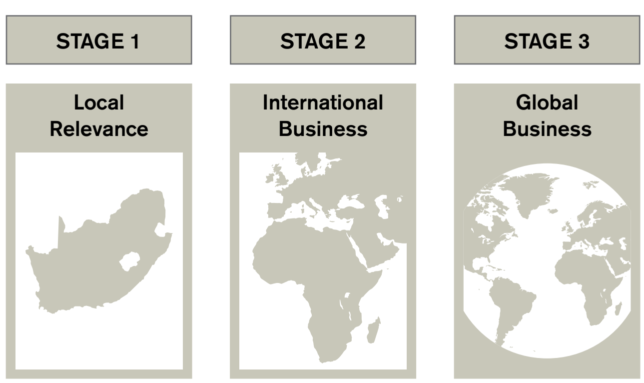
Product differentiator and product focus – in defensive/differentiated products, product specification is set by OE customers and varies according to the model. The customer retains the right to change specification.
Market focus – with our OE customers, we need to focus on where vehicles are manufactured. Involvement in this business holds us to extremely high quality, control and sustainability requirements.
Aftermarket focus – this requires us to be positioned where vehicles are sold, rather than where they are made. We also need to move closer to our end customers.

	Strategy component	Relevance
1.	Continue to target balance in the business	Ensure 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 "3 x 50%" vision.
2.	Nurture the original equipment (OE) business and expand the original equipment manufacturer (OEM) customer base	Maintain 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, the Middle East and North Africa through Rombat and Mutlu Akü.
3.	Focus intently on cost	The OE business is dependent on maintaining global cost competitiveness. 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. Generate annuity revenue from the manufactured car parc as well as access 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	Broaden product and earnings base and entrench balance in the business, as exemplified in the Rombat and Mutlu Akü acquisitions.

1 METAIR'S "3 X 50%" STRATEGY



2 THREE-STAGE STRATEGY

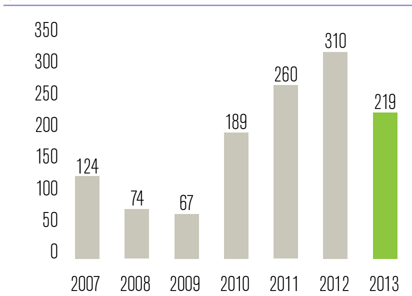


Financial highlights
for the financial year ended 31 December

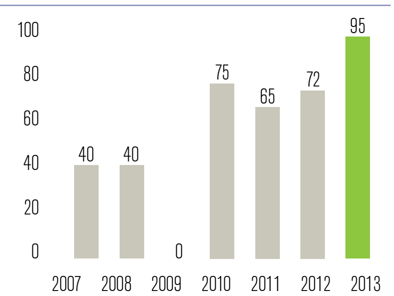
		Restated	Based on results with Hesto consolidated				
R'000	**2013**	2012	2011	2010	2009	2008	2007
Revenue	**5 227 426**	4 603 150	4 294 152	3 753 236	3 342 053	4 180 398	2 984 293
Profit before taxation	**495 071**	641 479	602 000	424 546	118 219	74 777	287 185
Impairment charges/ (reversals)		1 045	7 900	(19 687)	47 082	122 590	
Interest paid	**27 888**	26 457	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	**341 376**	440 543	408 365	277 682	52 210	(13 080)	174 509
Total equity	**3 788 758**	2 052 730	1 701 408	1 369 919	1 184 021	1 113 664	1 190 132
Interest-bearing debt	**1 202 772**	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	**2 844 929**	1 191 499	762 752	699 190	657 892	714 001	702 417
Current assets	**3 150 242**	1 831 434	1 640 808	1 321 899	1 238 232	1 290 793	1 079 221
Total assets	**7 449 326**	3 293 869	2 482 126	2 088 196	2 000 717	2 133 401	1 906 625
Number of shares in issue	**198 986**	152 532	152 532	152 532	152 532	152 532	152 532
Weighted average number of shares in issue	**149 271**	142 030	141 217	140 363	142 352	141 707	142 085
Net asset value per share (cents)*	**1 895**	1 353	1 119	890	776	729	775
Basic earnings per share (cents)	**229**	310	289	198	37	-9	123
Headline earnings per share (cents)	**219**	310	260	189	67	74	124
Dividend per share (cents) declared and paid	**95**	72	65	75		40	40
Dividend cover (times) (calculated on headline earnings on prior year)	**3.3**	3.6	2.9	0.9		3.1	3.3
Net profit as a % of average total shareholders' funds (ROE)	**12.8**	25.6	29.4	23.8	5.5	0.3	17.2
Total shareholders' funds as a % of total assets	**50.9**	62.3	68.5	65.6	59.2	52.2	62.4
Interest cover (times)	**17**	22	75	30	4	2	17
Staff complement	**5 870**	4 835	5 951	5 552	5 339	7 188	6 506

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

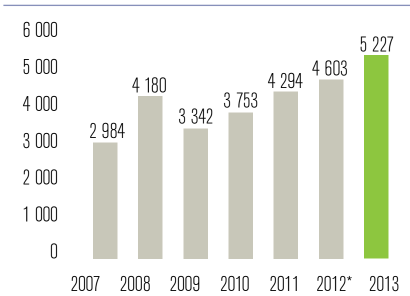
HEADLINE EARNINGS PER SHARE (CENTS)



DIVIDENDS PER SHARE (CENTS)



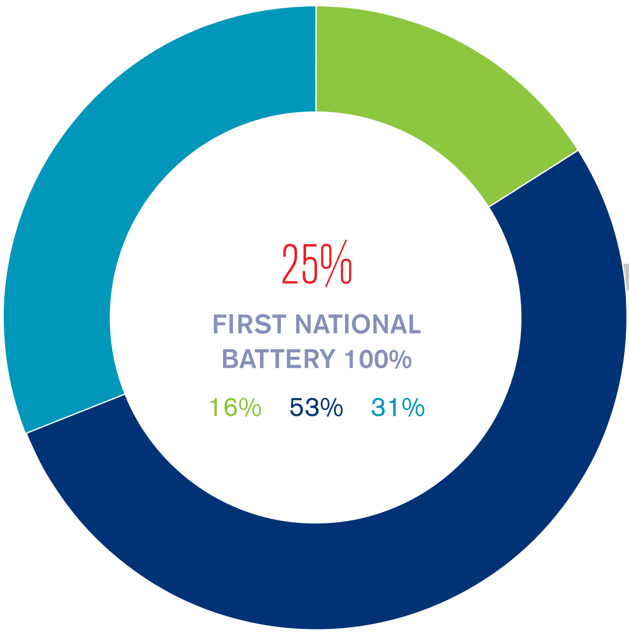
REVENUE (Rmillion)

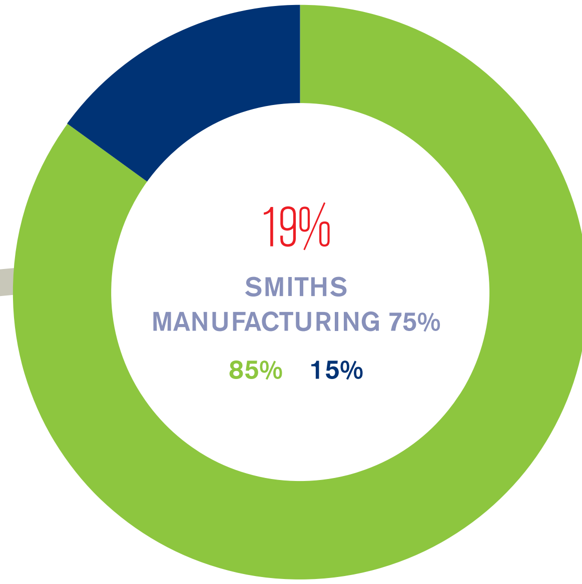


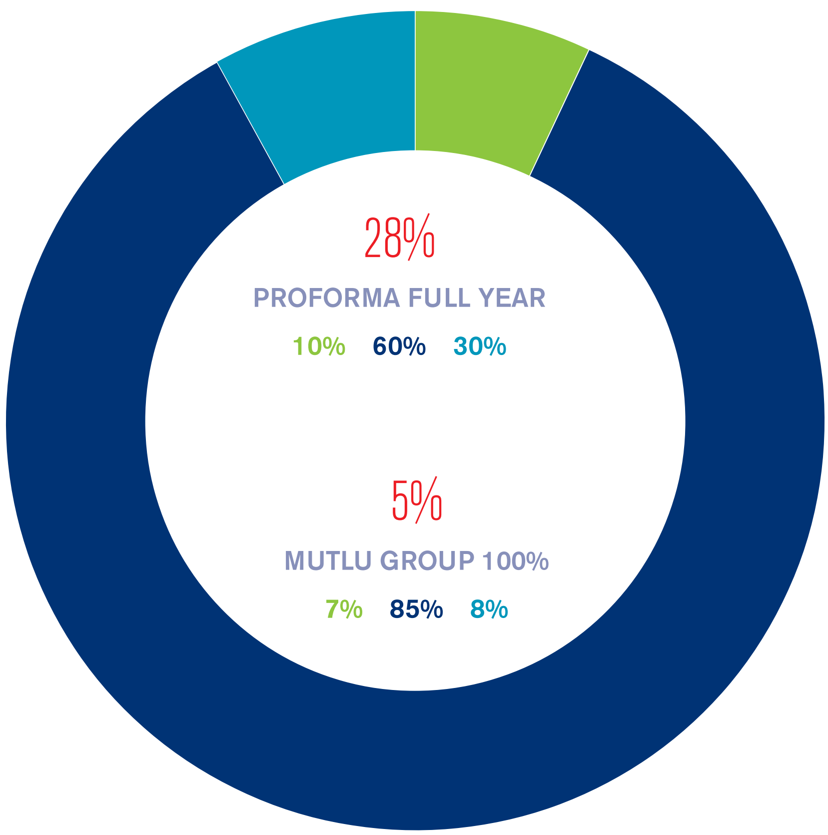
** Restated*

What we do

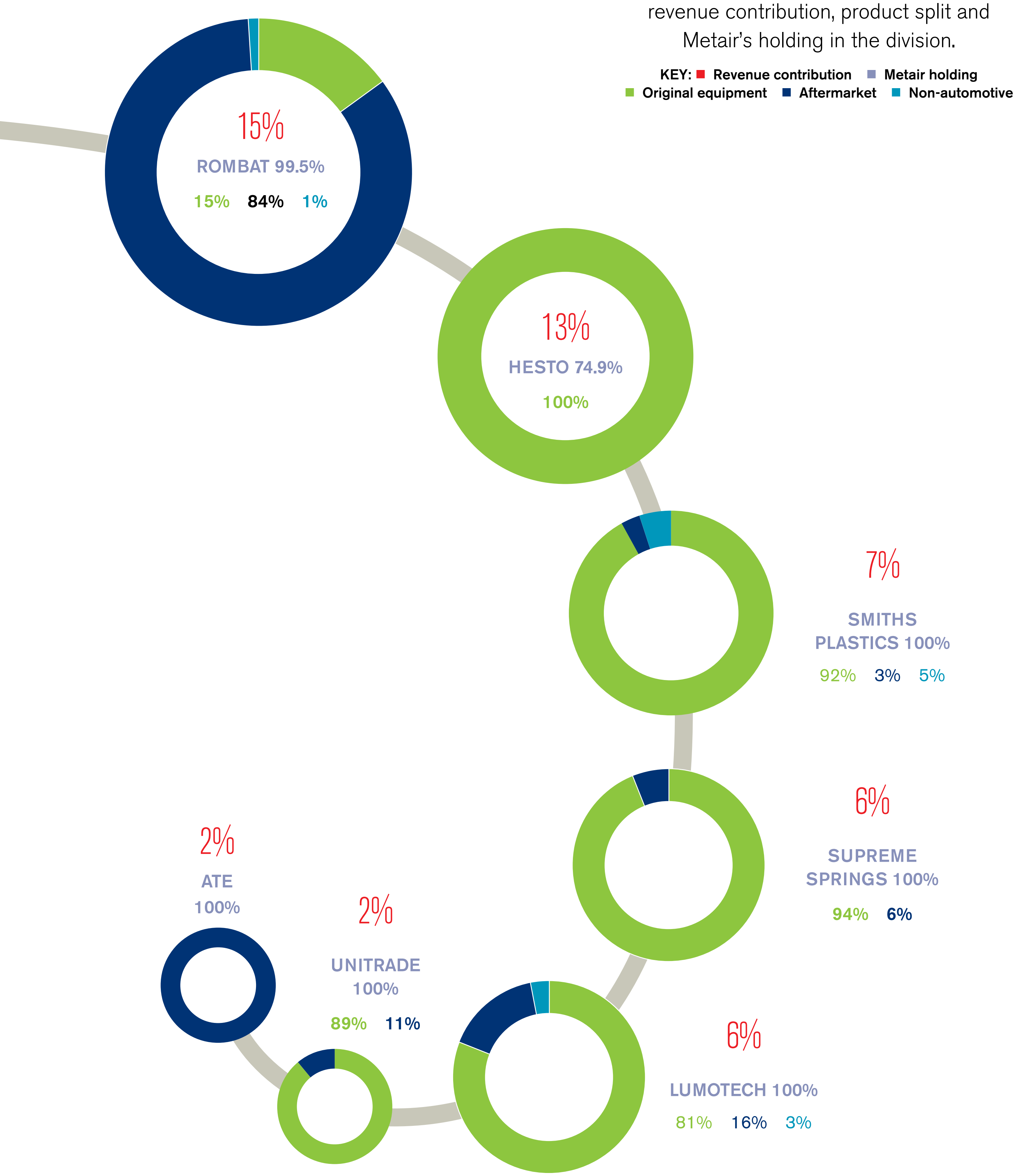
Material operations and market segments



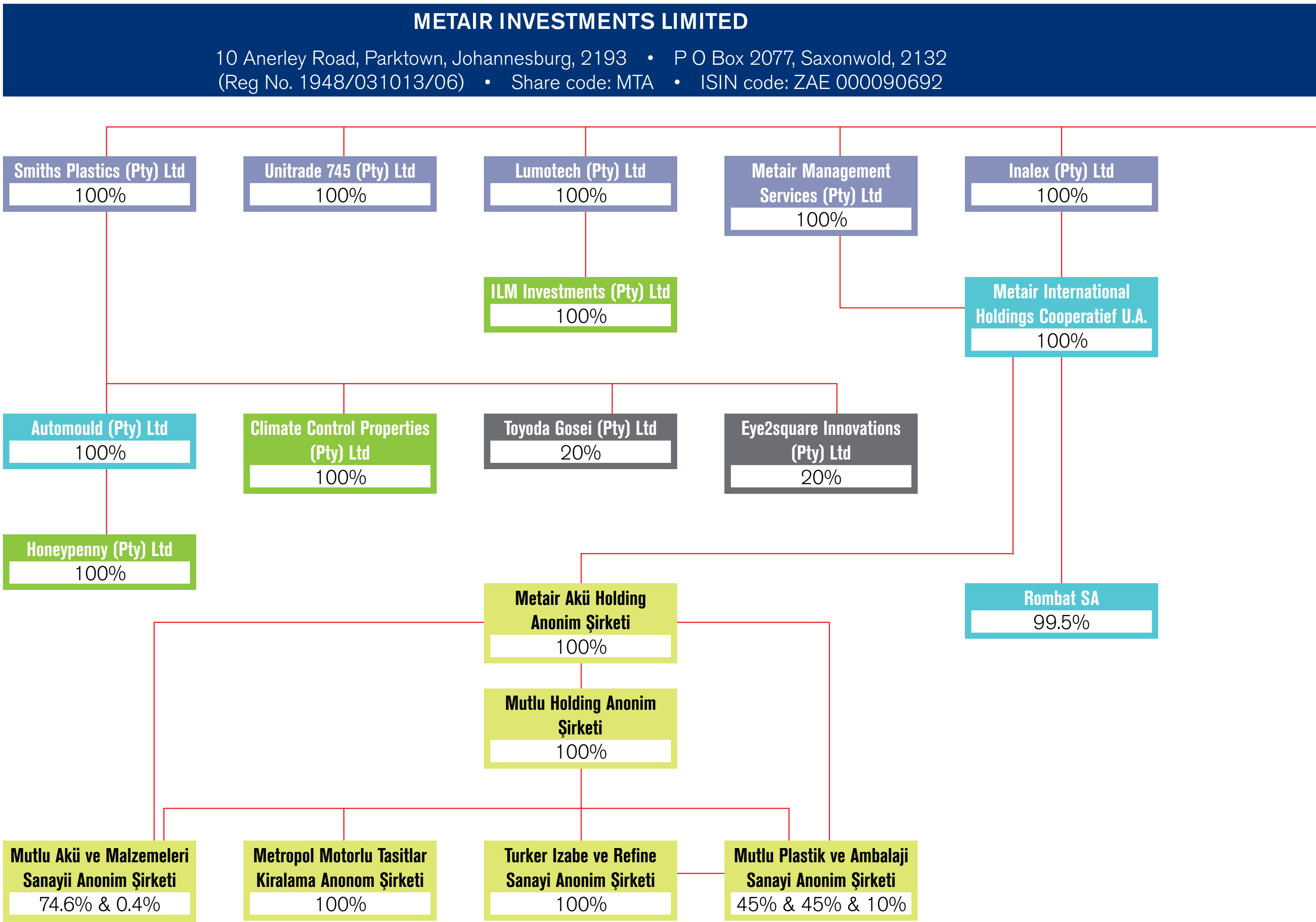


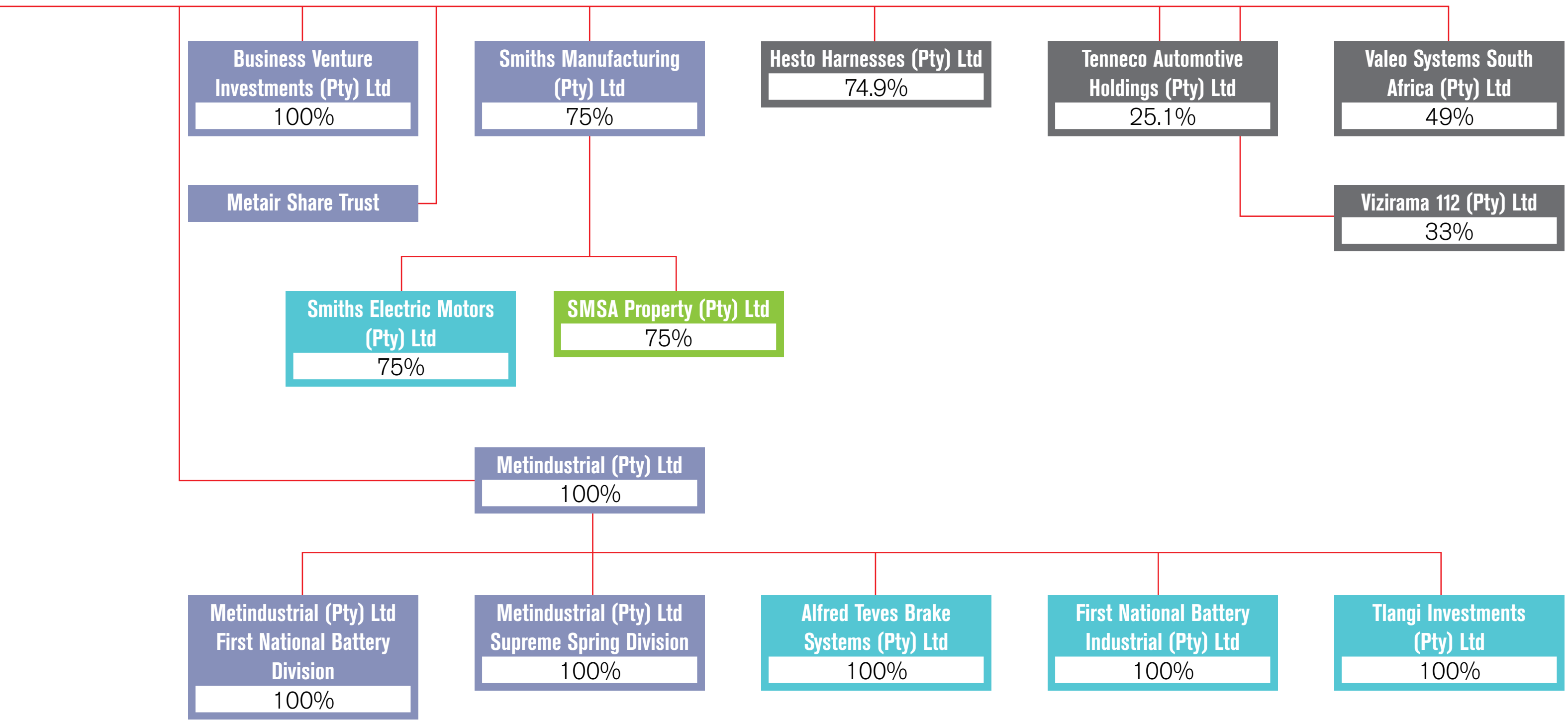


The pie charts show the relative revenue contribution, product split and Metair's holding in the division.



Group structure





- Indirect subsidiaries
- Property companies
- Associates
- Mutlu Akü acquisition

Group structure

Material Metair holdings – South African operations

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

FIRST NATIONAL BATTERY

A division of Metindustrial

● 100% holding

Products:

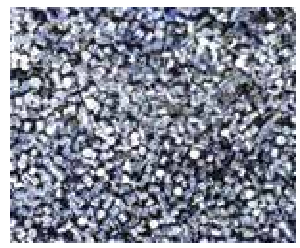
Batteries
Solar systems
Back-up systems
Standby systems
Charging systems
Battery Centre franchise

Location:

East London, Cape Town, Durban, Carletonville, Benoni, Rustenburg, Klerksdorp

FIRST NATIONAL BATTERY
THROUGH CARING WE LEAD










SUPREME SPRINGS AND ATE

A division of Metindustrial

● 100% holding

Products:

Coil springs
Leaf springs
Stabilisers
Torsion bars
Brakes
Callipers
Brake pads

Location:

Nigel, Boksburg

VALEO SYSTEMS SOUTH AFRICA

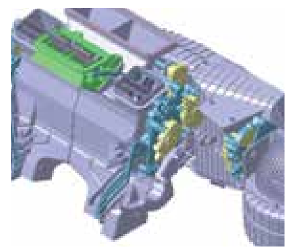
◐ 49% holding

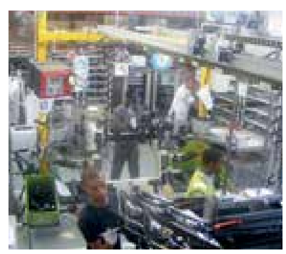
Products:

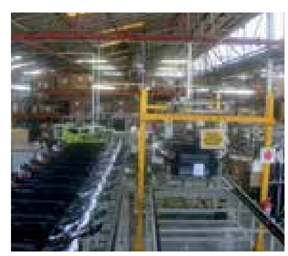
Front-end modules

Location:

Uitenhage







Group structure
continued

LUMOTECH

100% holding

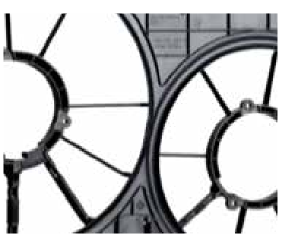
Products:

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

Location:

Uitenhage



TENNECO AUTOMOTIVE HOLDINGS SA

25.1% holding

Products:

Shock absorbers
Struts
Track control arms

Location:

Port Elizabeth





SMITHS MANUFACTURING

75% holding

Products:

Climate control systems
Air-conditioning systems
Cooling modules
Radiators
Air cleaners
Wiper systems
Electronic control units
Alternators and starters

Location:

Pinetown, Durban






SMITHS PLASTICS, AUTOMOULD AND TOYODA GOSEI

100% holding

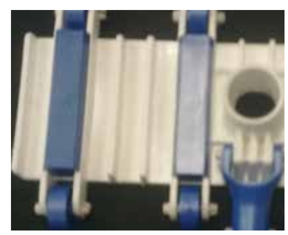
Products:

Plastic injection mouldings

Location:

Pinetown, Durban




Group structure
continued

UNITRADE

100% holding

Products:

Automotive cable

Automotive wire

Location:

Stanger






HESTO HARNESSES

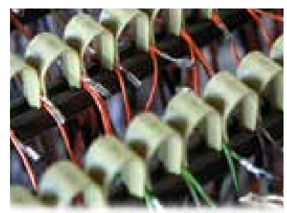
74.9% holding

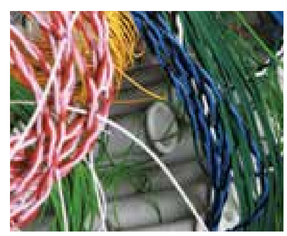
Products:

Wiring harnesses

Location:

Stanger




Group structure
Material Metair holdings – International operations

ROMBAT

99.5% holding

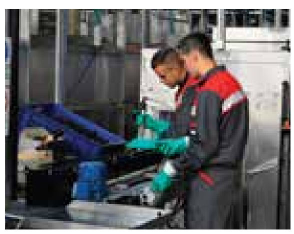
Products:

Batteries

Battery distribution network

Location:

Bistritsa and Copsa Mica, Romania



Group structure
Material Metair holdings – International operations

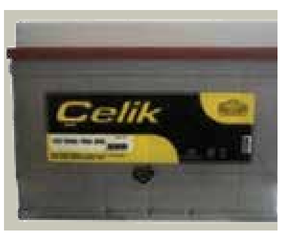
MUTLU AKÜ

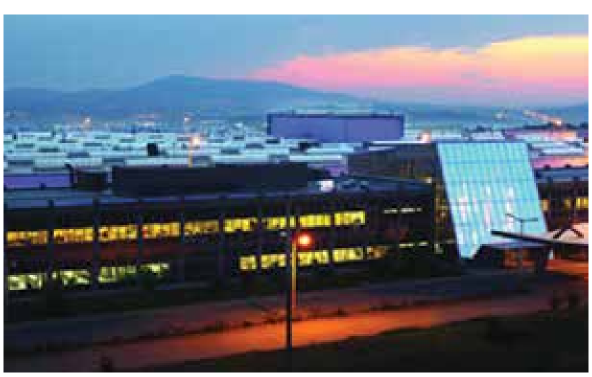
Listed company on Istanbul Stock Exchange, battery production facility

75% holding

Products:
Automotive and industrial batteries

Location:
Istanbul and Gediz, Turkey





MUTLU HOLDINGS

Owns 75% of Mutlu Akü and responsible for the management of the Mutlu group

100% holding

MUTLU PLASTIK

Production of plastic battery boxes

100% holding

Products:
Plastic parts of batteries, covers and lids

TÜRKER IZABE

Sales of industrial VRLA type batteries

100% holding

Products:
Sales company of industrial standby VRLA batteries to Türkcell

METROPOL

Car fleet management

100% holding

Services:
Car fleet management

Material issues

We define material issues as those challenges and opportunities that have the most potential to significantly affect the group's long-term sustainability. These issues are derived from our risk assessment process, board deliberations and our interactions with stakeholders. The table below lists the various issues as well as which stakeholders they affect, how we manage them, where in this report we discuss them and the aspects of our combined assurance model that support them. Non-financial considerations are integrated with financial issues to ensure timely and thorough consideration of all relevant issues.

Issues	Relevance	Strategy component	Stakeholder	Governance structure	Report section
Material issue: Competitiveness					
• Competition from low-cost countries • Country competitiveness of South Africa • Entry of international competitors • Competing subsidised imported products • 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. The aftermarket sector is being impacted by the entry of low cost imported components supported by foreign government export incentives. Recurring labour unrest undermines South Africa's status as a preferred manufacturing destination.	2. Nurture and expand OEM business. 3. Focus intently on costs.	All stakeholders	Board and executive committees monitor efficiencies.	Managing director's report. Stakeholder engagement. Financial sustainability. Human capital.
Combined assurance: Policies and procedures, internal controls, risk management function, regular management reviews, internal audit, OE supplier quality reviews, external accreditation (ISO 9001, SABS SANS, VCA, ISO/TS 16949, ISO 14001, ISO 50001 etc).					
Material issue: 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 committees develop and execute strategies to respond to international developments.	Managing director's report.
Combined assurance: Policies and procedures, internal controls, risk management function, regular management reviews					
Material issue: 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 committees monitor balance and develop and execute strategies to balance the business.	Managing director's report. Operational review. Environment.
Combined assurance: Operational reviews, risk management function, internal audit, external assurance of financial information.					
Material issue: Business partnerships					
• International business partners • Customer relationships • Government relationships • Supply chain relationships • Governance	Metair's business depends on close relationships with key stakeholders. Government is a particularly important industry stakeholder in terms of incentive programmes such as the APDP and ensuring that the South African market is protected from foreign government subsidised imports.	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 committees manage relationships with key stakeholders.	Stakeholder engagement. Corporate governance report.
Combined assurance: Regular management review, risk management function, internal audit, policies and procedures.					

Material issues
continued

Issues	Relevance	Strategy component	Stakeholder	Governance structure	Report section
Material issue: 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.
Combined assurance: Regular management review, policies and procedures, external verification of B-BBEE information, OE supplier reviews.					
Material issue: 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 committees develop human capital strategy, manage key relationships and monitor progress against stated KPIs and targets.	Human capital.
Combined assurance: Regular management review, policies and procedures, risk management function, internal audit, external verification of B-BBEE information, external accreditation (OHSAS 18001, ISO 14001) and external assurance of sustainability information.					
Material issue: 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 committees develop environmental strategy and monitor progress against targets.	Environment.
Combined assurance: Regular management review, risk management function, internal audit, policies and procedures, external accreditation (ISO 14001, ISO 50001), external preparation of carbon footprint data, external assurance of sustainability information).					

What we said – what we did

Last year we identified 11 key performance elements for Metair and each group company. The table below reflects our progress against these during 2013.

Key Performance Indicators (KPIs) 2013	Performance in 2013
1. Continue to implement Metair's strategy.	"3 x 50%" strategy to balance the business achieved with the Mutlu Akü acquisition.
2. Pursue growth in Africa – target 10% of turnover from Africa.	In progress. We continue to assess various opportunities in Africa.
3. Continue our diversification strategy – 10% of turnover must come from new customers, products or services.	Achieved through the Mutlu Akü acquisition.
4. Continue organic growth in aftermarket, non-auto and export – organic growth in operating profit of more than 20% in these segments.	Organic growth continues through increased sales of Lumotech streetlights, a new export contract through Supreme and new plastics non-auto business.
5. Deliver on the Rombat strategy – meet or exceed the Metair group ROE target (12%) for 2013.	Achieved ROE of 12.8% for 2013. Increased marketing spend will be necessary as we build marketing excellence in the group to increase and protect local and international market share.
6. Develop route to market for Start/Stop battery aftermarket sales.	Rombat line installed, commissioned and grant received. FNB is now the approved supplier of Start/Stop batteries to two South African OEMs.
7. Ensure foreign exchange neutrality in customer contracts.	Forex neutrality policy agreed and implemented with OE customers. May require future refinement.
8. Energy strategy – keep the volume-adjusted increase in group electricity consumption below 15%.	SABS 50001 system and IDC assistance program identified. Rollout of system across the group to be optimised. Production-adjusted electricity consumption increase limited to 1.8%.
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.	All programs to upgrade subsidiary clinics, canteens, ablution facilities, quality and detail of wellness programs have been completed. However, this did not prevent the group being affected by the industry-wide strikes.
10.Implement group IT steering committee and standards.	IT steering committee established and first meeting held.
11. Focus on transformation and B-BBEE in the group – all group companies to reach Level Four compliance by 2014.	All South African group companies achieved Level Four compliance or below a year ahead of target.

In addition to the group's stated KPIs for 2013, there were a number of further goals set for 2013. The following table shows progress against these goals in 2013.

Goal for 2013	Performance in 2013	Goals for 2014
All group companies to achieve progress towards OHSAS* 18001 accreditation by 2016.	Four of the group's 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.
Continue to develop appropriate industrial usage indicators for carbon footprint, electricity consumption, waste management and water usage.	The nine South African subsidiaries completed carbon footprint calculations for the second time in 2013. While reporting systems require ongoing refinement, the group's understanding of its carbon emissions continues to improve.	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 42 disabling injuries. LTIFR‡ improves to 1.12.	Zero fatalities, zero disabling and lost-time incidents.
The average group absenteeism and average staff attrition rate are below 4% (excluding contractors).	Absenteeism averaged 3.4% across the group. Staff attrition for permanent staff was 6.4%.	The group absenteeism and staff attrition rate average below 4% (excluding contractors).
The group targets to regain and improve on the 2011 B-BBEE position as the targets included in the generic codes automatically increases a step up in 2013.	Group aggregated B-BBEE score improves by 45 points on improved employment equity, skills development and enterprise development recognition.	Continue to improve the group's overall B-BBEE status. However, the changes to the generic codes applicable in 2014 will have a significant impact on the group's B-BBEE recognition level.
Maintain and improve group training spend of R9.1 million.	Training spent totalled R9.9 million and more than 85% was on previously disadvantaged individuals.	Maintain and improve group training spend of R9 million.
Maintain and improve on 138 learnerships in the group.	There were 198 learnerships.	Maintain and improve on 138 learnerships in the group.

** Occupational Health and Safety Standard*

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

What we said – what we did
continued

In 2014, we will focus on the 10 KPIs in the table below.

Key Performance Indicators (KPIs) 2014
1. Execute acquisition and integration of Mutlu Akü and Rombat.
2. Develop group Start/Stop business plan and develop international OE customer base.
3. Develop group marketing excellence and brand strategy.
4. Reorganise Metair management and investment structure.
5. Pursue Africa strategy – 10% of turnover to come from Africa.
6. Develop an OE economic recovery strategy.
7. Pursue Metair strategic path.
8. Ensure continuous performance of South African businesses.
9. Nurture and retain key people.
10. Effect minority shareholder takeout at Mutlu Akü.

AWARDS

Company	Awarded in 2013
Lumotech	National Cleaner Production Centre – Certificate of Recognition for Leadership in and Commitment to Resource Efficiency Best Practices
Smiths Plastics	Toyota South Africa Motors – Certificate of recognition
First National Batteries	Toyota South Africa Motors – Supplier Achievement Award for Quality Performance 2012 Toyota South Africa Motors – Supplier Achievement Award for Stable Production 2012 General Motors South Africa – Supplier Quality Excellence Award 2013 Accenture Innovation Index Award – Top 20 Concept Finalist 2013
Smiths Manufacturing	Toyota South Africa Motors – Supplier Achievement Award in Value Analysis 2012 General Motors Top 10 – Supplier of the Year Award – Finalist 2012
ATE	Toyota South Africa Motors – Certificate of recognition
Hesto	Toyota South Africa Motors – Superior (Gold) Awards for Stable Production and for VA/VE Toyota South Africa Motors – Certificate of Appreciation for Halogen Free Wire Saving General Motors – Certificate of Appreciation for Assistance in Isuzu Launch
Supreme Springs	Bronze Medallist at Automechanika Innovation Awards 2013
Automould	Toyota South Africa Motors – Certificate of recognition

Richard Amlima (centre) receiving the Bronze Award on behalf of Supreme Springs at the Automechanika Innovation Awards 2013. The company was recognised for the Cobra Coil-Over Suspension Kit.

Directors and officers of the company

OME Pooe (55)
Non-executive chairman
B Proc
Management Development Programme
Certificate in Advanced Corporate and Securities Law

CT Loock (49)
Managing director
B Eng (Industrial)

BM Jacobs (46)
Finance director
B Comm B Acc CA (SA)

A Joffe (45)
Non-executive director
B Comm (Hons)
GDA CA (SA)

RS Broadley (81)
Independent non-executive director
Advanced Technical Certificate (Engineering)

L Soanes (77)*
Independent non-executive director
National Certificate of Engineering

A Galiel (44)
Independent non-executive director
CA (SA) CFA

JG Best (65)
Lead independent non-executive director
AICMA ACIS MBA

SG Pretorius (66)
Independent non-executive director
M Comm (Business Economics

DR Wilson (43)
Non-executive director
CA (SA)

SM Vermaak (48)
Company secretary
BComm (Fin M) AIRMSA

** British*

Company secretary
SM Vermaak

Transfer secretary
Computershare Investor Services (Pty) Ltd
70 Marshall Street,
Johannesburg 2001

Registered Office
10 Anerley Road, Parktown,
Johannesburg 2193

Registration Number
1948/031013/06

Directors and officers of the company

CT (THEO) LOOCK

Mr Loock is a professional industrial engineer with supplementary business and economic studies. He obtained his engineering degree from the University of Pretoria in 1986. His 25 years of manufacturing experience started at Dorbyl Automotive Technologies combined with mining experience at Sasol Coal. The listing of two family businesses on the local securities exchange gave him insight into managing and growing publicly owned businesses. He served as operational director of various local listed companies. Before his appointment to the Metair board as managing director in March 2006, he was group divisional director at Aveng Limited-owned Trident Steel. In addition to being the CEO of Metair Investments limited he is chairman of all the subsidiary boards with director appointments at all associate 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 Platinum Limited's (RBPlat) Corporate Affairs executive. Prior to joining RBPlat he was Public Affairs executive for Royal Bafokeng Holdings (Pty) Limited (RBH). 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. He is current president of the National Association of Automotive Components and Allied Manufacturers .

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 an 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 an 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 where he is a member of the audit

committee, Polymetal International plc (a company listed on the London Stock Exchange) where he 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 an independent non-executive director in February 2009 and is the lead independent director. He is also the chairman of the Metair board audit and risk committee.

SG (BRAND) PRETORIUS

Mr Pretorius holds an MCom Business Economics from the University of the Free State and served as managing director of Toyota SA Marketing and then as chief executive officer of McCarthy Limited. He retired as an executive director of McCarthy and its controlling shareholder, Bidvest, on 1 March 2011. He has received numerous national marketing and leadership awards including Marketing Person of the Year and Boss of the Year. He holds honorary professorships at the University of Johannesburg, University of Pretoria, University of the Free State and an honorary doctorate in marketing from the Durban University of Technology. Brand is a Fellow in Leadership at the Gordon Institute of Business Science as well as at the Albert Luthuli Centre for Responsible Leadership at the University of Pretoria. He serves on the board of the READ Educational Trust and on the Advisory board of the University of Stellenbosch Business School. He is also the vice-chairman of Business Against Crime South Africa. Mr Pretorius serves as non-executive director on the boards of the Barclays Africa Group, Tongaat Hulett, Reunert and Tata Africa Holdings, and is the non-executive chairman of Italtile Limited. In January 2014, Mr Pretorius was appointed as an independent non-executive director to the Metair board.

DR (DAVID) WILSON

Mr Wilson is a Chartered Accountant and has extensive investment banking and corporate finance experience, having previously worked at Deutsche Bank as a director and head of M&A for sub-Saharan Africa. He was appointed to the Metair board on 1 January 2014 as a non-executive director representing Royal Bafokeng Holdings (Pty) Ltd.

Chairman's statement

In the aftermath of the 2008 world financial crisis and its significant effect on the South African automotive industry, Metair designed a strategic path aligned with our view of the changes to the market.

Shortly after this, Metair completed the first stage of its strategic path, in which we focussed on relevance, size, earnings and quality in the South African market.

2013 proved to be a very important year in the second stage of Metair's strategic path, which is designed to build the company into an international business.

MUTLU AKÜ ACQUISITION

Metair's successful acquisition of Mutlu Akü, the leading lead acid battery business in Turkey, marks the realisation of stage two of the Metair strategy. This acquisition came just 18 months after we acquired Rombat, the number one lead acid battery business in Romania

The R2.7 billion Mutlu Akü acquisition has transformed Metair into the number three lead acid battery player in the EMEA region and number one in Turkey, a position it already holds in South Africa and Romania.

It provides us access to a substantial vehicle parc and positions Metair as one of the biggest automotive battery producers in Central and Eastern Europe, the Middle East and Africa. It also gives us strategic access to the Middle East and allows us to support growing original equipment manufacturer (OE) production in North Africa and Eastern Europe. Most importantly, it will see the company achieving our targeted balance of 50% of revenue from batteries across both OE and aftermarket business in 2014.

This transformative acquisition required Metair to raise 50% of its market capitalisation from the debt and capital markets and we are pleased and grateful for the support we received from our debt providers and longstanding loyal and new shareholders. Your support enabled us to execute the acquisition and successfully complete stage two of our strategic path.

Rombat is now fully integrated into the group and the exchange of information, knowhow and technology continues in both directions.

STRATEGY COMPONENTS

Our current strategy consists of five components, as shown in the table on page 6 of this report. While the Mutlu Akü transaction represents the single biggest strategic development during 2013, we also made good progress in the other focus areas.

BALANCE

Our focus on bringing more balance to our business covers several aspects of what we do. Our focus on broadening our client- and product-base since 2006 has been necessary to minimise concentration risk given Metair's roots as a component supplier to a single OE. We have now developed strong relationships with all seven OEMs in South Africa and have extended these internationally through the relationships held by Rombat and Mutlu Akü.

We are developing the geographic balance of the group through the Rombat and Mutlu acquisitions and continue to investigate opportunities in the rest of Africa. Our definition of balance is encapsulated in our "3 x 50%" strategy. This aims to achieve a balance between OE revenue (50%) and aftermarket (50%), with 50% of total revenue coming from batteries supplied into both markets. This year we drew closer to achieving our goal, with 54% of sales to OE, 46% to aftermarket and non-auto, and 45% attributable to batteries.

We also target balance between the need to generate acceptable financial returns for our stakeholders and environmental and social concerns. We study the material balance in the components we produce to ensure they meet stringent European and Japanese quality and environmental requirements. In addition, we try to balance OE pricing demands with the realities of running a sustainable business.

OE BUSINESS

Our OE business promotes a focus on quality, demands high levels of technical skill, requires delivery with excellence and helps us sharpen initiatives toward cost-effectiveness. These characteristics are particularly important for a company such as Metair that targets manufacturing excellence. This business exposes the group to cutting edge technological developments and the long-term nature of contracts gives us earnings certainty, albeit at a lower margin than the aftermarket business.

FOCUS ON COSTS

Cost competitiveness is the overriding factor in OE's choice of suppliers. We therefore have to maintain a keen focus on managing cost efficiencies in our production processes and in labour productivity. This challenges us to continually improve the way we do business. It also benefits us in the aftermarket segment, where fierce competition requires us to closely manage our costs in order to keep a reasonable margin.

AFTERMARKET PRODUCTS

Whereas our OE business supplies the manufacturers of new vehicles, increasing the range of aftermarket products we manufacture allows us to support vehicles throughout their useful life. Parts such as brakes, filters and batteries require replacement several times over the life of a vehicle, translating into annuity revenue for the group. With imports into the South African vehicle parc continuing to rise, generic aftermarket products offer us the opportunity to tap into this market as well.

ACQUISITIONS

We continue to investigate suitable complementary businesses in which to invest, both in the rest of Africa and the rest of the world. We gained a great deal of experience in identifying, implementing and integrating international acquisitions through the Rombat acquisition. This experience will be invaluable in integrating Mutlu Akü into the Metair group and in possible subsequent acquisitions as we pursue our international growth strategy. We were gratified to hear that EMEA Finance Magazine recognised our acquisition of Mutlu Akü as the "Best M&A Cross Border Deal for 2013".

HUMAN CAPITAL AND COMPETITIVENESS

The automotive manufacturing industry essentially converts locally available commodities into products using human capital and energy. In doing so, Metair competes not only against other manufacturers in the regions in which it operates, but also against international peers, many of whom operate in areas with much more competitive labour costs, energy costs and worker efficiency. Our OE customers require us to maintain a keen focus on international cost-competitiveness that in turn requires us to closely manage utility costs and ensure a responsible and balanced approach to managing our human capital.

LABOUR RELATIONS

The increasingly charged labour environment that has characterised South Africa since Marikana in 2012 is a worrying trend. The extended strikes across the automotive industry in 2013 cost both striking employees and Metair as a company a significant proportion of annual income. They also directly affected international OE's impression of South Africa as a low cost manufacturing destination. We continue to focus on understanding employee expectations and maintaining an uplifting, safe and healthy working environment.

GOVERNMENT

The launch of the Automotive Product and Development Programme (APDP) in South Africa in January 2013 brings structural certainty and clarity to the OE environment until at least 2020. The programme represents an important demonstration of government's strategic support for the automotive industry that facilitates potential new investments and production possibilities for the local and export market. This enabling regulatory environment needs to be matched with a stable labour environment for South Africa to realise the full benefits of the programme.

ORIGINAL EQUIPMENT

The OE business remains the biggest revenue contributor to the group and we continue to nurture this business stream. It is an essential part of our manufacturing excellence drive as OE customers increasingly require world-class efficiencies and competitiveness. As a group, we can further develop balance in our business through customer and product diversification within the OE sector.

AFTERMARKET AND NON-AUTOMOTIVE

New vehicle sales in South Africa remained stable around 622 000 vehicles and the country's total vehicle parc rose to approximately 10 million vehicles. The group has access to the European aftermarket through Rombat, particularly in the battery markets of Romania, France, Germany, Italy and Africa.

Chairman's statement

Mutlu Akü extends this reach to Turkey and the Middle East, and improves our footprint in North Africa. The South African aftermarket segment continues to face intense competition from imported components, some of which are heavily subsidised by foreign governments.

The non-automotive market also faced increased competition from imported products, especially in product lines supplying the mining industry. This combined with labour disruptions to the industry that negatively impacted earnings for this segment during the year.

TECHNOLOGY

The group continues its investment in developing innovative new product lines and refining its existing products. We expanded delivery of contractually approved Start/Stop batteries to a second OE in South Africa and are in negotiations with a third. We are also negotiating supply to a major European OE on the back of technical product approval from a group of German-based OE manufacturers. These developments confirm our belief that our Start/Stop battery product range will be critical to achieving our long-term strategy.

SUSTAINABILITY

The changes to the group since 2006 have been undertaken to ensure the sustainability of the group in the long term by diversifying our products, customer base, geographic exposure and revenue streams. While our strategy has had a definite financial focus, increased balance across the group can also be seen in our continually improving transformation status, the positive impacts of our socio-economic development projects and the improvements in our ability to measure, understand and manage our environmental impacts.

LOOKING AHEAD

With 2014 set to witness the achievement of our '3 x 50%' strategy, we look to start implementing the next stage of Metair's strategic path. The group's next phase of growth will be guided by our ambition to be represented on five continents in the next five years.

This will require a great deal of focus from management and staff in the group and the support of all our stakeholders. It will also require that we broaden our focus from manufacturing excellence to include marketing excellence as

Next phase of Metair's growth:

5 x 5

To be represented on five continents in the next five years.

we shift into new markets and increasingly interact directly with consumers through our aftermarket business.

I would like to welcome Brand Pretorius and David Wilson to the board. Brand brings a wealth of automotive marketing experience to help drive marketing excellence in the group and David brings a depth of knowledge around mergers and acquisitions and corporate finance.

I would like to end by thanking the board and management for their dedication and commitment during the year. I would also like to thank our employees for their hard work as well as all our shareholders, customers and other stakeholders for supporting us.

OME Pooe
Chairman

Managing director's report

In the context of the extremely difficult labour environment, Metair produced a reasonable set of financial results for the year ended 31 December 2013. 2013 was a year of contrasts that can be characterised on the one hand by nine weeks of debilitating labour unrest in South Africa and on the other, by the conclusion after a three-year process of the acquisition of Mutlu Akü, the largest battery manufacturer in Turkey.

The group focus on delivery of our strategy by executing our biggest and most challenging acquisition to date (with substantial acquisition cost) was supposed to be supported by a strong local market performance. However, the disruptive labour action negatively impacted our local OE segment by R87 million, which combined with similar negative sentiment experienced in the mining sector reflected in the decline in the non-automotive segment's profit before interest and tax (PBIT) of R41 million. Together, this brought group earnings down to R374 million from the previous period's R475 million. Earnings per share declined to 229 cents compared to 310 in 2012.

Included in these earnings was a once-off acquisition cost of R78 million, although R29 million was offset by the good performance from Mutlu Akü for the three weeks of December, results that have been included in Metair's results.

Considering these factors, the group performed well during 2013 and the unstable South Africa labour environment was very unfortunate.

A year of strong positives for the industry offset by industrial action

2013 featured several factors that should have aligned to support the automotive industry. The government's new support package, the Automotive Production and Development Programme (APDP), which came into effect at the start of the year, and the weakening of the Rand improved South Africa's international cost-competitiveness. However the ill-advised labour disruptions that led to the longest-ever strike in the automotive industry had a severe impact not only on Metair's results but on the way South Africa is perceived as a manufacturing destination. It is untenable that the South African labour structure allows a relatively small union representation (less than 20% of the total workforce) to hijack the wage negotiation process, hold the industry to ransom and degrade international perceptions of South Africa as a manufacturing destination.

The biggest challenge facing the South African automotive industry in the aftermath of the labour disruptions is to convince the global automotive industry that the industrial action was an abnormal event and that labour volatility is not part of our normal business environment. Should we not be successful, global original equipment manufacturers (OEMs) will hedge their risk by diverting South Africa's share of future global production to low cost manufacturing areas, such as Thailand. Toyota's decision announced in early 2014 to exit manufacturing in Australia and the impact on that country's labour force is a clear indication of the potential impact of unrealistic labour demands and the competitiveness challenge. This development is also closely linked to the earlier announced exit of other OEMs from Australia and the subsequent weakening of the component supplier base.

The Mutlu Akü and Rombat acquisitions are transformative for Metair

Our acquisition of Mutlu Akü was a transformative event that deepens Metair's international relevance. Mutlu Akü is Turkey's leading battery manufacturer, is Start/Stop ready, vertically integrated and has the largest share of both the Turkish OE and aftermarkets. Mutlu Akü has production capacity of approximately 5.7 million batteries and has been the market leader in Turkey for more than 60 years. It also has an extensive battery dealer network in Turkey through 82 dealerships and more than 6 100 sub-dealers.

The mandatory tender offer closed on 11 March 2014 and Metair owns 96.4% of Mutlu Akü.

The total acquisition price was $287 million which was hedged at an effective average exchange rate of R10.07 to the US dollar.

Total vehicle production in Turkey was 1.17 million vehicles in 2013, of which 843 000 were exported.

Mutlu Akü not only gives Metair access to additional production capacity, but also positions us closer to strategic markets in Europe, Eastern Europe, the Middle East and North Africa. Mutlu Akü transforms Metair by providing us with access to attractive growth markets and enhances our geographical diversification. As with the Rombat acquisition in 2012, this transaction brings further balance to our business and allows us to leverage our technological expertise and strong balance sheet.

The integration of Mutlu Akü within the Metair group is proceeding according to plan. Mutlu Akü's management

are highly motivated and have welcomed Metair's inclusive management practices and disciplines. Our relationship with the previous controlling shareholders is excellent and the handover is proceeding well within the expectations we set ourselves. We are grateful for all the support and guidance the previous shareholders continue to provide, in particular Mr Attila Turker and Mr Ali Nuri Turker.

ROMBAT

Rombat had another pleasing year, despite declines in sales from most European OEMs. The company delivered earnings before interest, tax, depreciation and amortisation (EBITDA) of Lei 36 million (R106 million) and profit after tax of Lei 20 million (R60 million) for 2013. Turnover rose to Lei 305 million (R900 million) compared to Lei 240 million (R576 million) for the nine and a half months of inclusion in 2012. Return on equity rose strongly, although this has been offset by an increased investment in marketing spend. The Romanian government supported Rombat's new Start/Stop manufacturing facilities through a grant of €8 million, which was received in the latter part of 2013. The grant will be released though the income statement over the estimated useful life of the facility.

The group produced reasonable results in the circumstances

Our financial reporting is affected by the requirements of new accounting standards, which we discuss in detail in the Financial Review. These standards require us to adjust the way we report certain majority-owned operations and we have accordingly restated our 2012 figures.

The group delivered a normalised return on equity of 21% (2012: 26%) excluding the impact of the Mutlu Akü transaction. EBITDA before transaction costs amounted to R729 million (2012: R761 million). Turnover increased 13.6% to R5.2 billion (2012: R4.6 billion restated). Earnings at the headline level are unaffected by the accounting changes. Headline earnings per share declined 29% to 219 cents compared to 310 cents in 2012.

ORIGINAL EQUIPMENT

South Africa

The South African automotive industry was on track to report production of around 550 000 units in 2013 (2012: 510 000) on the back of increased exports from BMW and Ford. However, production ended the year at 514 000 as a direct result of the strike disruptions. Due to the length of the strikes, it was not possible to catch up the lost production.

Turnover in the OE segment as reflected in the segmental review grew 1% owing to the inclusion of Rombat for the full year and Mutlu for one month. The segment delivered 54% of group turnover (2012: 60%) and 43% to earnings (2012: 49%) reflecting the increasing balance in our business.

The outlook for the South African OE automotive sector in the short-term is uncertain. On the one side, there is the fantastic support structure of the APDP and the benefits of the devaluation of the Rand. On the other, the country appears to be facing a power struggle in the labour environment. It is unclear which side will prevail and, as indicated above, should a balanced labour environment not be achieved there is a real risk that future OE production will be shared between South Africa and other low cost manufacturing destinations.

Notwithstanding these concerns, South African vehicle production for 2014 is expected to be in the region of 575 000 and we will have the benefit of the Mutlu production for 12 months.

Europe

Dacia was one of the beneficiaries of the trend towards more affordable vehicles in Europe and grew sales by 18% when most OEMs shrank by more than 10% in 2013. Romania is one of the major production locations for Dacia and Rombat benefitted as a result.

Romanian vehicle production volumes increased slightly to 411 000 units.

AFTERMARKET

South Africa

Our aftermarket and non-automotive businesses remain a key focus for entrenching balance in our business. Aftermarket was seriously affected by the flood of cheap imports across all categories. Our focus is to maintain quality and focus on the high-end brands through our superior production processes. Some non-automotive product lines were negatively affected by continuing disruptions in the mining industry and project

Managing director's report

delays in the construction industry.

Despite these challenges, aftermarket, non-automotive, export and property turnover grew 29% to contribute 46% to group turnover (2012: 42%). Earnings contributed 58% (2012: 55%)

Europe

In a difficult market, the group held market share in Romania and its other export destinations like France, Germany and Italy.

MATERIAL ISSUES

Competitiveness

One of the major challenges we face is the level of free market access South Africa offers international government-supported competitors. The Korean government has broadened its support of the Korean automotive industry beyond such successes as Kia and Hyundai to include the component industry. They have a specific focus on batteries – especially on lithium ion batteries, and lead acid batteries. The Korean government has invested at least $3 billion in support of Korean battery manufacturers. This has resulted in these companies being able to land batteries in South Africa at an extremely low cost. With the local retail battery operators less focused on responsible sourcing to support jobs in South Africa and more focused on pricing, we are facing a situation where these foreign government supported competitors are dumping product into the South African market.

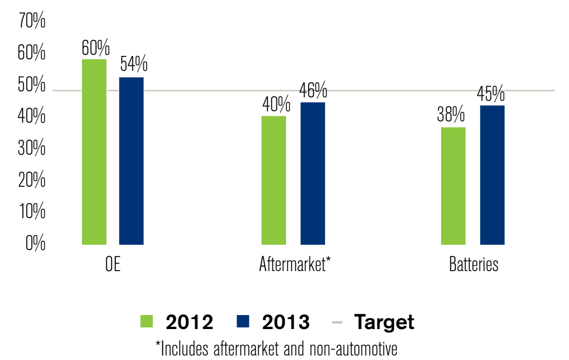
Macroeconomic factors

The international megatrends that influence choice and spend in the automotive space are moving to greener and more affordable options. Legislation is increasingly focused on reducing carbon footprint and emissions. This increases the opportunity for the most cost-efficient and effective system – which we believe to be the Start/Stop system. A Start/Stop system enables a vehicle's engine to shut down completely when it is not needed and restart immediately. Combined with a diesel particle fuel management system, fuel economy and emissions that approach those of full hybrid vehicles can be achieved at a fraction of the cost. These systems have been shown to be the most economical way to improve the fuel consumption of an internal combustion engine vehicle, increasing fuel efficiency by 8% – 12% and reducing carbon footprint by 12% – 15%. The global focus on carbon footprint and carbon emission reductions bodes well for the future of Start/Stop vehicles.

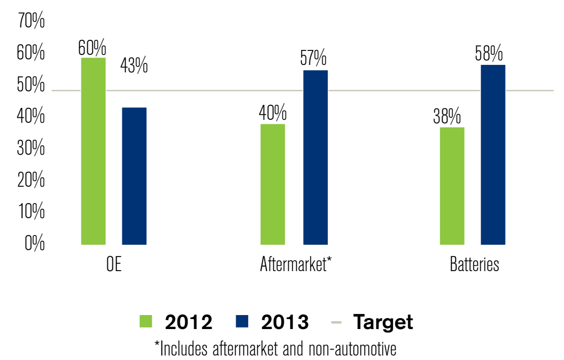
We see this trend strengthening from Start/Stop systems comprising 15% of total batteries produced in 2013, to 45% in 2016. When the legislated emissions levels tighten further, the prediction is that 70% to 80% of vehicles will be produced with a Start/Stop system. Establishing Metair as a reliable producer of high-quality Start/Stop batteries is therefore a critical focus over the next five years. We continued to roll out our Start/Stop batteries in the South African market during 2013 and now supply both BMW and Mercedes Benz and are currently engaging with Ford to supply them with Start/Stop batteries.

Vehicle manufacturing is increasingly moving into North Africa, the Middle East and the old Eastern Bloc countries because of their labour cost competitiveness. We see our footprint in Turkey as strategic because of the large Turkish vehicle parc, the expanding OE Turkish manufacturing base and its proximity to Europe.

1 PERFORMANCE AGAINST OUR "3x50%" STRATEGY



2 PERFORMANCE AGAINST OUR "3x50%" STRATEGY (INCLUDING MUTLU AKÜ ON A PROFORMA BASIS)



BALANCED BUSINESS

We define an international business as one that derives at least 25% of its revenue from outside its home country. We expect to derive in excess of 40% of our revenue in 2014 from outside of South Africa so by this definition Metair is an international company. Our ambition is to be a truly global company, represented on five continents.

The local OE business environment is currently largely in the phase of launching multiple new vehicle models with new engine derivatives that aim to meet emissions requirements. At this stage, the balance of power shifts to the OEs as contracting for new models goes out to tender and the OE suppliers become more aggressive on pricing. Over time, this should rebalance, supported in the short term by the weakening of the Rand and the introduction of the APDP.

Our progress against our '3 x 50%' strategy, whereby we aim to balance the turnover contribution from OE and non-OE segments equally, with 50% of the turnover from both segments relating to batteries, is shown in graph **[1]** on the previous page. The graph shows the continued improvement in developing balance in the business, with each strategy pillar within 5% of its target. Graph **[2]** shows the group's position as if Mutlu Akü's 2013 results had been included for a full 12 months, demonstrating the transaction's importance in achieving our strategy.

BUSINESS PARTNERSHIPS

Four of Metair's major operating units are not fully owned by the company and operate as joint ventures with interests held by various international partners. Continued good relationships with these partners are crucial for our success as they bring manufacturing expertise and experience into the group. The accounting changes arising out of IFRS 10 have had a significant impact on how we report the results of these joint ventures. While we were able to amend certain of the shareholder agreements to allow us to continue to report consolidated figures, this was not the case with Hesto (75% owned), which has been reported as an associate this year.

TRANSFORMATION

I am extremely pleased with our continued progress in all aspects of transformation in the group. Five of our major South African operations are at Level 3 on the Department of Trade and Industry Codes of Good Practice, and four are at Level 4. This exceeds our target of achieving Level 4 at all South African operations by 2014.

However, operations across the group could fall two to four levels under the new codes that come into effect in 2014. In response, Metair has put together a working group that will actively focus on improving our achievements in all categories of the new codes and target retention of our current B-BBEE levels. Detailed action plans have been rolled out per subsidiary, but these could prove difficult to execute in such a short space of time.

I am also very proud of the various socio-economic development initiatives that Metair supported, both at operational and group level. I am particularly excited about the broad impact our involvement in the Khaya Centre will have on the community of Lehae, south of Johannesburg. Details of this project and others can be found on page 49 of this report.

HUMAN CAPITAL

The industry strikes overshadowed 2013 and emphasised once again the importance of maintaining good relationships with workers.

Our focus on improving the daily experience of our employees continued during 2013. We completed upgrades of our canteens, clinics and ablution facilities. We also standardised and refined our wellness plans across the group. We again invested a substantial amount in skills development initiatives and reported a significant improvement in our Lost Time Injury Frequency Rate to 1,12 incidents per 200 000 hours worked.

THE ENVIRONMENT

We conducted our third group carbon footprinting exercise this year, covering the major South African subsidiaries. While our carbon footprint and electricity consumption reduced this year, this was largely due to reduced activity during the period of labour unrest. On a production-adjusted adjusted basis, the group's energy consumption was limited to a 1.8% increase across our operations.

Another large environmental focus this year has been on ensuring that our international acquisitions have policies and

Managing director's report

procedures in place to ensure that Metair can continue to demonstrate our commitment to being good environmental custodians. We have accordingly continued to focus on improving production efficiency, minimising waste and maximising efficient use of resources.

The group's suite of environmentally friendly products is also growing. In addition to our Start/Stop batteries, our heat pump products are now SABS approved and are being rolled out. Our entry-level solar water heater is currently in testing for approval by the SABS and take up of our Envirolight range continues to expand.

GOVERNANCE

Our approach to governance matured further with the establishment of our social and ethics committee. We view ethical business through the concept of good custodianship – we aim to leave things better than we find them. Our goal is to be good custodians of our people, our equipment, the environment around us and all the other capitals. We are currently refining the group ethics code to codify our ethical approach to doing business.

We revisited our King III gap analysis project and believe we have a strong governance culture that is well entrenched in our business.

MARKETING EXCELLENCE

Internally, we have a number of KPIs that will guide our efforts, as shown in the KPI table on page 22. We are also focussed on complementing the group's manufacturing excellence by developing marketing excellence as our aftermarket business brings more interaction with consumers. We have made an executive appointment to drive this initiative and established a marketing committee to oversee our progress. We also hosted an international marketing conference in February 2014 that was attended by various Metair board members.

CORPORATE STRUCTURE REFINED

We have refined our corporate structure to manage the transformation of the group into a truly international business. Dr Louis Denner was transferred from South Africa to Mutlu Akü on a full time basis to head up our international battery operations and Mr Rocky van Rensburg was transferred from our South African plastic business to manage the Turkish plastic plant. During 2012, two key employees were transferred from South Africa to Romania.

I am committed to ensuring the success of our strategic plan and will be spending at least six months a year over the next few years in Romania and Turkey. In South Africa, Mr Ken Lello has been appointed as the chief operating officer (COO) and will have responsibility for the group's non-battery operations. In future, the managing directors of all the non-battery businesses no longer report directly to the group CEO but to the group COO. The group COO will report directly to the group CEO.

FUTURE OPPORTUNITIES

The skills developed and lessons learned from both the Rombat and Mutlu Akü acquisitions will stand us in good stead in identifying and executing on future opportunities

OUTLOOK

During 2014 we will be focusing intently on maximising the benefits of our international acquisitions, ensuring rapid and effective integration and entrenching our relevance in the new markets we have access to.

Metair's performance in the year ahead is dependent upon, inter alia, the successful execution of our strategy, OE volumes, a peaceful labour environment, efficiency improvements, internal inflation recoveries and the exchange rate. Subject to such factors we expect 2014's financial performance to be satisfactory.

THANKS

I would like to thank the people that work for us for their diligence in overcoming 2013's difficult circumstances and ensuring direction of the group. Our thanks also go to the support staff, advisors and funders who helped to make the Mutlu Akü acquisition possible. Lastly, I would like to thank the board for their counsel, as well as all our stakeholders and particularly our customers for their continued support.

CT Loock
Managing director

Financial review

	2013 Rmillion	2012 Rmillion	% Change
Revenue	5 227	4 603	14%
Gross profit	1 049	1 061	(1%)
Profit before taxation	495	641	(23%)
Profit attributable to ordinary shareholders	341	441	(23%)
Total equity	3 789	2 053	85%
Interest-bearing debt excluding cash and overdrafts	1 203	251	379%
Property, plant and equipment	2 845	1 191	139%
Current assets	3 150	1 831	72%
Total assets	7 449	3 294	126%
Net asset value per share (cents)*	1 895	1 353	40%
Basic earnings per share (cents)	229	310	(26%)
Headline earnings per share (cents)	219	310	(29%)

**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.

Accounting change

The adoption of IFRS10 (consolidated financial statements) required Metair to reassess control over its investments.

Metair adopted IFRS10, 'Consolidated financial statements', IFRS12 'Disclosure of interest in other entities' and consequential amendments to IAS 28, 'Investments in associates and joint ventures' and IAS 27, 'Separate financial statements', on 1 January 2013. Metair has four affected entities, Tenneco Automotive Holdings SA (Tenneco) (25.1% shareholding); Valeo Systems South Africa (Pty) Ltd (Valeo) (49% shareholding); Hesto Harnesses (Pty) Ltd (Hesto) (74.9% shareholding); and Smiths Manufacturing (Pty) Ltd (Smiths) (74.9% shareholding). Previously equity interests of less than 50% were equity accounted and those in excess of 50% consolidated. The amendment of IFRS 10 now focuses more intently on the assessment of control. Consequently, because of Hesto's arrangement with its minority shareholder, Hesto is no longer consolidated into the group but equity accounted. As Metair is responsible for the operational management of Hesto their results have been included in the segmental analysis and then eliminated. The treatment of all other investments remains unchanged.

The adoption of the new IFRS did not impact the group's headline earnings. However, the group's reported revenue and operating profit are impacted by the new accounting standards. Furthermore, the new IFRS have been adopted retrospectively and prior year results have therefore been adjusted to account for the effect of the new IFRS where applicable.

GROUP OPERATING PERFORMANCE

Revenue increased by 14% from R4 603 million to R5 227 million, mainly as a result of the inclusion of Rombat for 12 months and Mutlu Akü for one month. This increase was achieved despite the group's South African operations – primarily in the original equipment segment – experiencing a protracted strike over wage negotiations. Gross profit margin declined to 20% (2012: 23%) due to labour unrest and lower operating margins in the aftermarket and non-automotive segment.

Distribution costs increased from R175 million to R222 million mainly as a consequence of the Mutlu Akü acquisition as well as the inclusion of Rombat for a full 12 months. Administrative costs increased primarily due to the transaction costs related to the Mutlu Akü acquisition. The transaction costs amounted to R78 million in the income statement. Accounting rules under IFRS dictate whether costs are expensed or taken to equity. Total transaction costs relating to the Mutlu Akü transaction were R123 million, which include foreign currency option premiums. The balance of transaction costs not accounted for in the income statement have been taken directly to equity. The group did very well in hedging out over 90% of the purchase price by way of various foreign currency instruments as this was done prior to the weakening of the Rand.

Operating profit decreased from R570 million to R446 million. The decline in operating profit is largely attributable to the effects of the nine-week strike in 2013 as well as the effect of the costs related to the Mutlu Akü transaction. Tighter margins in the aftermarket and non-automotive segment also contributed to the decline. Improved results from Rombat as well as the inclusion of Mutlu Akü for 25 days helped to negate the above-mentioned factors.

Financial review
continued

Associate income declined on the prior year from R79 million to R62 million predominantly due to strike action experienced in 2013.

The taxation charge of R121 million includes current taxation of R96 million and deferred taxation of R25 million. This resulted in an effective taxation rate of 24% (2012: 26%). Taxation rates in Romania and Turkey are 16% and 20% respectively.

Net financing expense increased to R12 million compared to R7 million in 2012.

Headline earnings decreased 26% to R327 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 decreased 29% to 219 cents.

FINANCIAL POSITION REVIEW

Net asset value per share increased from 1 353 cents to 1 895 cents per share.

Stock was negatively affected during the latter part of the year in the South African operations as a result of the strike action. This position should unwind in the first half of 2014.

Cash generated from operations decreased from R672 million in 2012 to R666 million in 2013. Cash outflows from investing activities increased from R704 million to R2 303 million primarily due to the acquisition of Mutlu Akü. Cash repayment of debt of approximately R114 million during the year left the group cash balances net of overdrafts at a healthy R408 million (2012: R216 million).

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

The group has entered into a short-term bridge facility put in place to facilitate the acquisition of Mutlu Akü. The mandatory tender offer (MTO) to the minority shareholders of Mutlu Akü concluded on 11 March 2014 and the final debt-raising amounted to R1 350 million. As at 31 December 2013 the group had raised R1 500 million via an equity raise together with a short-term bridge of R770 million to facilitate the initial part of the transaction.

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 2013 amounted to R135 million versus R284 million in the prior year.

Capital expenditure for 2014 will focus 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; and
- localisation initiatives.

A summary of the group's capital expenditure for 2014 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 2014. Each subsidiary has been tasked with identifying cost-saving measures, which is a key performance measurement for 2014.

2014 CAPITAL EXPENDITURE (Rmillion)

	Maintenance	Expansion/ competitive and efficiency improvement	Total
OE	91	180	271
Aftermarket	45	32	77
Property	4	5	9
Total	140	217	357

Operational review

Please note: The turnover and profit figures quoted in this section include Hesto, consistent with the presentation in the segmental review on page 116 The reconciling items, which relate to Metair head office and property rental, have not been eliminated in the turnover and profit graphs.

The original equipment (OE) division accounted for 54% of reported turnover in 2013 (2012: 60%). **[3]**

The combined turnover from the aftermarket and non-auto segments grew 29% to R2 744 million on a strong performance from the local aftermarket operations, which include Mutlu Akü for the first time. This performance was also supported by the inclusion of Rombat for a full 12 months in 2013 (9½ months in 2012). A large proportion of Rombat's turnover is exported to Europe and the Rand depreciated, on average 22% against the Romanian Lei during 2013. **[1]**

The aftermarket, non-auto and property sectors contributed R395 million (69%) to group operating profit. **[2]**

Margins declined across all three business lines as the industry strikes disrupted production and affected efficiency ratios.

ORIGINAL EQUIPMENT (OE)

Our original equipment division produces components used in the manufacture of motor vehicles. Supply is linked to a particular vehicle model, so the group benefits from long industry product lifecycles that make production volumes and revenues generally predictable. The new Automotive Production and Development Programme (APDP) came into effect in 2013 and should support the medium-term future of the automotive industry in South Africa, provided that the current continuing labour challenges can be addressed.

Local vehicle production declined 1% to 513 790 in 2013 and while exports fell 0.7% to 273 000 total vehicle sales grew 2.8% to 622 000, of which 61% were imports. The growing volume of imports in the South African vehicle parc provides opportunities for our aftermarket division. NAAMSA has forecast South African production of 575 000 for 2014, an increase of 12%. **[7] [6]**

Vehicle production in Romania was 410 997 vehicles in 2013. 1.2 million vehicles were produced in Turkey.

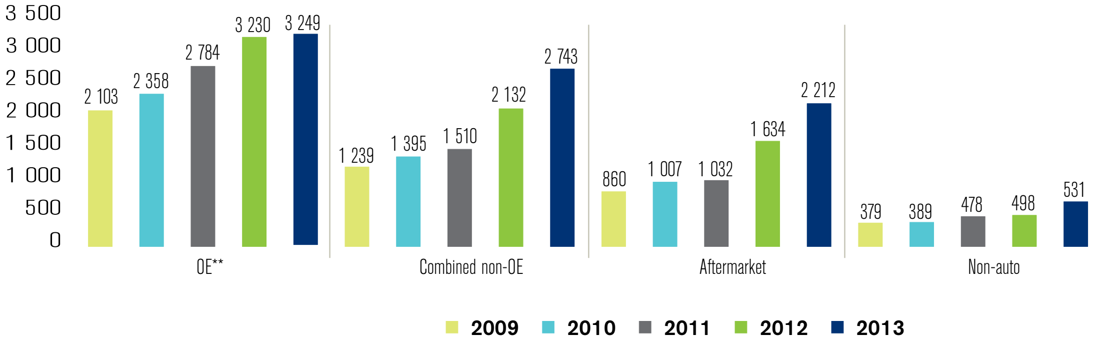
Turnover in the OE business (including exports) increased 0.6% to R3 249 million (2012: R3 230). Margins declined from 10% in 2012 to 7% in 2013 due to the early stage of the new model manufacturing cycle, when OE pricing pressure on suppliers such as Metair is at its peak. This section of our business continues to become increasingly competitive as international low-cost manufacturers enter the South African market. **[4]**

AFTERMARKET

The aftermarket business manufactures and distributes automotive parts used to service vehicles produced by local OEMs as well as generic parts for imported vehicles. This creates the opportunity for the group to supply products to 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.

The South African vehicle parc totals approximately nine million vehicles and has grown between two and four percent annually for the last five years. We estimate there are a further approximately one million unregistered vehicles in the country. This growing pool of vehicles represents potential new customers for the group. The parts replacement cycle for new vehicles starts between two and four years after the sale of the new vehicle. **[8]**

1 TURNOVER (Rmillion)



*** Includes Hesto*

Operational review
continued

Exports of motor vehicles from South Africa stayed flat, comprising 53% of local production for 2013. Exports from Romania totalled 362 869 cars, 88% of total vehicles produced in the country. **[11]**

Imports into South Africa have grown at a similarly strong rate and rose to 74% of production in 2013. Generic products we manufacture to support imported vehicles include batteries, brakes, filters, sparkplugs and air-conditioning products.

Turnover in the aftermarket segment (including exports) increased by 35% to R2 212 million in 2013 from R1 634 million in 2012. This increase is attributable to the inclusion of Rombat for a full 12 months in 2013 (9½ months in 2012) as well as the inclusion of Mutlu Akü from 5 December to 31 December 2013. Margins decreased to 13% (2012: 15%) due to lower margins in Europe and increased competition from Korean government-subsidised imports into the South African market. Warranty claims continued to be slightly higher than projected and FNB implemented the changes necessary to address this as well as introducing a two-year warranty on batteries. **[5]**

The aftermarket segment (including exports) contributed 37% of group revenue (2012: 31%) and operating profit of 50% (2012: 33% restated).

NON-AUTOMOTIVE

Our non-automotive business sells products to the telecommunications, utility, mining, retail and materials/products handling sectors. Revenue (including exports) rose 7% to R531 million in 2013 (2012: R498 million). Profit decreased to R20 million (2012: R62 million) due to labour unrest, lower operating margins primarily in the mining sector, coupled with the higher cost of lead and the impact of imported competition. **[9]**

EXPORTS

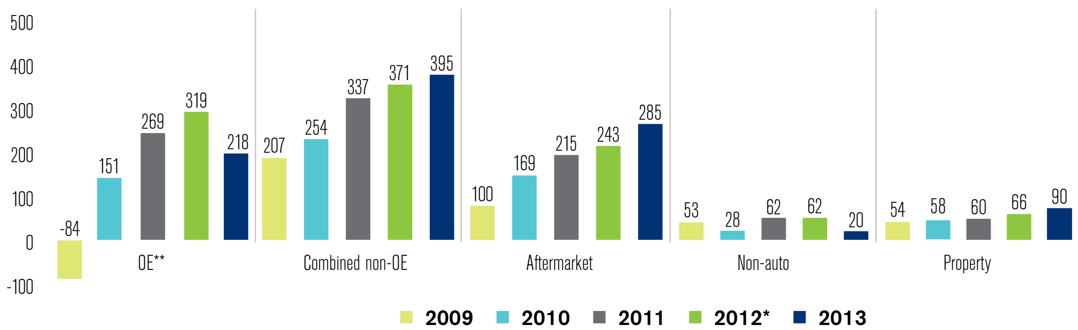
Metair exports aftermarket, OE and non-auto product to Europe from South Africa, Romania and Turkey. Exports increased 53% to R922 million (2012: R602 million) with the inclusion of Rombat for a full 12-month period and Mutlu Akü for 25 days.

Profit improved 10% to R59 million, while profit margin declined to 6% (2012: 9%) due to the increased business in Europe conducted at a lower margin. **[12] [13]**

PROPERTY

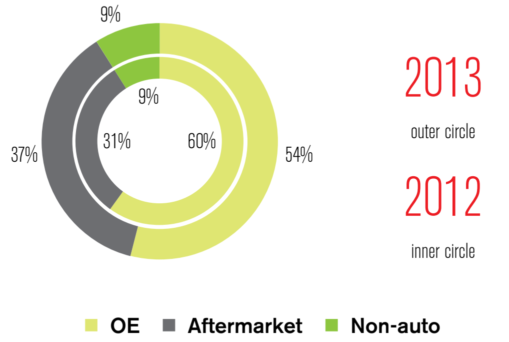
Metair owns most of its manufacturing locations given their strategic nature. The group has therefore built a significant property portfolio that now includes properties across South Africa, Romania and Turkey. Profit in the property division relates to market-related rental cost in the subsidiaries on the properties used. Gross rental allocation increased to R91 million in 2013 (2012: R67 million) and net rentals rose by 36% to R90 million (2012: R66 million). **[10]**

2 PROFIT BEFORE INTEREST AND TAXATION (Rmillion)

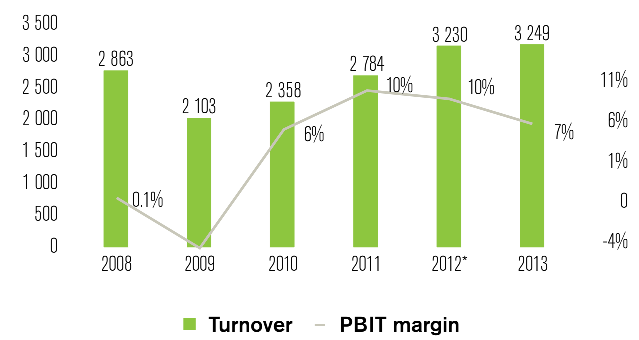


** Restated* *** Includes Hesto*

3 REVENUE CONTRIBUTION (%)

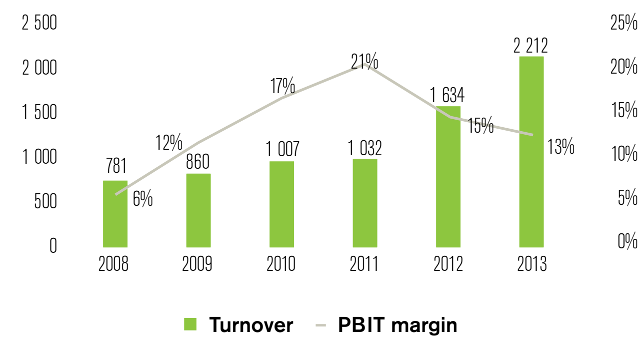


4 ORIGINAL EQUIPMENT (Rmillion)

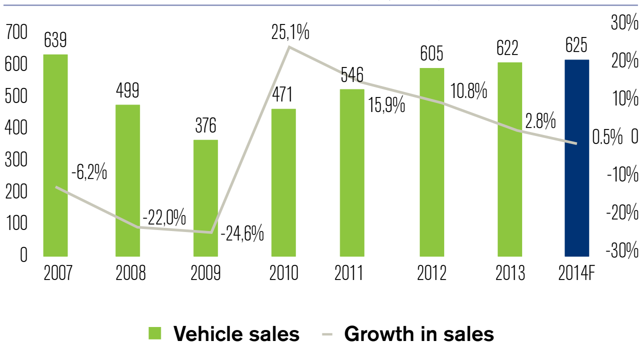


* *Restated*

5 AFTERMARKET (Rmillion)

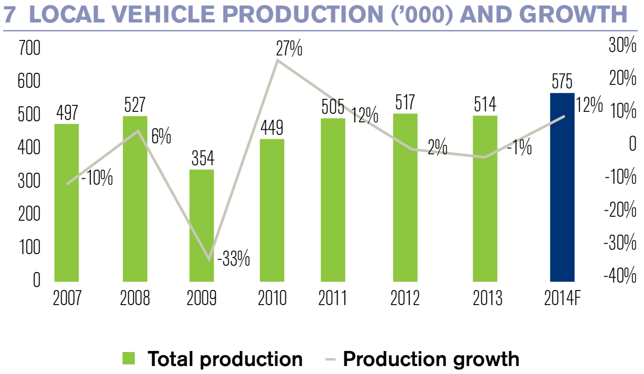


6 PASSENGER AND LCV SALES ('000) AND GROWTH



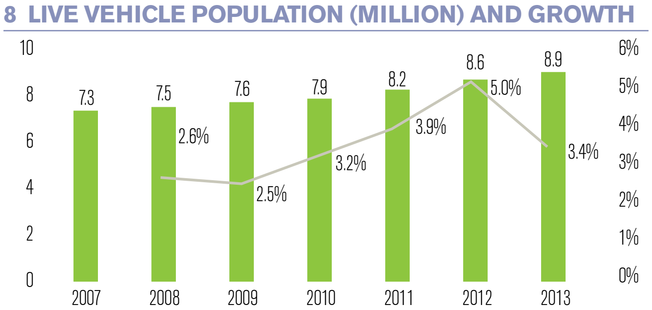
Source: Naamsa

7 LOCAL VEHICLE PRODUCTION ('000) AND GROWTH



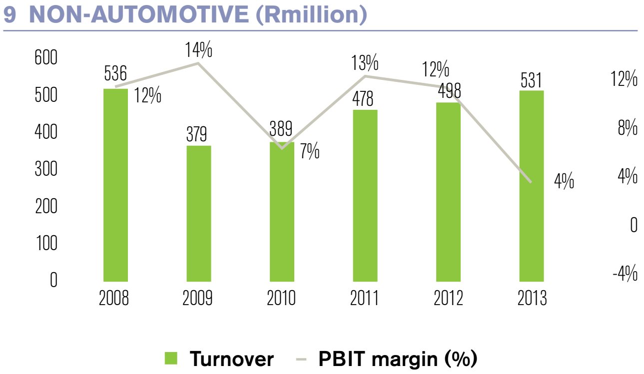
Source: Naamsa

8 LIVE VEHICLE POPULATION (MILLION) AND GROWTH



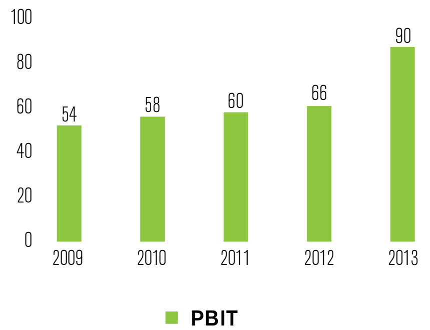
Source: National Traffic Information System

9 NON-AUTOMOTIVE (Rmillion)

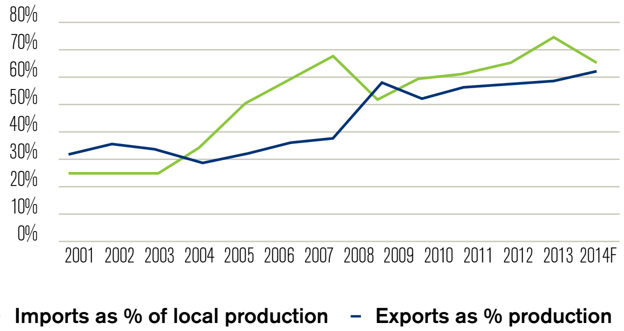


Operational review
continued

10 PROPERTY – NET RENTAL (Rmillion)

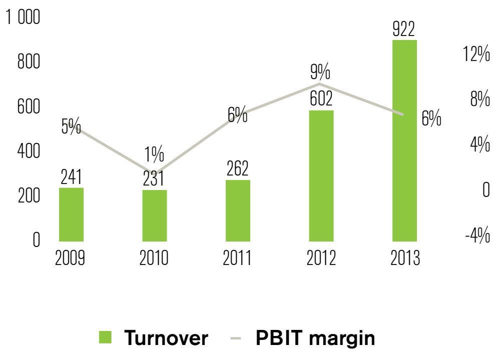


11 VEHICLE IMPORTS AND EXPORTS AS A % OF LOCAL PRODUCTION

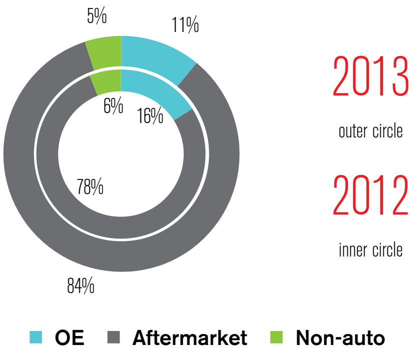


Source: Naamsa

12 EXPORTS (Rmillion)



13 EXPORT REVENUE BY SEGMENT (%)



Our approach to sustainability

We believe that building long-term financial value is not possible without considering the way we affect those around us – including our environmental and social impacts. This requires us to balance the critical need to generate an acceptable financial return for our shareholders with the need to manage and mitigate our impacts on the environment and communities in which we operate.

The global automotive industry plays a crucial role in managing climate change and other broad environmental considerations. As a major employer and industrial force worldwide, it also has a significant social impact. The industry is therefore closely monitored and regulated, and this scrutiny extends to suppliers to original equipment manufacturers (OEMs) such as Metair.

Our approach to building a sustainable business is defined in the group social and ethics framework, encapsulated in the principal of custodianship. This concept underlies the group's commitment to responsible stewardship of the various capitals available to it – financial, manufactured, natural, intellectual, human and social and relationship.

In defining our approach to sustainability, we take guidance from the relevant legislation and applicable frameworks, including:

- King III
- The JSE Listings Requirements
- The UN Global Compact
- The Global Reporting Initiative's G3 guidelines (GRI G3)
- The International Integrated Reporting Council's (IIRC) International <IR> Framework

Sustainability is managed at an operational level, aligned with group policies and principles. At board level, sustainability is coordinated and monitored by the social and ethics committee of which the CEO is a member. Their report appears on page 69.

We believe that our reporting of non-financial sustainability information is just as important as financial data. As with most companies, our non-financial reporting systems are not yet as refined as our financial reporting systems. We have again engaged an external assurance provider to review the sustainability information disclosed in this report and to assist us in improving reporting of our sustainability data.

MATERIAL ISSUES

Our risk assessment process, board deliberations and ongoing interactions with stakeholders help us identify those factors with the highest potential to significantly affect our long-term sustainability. These factors include both financial and non-financial concerns. These challenges often contain the seeds of opportunity and we review them closely to ensure that we can identify and develop such possibilities.

Risk is managed in the group by the audit and risk committee, which oversees the consolidation of the group risk register from the operational risk registers. These risks are assessed with input from various stakeholders to identify risks that may not have been considered and to refine the overall group risk rankings. Each risk is also reviewed against the group's combined assurance model to ensure that it is managed appropriately.

The table of material issues and how we respond to these is included on page 19 of this report.

Stakeholder relationships

Metair takes a stakeholder-inclusive approach to governance, as recommended by King III. This requires that we recognise the legitimate interests and concerns of our key stakeholders and balance these with the long-term interests of the company.

We define our stakeholders as those persons, groups or entities that are directly impacted by the activities of the group as well as those persons, groups or entities that can reasonably be foreseen to be impacted by the group's activities.

Maintaining good relationships with our stakeholders is an inextricable part of good corporate citizenship and a crucial aspect of managing the group's reputation. While we cannot address every stakeholder issue, we try to ensure that their legitimate concerns and interests are understood. Where we believe these to be relevant to the long-term sustainability of our business, we will incorporate them into our strategic considerations and processes where necessary.

We recognise that transparent and effective communication with our stakeholders, such as through this Integrated Annual Report, is essential for building and maintaining stakeholder trust and confidence.

The board has delegated the responsibility for proactively managing stakeholder relationships to the management team. Metair has implemented processes to ensure the equitable treatment of all classes of shareholders, as more fully discussed in the corporate governance section of this report.

Our stakeholder engagement policy lays out our strategy for stakeholder engagement. The company's code of ethics guides employees and management in their dealings with stakeholders to ensure their equitable treatment and rapid and efficient resolution of disputes.

The group's material stakeholder categories are listed in the table that follows:

Stakeholder	How we engage	Stakeholder concerns	How we address these
Shareholders	• Annual general meeting. • Results presentations. • One-on-one meetings. • Investor perception surveys. • Site visits. • Website.	Acceptable return on equity. Sustainability of the business.	Implementation of strategy. Balancing business by customer, product and geography.
Analysts	• Results presentations. • One-on-one meetings. • Site visits. • Website.	Acceptable return on capital. Sustainability of the business. Access to management.	Implementation of strategy. Balancing business by customer, product and geography.
Customers (existing and potential)	• Contract negotiations. • Ongoing interactions in the ordinary course of business. • Quality reviews.	Product quality. Delivery standards. Cost competitiveness. Sustainability of our business. B-BBEE and transformation.	Focus on manufacturing excellence. Focus on costs. Implementation of strategy. ISO 9001 and ISO/TS 16949 accreditation.
Suppliers and trading partners	• Contract negotiations. • Ongoing interactions in the ordinary course of business. • Supplier audits. • Service level agreement negotiations.	Fair payment terms. Fair treatment.	Metair's payment terms align with industry norms. We take an ethical approach to doing business.
Business partners (joint ventures and associates)	• Ongoing interactions in the ordinary course of business.	Financial performance. Fair treatment.	Implementation of strategy. We take an ethical approach to doing business.
Government	• Engagements on specific policy issues. • Representation on industry bodies.	Transformation. Health and safety. Environmental responsibility.	Implementation of strategy. We take an ethical approach to doing business.
Employees and trade unions	• Operational performance reviews. • Feedback sessions. • MD site visits. • Electronic communication. • Anonymous Tip Offs hotline. • Company website. • Union interactions as required.	Remuneration. Training. Health and safety. Transformation.	We take an ethical approach to doing business, including fair treatment and remuneration of our workers. Substantial investment in skills development. Metair aims to maintain good relationships with unions as representatives of our employees.
Regulatory bodies	• Regular submissions. • Interactions as required.	Regulatory compliance.	Metair has policies and procedures to ensure compliance with all relevant regulations.
Industry bodies (NAACAM, NAAMSA)	• Representation in industry bodies.	Good corporate conduct. Support in engaging government and regulators.	We take an ethical approach to doing business and engage with regulators and government to further the interests of the company and broader industry.
Media	• Interactions as requested. • Press releases. • Website	Access to management.	Management aims to be appropriately accessible within operational constraints.
Consultants and service providers	• Ongoing engagements in the normal course of business.	Fair payment terms. Fair treatment.	Metair's payment terms align with industry norms. We take an ethical approach to doing business.

Financial sustainability

For any business to be sustainable, it must generate a return that is acceptable to its providers of capital. Without first ensuring financial sustainability, it becomes extremely difficult to prioritise environmental and social sustainability. Since 2009, Metair has created over R7.3 billion in cumulative total value and grown value-added at a compound annual growth rate of 12.8%. More than R5.5 billion has been paid out to its stakeholders over the same period.

COST-COMPETITIVENESS

Metair was established to service the component needs of a single OEM. While the group has grown its client base, products and geographic footprint significantly since then, it still derives a significant portion of its income from supplying automotive parts to OEMs. Our OEM customers require us to maintain high quality and delivery standards while ensuring cost-competitiveness against our global peers.

One of the challenges we face is maintaining our global cost-competitiveness in the context of the challenging South African business environment. The automotive manufacturing industry is a strategically important industry for South Africa, as it helps to develop and retain engineering expertise as well as to create and retain jobs. Yet there are a number of factors working against the industry. Reports in early 2014 of Toyota closing down its Australian manufacturing facilities highlight the importance of addressing these issues, including:

- **Rising energy costs** – South Africa's historically low energy costs were a competitive advantage. This advantage has been eroded by the rapid increases of the last few years.
- **Inflation** – South Africa's inflationary environment results in an acceptance and expectation of annual cost increases. These are not necessarily accepted by customers who operate in other low-inflation environments.
- **Currency volatility** – The Rand is a freely traded emerging market currency subject to volatility inherent in these markets. Our competitor suppliers' countries mostly have deflation or currencies that are kept weak by government intervention. Cross currency volatility is inevitable and is often detrimental.
- **Labour** – Unrealistic wage demands that are not linked to improvements in productivity negatively affect our ability to meet our cost standards. Adversarial labour relations and frequent strikes affect delivery and seriously impact on production and the long-term attractiveness of South Africa as a manufacturing destination.
- **Raw material supply** – We depend on our suppliers for a reliable supply of raw materials at a reasonable price. This supply needs to be assured in terms of the volumes available as well as consistency of quality of the raw materials supplied. An example of raw material supply challenges relates to ArcelorMittal South Africa's decision to stop production of improved surface finish (ISF) steel. This has forced OEMs and relevant Tier 1 suppliers to import their requirements, reduce local content, and increase inventory levels and lead times. While Metair was not directly affected by this change, it represents an additional consideration for OEMs operating in South Africa and a further complication for the country's attractiveness as a manufacturing destination.
- **Strong balance sheet** – In the automotive sector financial sustainability is dependent on sustainable free cash flows and a strong balance sheet. Our sustainability initiatives and considered capital expenditure programmes should ensure sustainable cash flow going forward. We also maintain a relatively low level of debt with the debt to equity ratio at 31 December 2013 being 0.37:1 even after raising debt to partially finance the Mutlu Acquisition.

Our strategy is to engage with customers to ensure that a range of factors are taken into account when evaluating sourcing decisions. These include using a realistic long-term exchange rate, recognising the benefits offered by government incentive programmes and considering social responsibility issues when evaluating sourcing decisions.

Internally, we focus on skills development and constant improvement of our production processes to maximise efficiency and minimise waste. We have broadened our customer base to include all major OEMs in South Africa and have also expanded into other products and geographies.

FAIR COMPETITION

Despite the challenges described above, the automotive sector remains highly competitive. We face the threat of international competitors entering the markets in which we are represented as well as the possibility that OEMs may decide to set up their own operations in the components space. A bigger problem we faced during the current year was the entry of low-cost batteries from South Korea in significant numbers. While we welcome competition, we believe these products to be heavily subsidised by the South Korean government, in support of an industry they have identified as strategically important. It is unfortunate that foreign-government supported industries can threaten South African companies and jobs that do not enjoy the same level of direct support.

Value-added statement

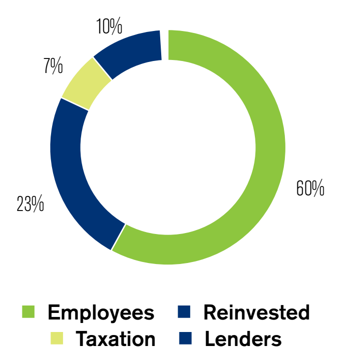
			GROUP	
			2013 R'000	2012* R'000
WEALTH CREATED				
Revenue			**5 227 426**	4 603 150
Less: Net cost of products and services			**(3 648 523)**	(3 031 482)
Value added			**1 578 903**	1 571 668
Add: Income from investments			**77 345**	98 127
Wealth created			**1 656 248**	1 669 795
WEALTH DISTRIBUTION	**%**	%		
	2013	2012		
Employees				
Salaries, wages and other benefits	**60**	53	**990 028**	889 261
Providers of capital	**10**	8	**166 937**	128 341
Interest on borrowings	**2**	2	**27 888**	26 457
Dividends to shareholders	**7**	6	**139 049**	101 884
Government taxation	**7**	10	**121 172**	166 903
Retained in the group	**23**	29	**378 111**	485 291
To provide for the maintenance of capital	**9**	7	**143 261**	112 599
To provide for expansion	**14**	22	**234 850**	372 692
	100	100	**1 656 248**	1 669 795
Total number of employees			**5 870**	4 835

** Restated*

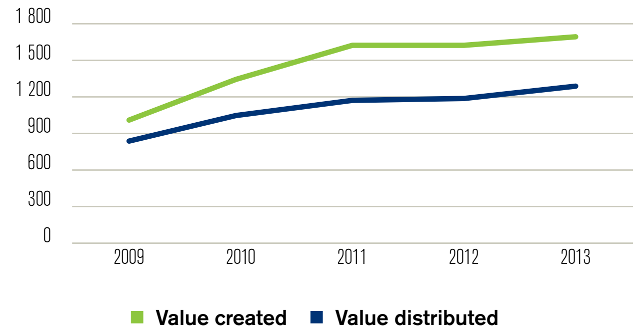
The value-added statement shows how the value the company and its employees create through their activities is distributed among key stakeholders of the group.

Wealth created is calculated as turnover less the cost of products and services plus income from investments. Major recipients of the distribution include employees (60%), government through taxation and levies (7%) and providers of capital (10%). Of the 23% retained in the group, 14% is set aside to provide for future expansion. [1] [2]

1 DISTRIBUTION OF VALUE ADDED %



2 VALUE ADDED



Transformation

Metair supports the principles of transformation and broad-based black economic empowerment (B-BBEE). We acknowledge the importance of a demographically representative business environment for the long-term future of South Africa. The group measures its transformation progress against the Department of Trade and Industry (dti) Codes of Good Practice (CoGP).

Demonstrating our commitment to transformation ensures we remain relevant with our stakeholders as an industry representative. It is also a key consideration with South African OEM customers, who require a minimum Level 4 status when they evaluate sourcing decisions. Executive variable remuneration is linked to achieving designated B-BBEE targets across the group.

Certification of B-BBEE compliance occurs annually at each major South African subsidiary (excluding associates). Individual company points are aggregated to provide a total score for the group. Five of our nine divisions achieved Level 3 contributor status and the remaining four achieved Level 4, ahead of our 2014 B-BBEE target of Level 4 across the group. The combined group scorecard is shown in Appendix III on page 84.

The group increased its B-BBEE score by 51 points (excluding the ownership component) in total, with strong improvements in the enterprise development, skills development and employment equity categories offsetting a decrease in the preferential procurement score. The group aggregate score (including the ownership component) was 659.99 (2012: 610.65).

While we are proud of having achieved our B-BBEE goal of Level 4 ahead of target, we are concerned that the new B-BBEE codes will make it extremely difficult to maintain our current performance when they come into effect during 2014.

OWNERSHIP

The Metair group's empowerment holding arises primarily from Royal Bafokeng Holdings' 9.43% stake in Metair and their voting rights of 19.05%. This holding gave each operating subsidiary 20.8 points for B-BBEE verification assessments conducted in 2013. An independent analysis of Metair's ownership at the end of 2013 showed total BEE shareholding and voting rights of 35.8% and female BEE shareholders holding economic interest of 7.96% in the group and voting rights of 15.03%.

	Economic interest	Voting rights
BEE shareholders	35.80%	35.80%
Female BEE shareholders	7.96%	15.03%
Designated group BEE shareholders	16.50%	

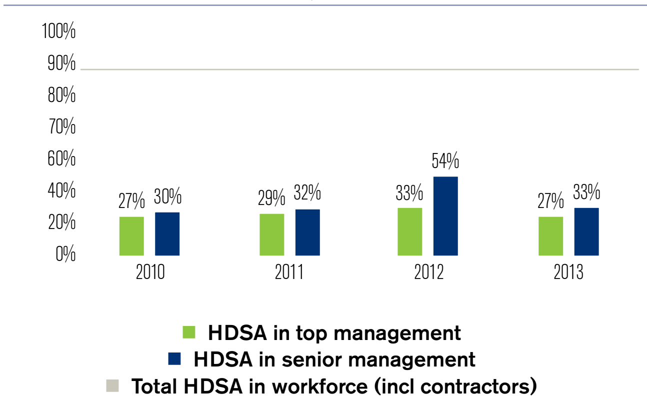
The group's aggregated ownership score decreased marginally for the 2014 year to 20.59 points due to the issue of new Metair shares, a reduction in treasury stock and a slight change in the demographics of the group's empowerment shareholder.

MANAGEMENT CONTROL

Improving and maintaining our score in the management control category is particularly challenging. Although the group managed a small increase in the aggregate score during 2013, we operate in a highly technical industry where skills and experience take years to develop. Given the global shortage in such skills, finding and retaining equity candidates with the necessary qualifications and experience is extremely difficult. Our continued focus on employment equity and skills development will enable us to develop the necessary internal candidates over time.

As at the end of 2013, historically disadvantaged South Africans (HDSA) comprised 90% of the group's total workforce (excluding Rombat and Mutlu Akü) – broadly in line with the

1 HDSA IN WORKFORCE (EXCL ROMBAT AND MUTLU AKÜ)



2 STAFF COMPOSITION (SA ONLY)

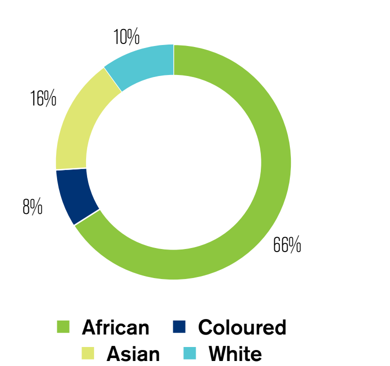


figure for 2012. HDSA in top management declined to 27% (2012: 33%) and to 33% in senior management (2012: 54%). The decline in senior management representation is largely attributable to resignations at Smiths Plastics, which is undergoing a section 189 restructuring **[1]**.

Our aggregate B-BBEE score for management control improved by 1.23 points compared to December 2012.

EMPLOYMENT EQUITY

Rapidly improving the group's employment equity score is equally challenging for the same reasons. Qualified engineers and supervisors in the group are increasingly targeted by other organisations and are difficult to replace immediately.

Group employment equity and transformation committees monitor and measure employment equity performance. Each subsidiary has a five-year employment equity plan that was drawn up in consultation with staff and union representatives. Reports are submitted annually in accordance with the Employment Equity Act.

We aim to develop the required skills in our workforce through accelerated skills development programmes, learnership programmes and internal and external training. As the majority of our employees come from historically disadvantaged groups, this will lead to improvements in our employment equity score over time.

The group's aggregate employment equity score increased 12 points. We continue to focus on targeted learnerships and invest in the development of internal candidates to transform the demographic profile of our workforce. **[2]**

SKILLS DEVELOPMENT

We continue to make a substantial investment in skills development to ensure we keep technical skills at a sufficiently high level to compete in our industry. The group's aggregate skills development score increased 24 points in recognition of the group's ongoing investment over the last few years.

Unitrade trained 10 employees in ISO/TS 16949/ ISO 9001 internal auditing skills to benefit from cross audits throughout the year in preparation for the annual assessments. Two technicians from Hesto were sent to Japan and the Philippines for specialist training on Yazaki wire cutting machines. Smiths Manufacturing and Lumotech make extensive use of their onsite Dojo training centres to develop eye-hand coordination, manual dexterity, colour perception and multi-tasking. Automould introduced learnerships and adult basic education training in 2013, which also contributed to the increase in the skills development score.

In 2013, training spend declined to R9.9 million (2012: R11 million) representing 2.4% of group profit after tax (2012: 2.3%).

PREFERENTIAL PROCUREMENT

Preferential procurement offers the group the opportunity to contribute to transformation and upliftment of black-owned business by channelling our procurement spend to businesses that meet the necessary ownership requirements. The group's aggregate preferential procurement score declined 13 points due to changes in procurement at Smiths Plastics and Supreme.

Total group preferential procurement spend for 2013 was R572.5 million.

ENTERPRISE DEVELOPMENT

Metair also facilitates social upliftment by offering opportunities and support to small businesses. Support includes providing business opportunities at operations, early payment of invoices and financial assistance. FNB supports Battery Centres owned by historically disadvantaged South Africans (HDSA) through discounts and rebates, and ATE provides similar assistance to HDSA-owned Midas shops through the National Automobile Parts Association (NAPA).

At Hesto, enterprise development initiatives include staff canteen services, cleaning, recycling of cardboard and plastic, garden services and fabrication of various fixtures required in the production line setup. All building, plumbing and electrical work is also sourced locally from black-owned enterprises.

The group invested R32.3 million in enterprise development projects during 2013. These initiatives supported an increase in our enterprise development (ED) score of 31 points in 2013.

SOCIO-ECONOMIC DEVELOPMENT

Metair's social investment initiatives operate at both subsidiary and group level. Each group company allocates 1% of net profit after tax to support various community projects, including investments in bursaries and reading projects.

Many of the initiatives supported focus on improving facilities and tuition at local schools as well as skills development. This aligns with the group's focus on technical skills. By supporting education, we not only help to address a dire need in society, we also help to ensure that we will have access to the necessary skills in future. Our community-building initiatives aim to strengthen communities around our operations for the benefit of our workers and broader society.

Socio-economic development initiatives supported during the year include:

- 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 continued to support the Stanger Training Centre, a school for mentally challenged children. The school prides itself on being self-sufficient thereby giving learners life skills necessary for being independent income earners.
- Lumotech supports various schools and institutions assisting the elderly, children living with HIV/AIDS and leadership development.
- Smiths Manufacturing supports six schools with infrastructure and additional lessons as well as orphanages and community sports programmes.
- Unitrade supports two schools in local communities with refurbishments, infrastructure, desks and chairs.
- ATE supplied computer equipment to a local school and sponsored blankets for a children's home in Boksburg.
- Smiths Plastics supports various community initiatives including child and orphan centres, trauma counselling, care for the aged and disabled, HIV/AIDS centres and hospices.

GROUP-LEVEL SOCIO-ECONOMIC DEVELOPMENT

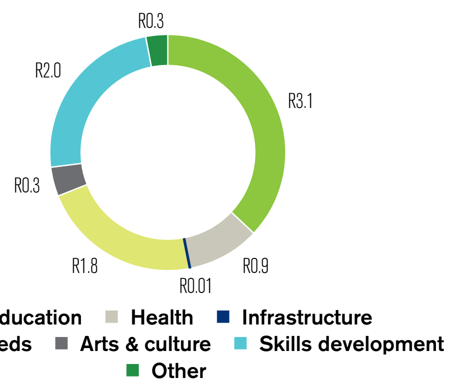
One percent of group net profit after tax is allocated to community projects. We select the corporate social investment/ socio-economic development projects based on four broad criteria:

- The project must meet a real need, for example healthcare, feeding schemes, AIDS prevention and support for AIDS orphans.
- The project must reach a significant number of beneficiaries, preferably an entire community.
- The project must operate in partnership with all role players, including NGOs and government, to ensure the long-term sustainability of the programme.
- Spend effectiveness – a high proportion of each Rand committed to the project must go to beneficiaries, rather than administration.

Metair has supported the New Jerusalem Children's Home Container Housing Project in Ivory Park, Thembisa for several years. During 2013, Metair funded a new orphanage and other infrastructure at the Project.

In total, the group invested R8.4 million in socio-economic development initiatives. 37% was spent on education initiatives, 24% on skills development and 22% on basic needs. **[3]**

3 ALLOCATION OF CSI SPEND (Rmillion)



Kgabo Cars

ATE supports Kgabo Cars in Soshanguve as one of its enterprise development initiatives. Established in 2001, Kgabo Cars repairs and services cars, and trains and assists apprentices to become fully qualified, skilled automotive technicians. The company has a specific focus on encouraging women to break industry stereotypes and become successful and self-sufficient motor mechanics. Support in 2013 included supplying the workforce with new overalls and training and certifying 27 workers in brake fitment and problem solving.

Solar support

Hesto also partnered with Samsung Electronics SA to provide a Solar Powered Internet School (SPIS) to a school in KZN. The SPIS is a self-contained, Wi-Fi-enabled smart school built in a 40-foot container that provides access to notebook/tablets for a minimum of 24 students.

Solar-powered internet container classroom supported by Hesto and Samsung.

Khaya Centre

From 2014, Metair will be developing and extending the Khaya Centre in Lehae, Johannesburg South. Lehae is a relatively new settlement of RDP houses that has a high rate of unemployment, poverty and associated social challenges. Khaya is the only community centre in Lehae and provides early childhood development for 65 children, meals and aftercare for 450 schoolgoing children, leadership development for teenagers, a sewing project for the elderly, home-based care for the infirm and is the distribution point for HIV/AIDS information, training and medication. Metair's investment will enable Khaya Centre to extend its services considerably. Specifically, Metair will provide the infrastructure for a primary health care clinic, a victim support centre for cases of rape and abuse, ECD classrooms to accommodate children on the waiting list, improved educational facilities, much-needed office space and an extended kitchen and bakery.

This development is a collaboration with Orange Babies, the foundation with whom Metair co-funded the environmentally friendly house at New Jerusalem Children's Home.

Khaya Centre Corporate Social Investment initiative, Lehae, Johannesburg South

Human capital

The Metair group's employees are critical stakeholders in our business. Our ability to fulfil our strategic ambitions relies on continued engagement and an excellent relationship with this key stakeholder group. In line with our commitment to responsible custodianship of all the assets and capitals at our disposal, we aim to provide a work environment that is not only safe and healthy, but that raises their daily experience.

Participation in the global automotive industry supply chain depends to a very large degree on supplier cost-competitiveness. Global original equipment manufacturers (OEMs) invest in territories not only based on strategic location near their target markets, but also on the cost-effectiveness of production in those countries. Metair is committed to continual improvement in the efficiency of its manufacturing processes to remain relevant in the industry. Overall cost-competitiveness is crucially dependent on labour productivity.

The strikes in our industry during the past financial year had a major impact on our financial performance and brought into question South Africa's attractiveness as a long-term manufacturing destination.

To meet our extremely stringent cost-efficiency targets, we need to ensure that our workforce has the necessary high level of technical skill and experience. At the same time, we need to develop these skills and foster a pipeline of new talent to ensure the group's ability to continue to grow over time.

Ensuring that our employees engage with the group's long-term vision and are motivated to support our future growth is another important consideration. We measure employee morale by monitoring metrics such as attendance, grievances, disciplinary procedures, staff turnover and health and safety statistics.

We measure and reward employee productivity at plant level through individual performance management systems. During the current financial year, we completed the upgrade of all canteens, clinics and ablution facilities, and reviewed the quality and detail of wellness programmes to ensure they are consistent across the group.

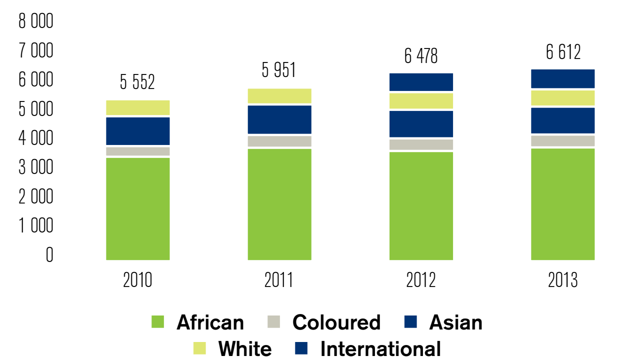
As we continue to expand internationally, we are committed to ensuring that the same commitment to responsible stewardship of our human capital is evident across all of our operations in all geographies. One of the goals of the social and ethics committee for 2014 is to ensure all operations in the group, including international operations, are included in the group ethics management programme.

The figures reported in this section include Hesto employees, as Metair is responsible for the day to day management of this associate. Hesto is treated as an associate for financial reporting purposes in terms of IFRS 10 and Hesto employees are therefore excluded from the headcount figures reported in the financial highlights on page 7 and the value added statement on page 45.

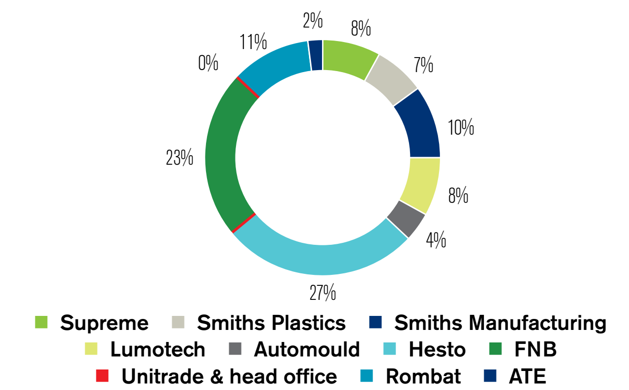
Total headcount including Hesto (excluding Mutlu Akü) increased 2.1% to 6 612 from 6 478 in 2012. Contractors comprise 2.3% of the workforce, consistent with the prior year. The majority of our workforce is situated in South Africa, with 11% employed in Romania at our Rombat operation (2012: 11%). **[1]**

Hesto (27% of total staff complement) and First National Battery (23%) together account for more than half of the employees in the group. Historically disadvantaged South Africans (HDSA) represent 90% of the workforce (2012: 89.5%). Women comprise 35% of the workforce and HDSA women 32%. **[2]**

1 STAFF COMPLEMENT (including Hesto)



2 STAFF COMPLEMENT BY DIVISION



LABOUR RELATIONS

Most South African operations in the group fall under Chapter III of the motor industry bargaining council. Union representation ranges from 61% of the workforce at FNB to 100% at Rombat and averages 79% across the group. 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. **[3]**

While strike action affected the group both directly and indirectly in 2012, we were severely impacted in 2013 by nine weeks of strikes across the South African automotive industry. In total, South African operations in the group lost 65 272 person days to strike action in 2013. If this is compared to our total turnover of R5.2 billion for 2013 and scheduled workdays, it represents an estimated R234 million in revenue lost to the strikes.

The strike action not only resulted in lost turnover, profit and productivity, but also increased overtime and freight costs to catch up production once the strikes ended. Wage increases were settled at 10%. However, if these increases are not met by productivity improvements, or the industry faces similar strike action in future, the motor industry in South Africa may well face an unsustainable future.

The Section 189 labour restructuring exercise at Smiths Plastics to ensure the sustainability of the business continued during the year, with 19 employees taking voluntary severance packages (2012: 83) and 22 fixed contracts not being renewed. There were no retrenchments in the group (2012: 122) during 2013.

ATTRACTION, RETENTION AND DEVELOPMENT

Metair operates in a highly technical industry. To continue to meet the technical demands of our customers we need to ensure that we have the necessary world-class engineering and technical skills available. With the global shortage of technical skills, we need to be able to retain these skills in our workforce once we have attracted and developed them. Our goal is to be the employer of choice in our industry and we therefore invest heavily in skills development and training.

We aim to retain our human capital assets through a combination of competitive remuneration packages and the opportunity to enhance their technical skills through our training programmes. Employees that show commitment and potential can benefit from career opportunities and broader experience across the group and internationally as we expand our geographic footprint.

Succession planning continues to be an area of focus, particularly in the context of our international expansion.

Permanent staff turnover, averaged 6.4% in 2013. Staff turnover disclosed in 2012 included contractors and therefore comparative figures are not provided. **[4]**

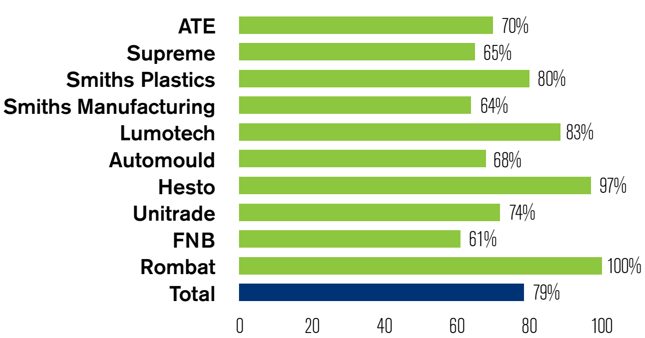
The majority of staff leaving were in the under 30 – 50-year-old category (42%) with 34% in the under 30-year category and 24% in the over 50-year category. **[5]**

Absenteeism increased to 3.4% in 2013 from 1.6% in 2012 but remained within our target rate of 4%.

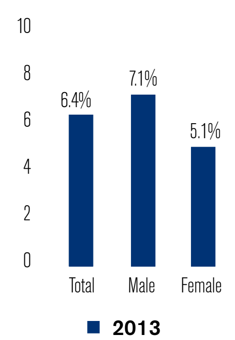
SKILLS DEVELOPMENT

We invested R9.9 million in our skills development programmes this year compared to R11.0 million in 2012. The decrease

3 UNION REPRESENTATION (%)



4 PERMANENT STAFF TURNOVER



Human capital
continued

of 10% in training spend is due to the severe disruptions we experienced from the extended strikes during the year and the consequent financial pressure on our operations. The group's investment in skills development increased to 2.4% of net profit after tax from 2.3% in 2012. Across the group 5 396 staff were trained during the year. **[6]**

As in 2012, the majority of training spend was committed to semi-skilled and junior management levels in order to develop the critical skills needed in our industry more rapidly. **[7]**

Training spend per employee declined to R1 527 (2012: R1 762) which represented a total of 113 721 hours of training in the group (2012: 83 961), or 17.6 hours per employee (13.5 hours). **[8]**

We also build our skills pipeline through a learnership programme that gives promising candidates experience in our operations. There were 198 learnerships in the group in 2013 (2012: 138), exceeding our target of 129 for the year. **[9]**

Operations in the group also offer bursaries to promising students in engineering, finance and technical fields. In 2013, 112 bursaries were offered, including bursaries to employees and their children.

HEALTH AND SAFETY

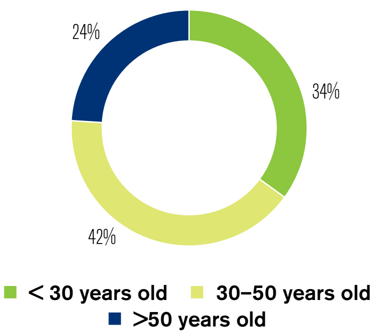
We have a responsibility to provide a work environment that is safe as well as the facilities to help our employees manage their health. This is not only part of our approach to responsible business and stewardship of the various capitals available to us, it is a critical part of running a highly efficient business. Employees who are healthy, motivated and engaged with the group's strategy, are able to work more effectively and efficiently. Health and safety policies and performance are also important concerns for our OE customers as part of their supply chain management policies.

Operational health and safety policies and procedures are designed to ensure our approach aligns with the relevant legal frameworks, including the Occupational Health and Safety Act. Our operations continue to refine their health and safety systems to meet the requirements of OHSAS 18001, the international health and safety standard. Currently, four of our operations – Smiths Manufacturing, ATE, Rombat and Tenneco, are accredited under OHSAS 18001. Our goal is for all group companies to be OHSAS 18001 accredited by 2016.

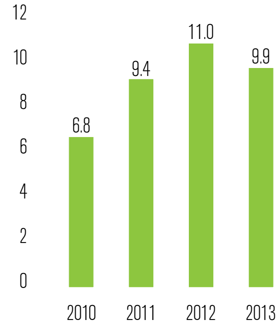
The safety of our employees is extremely important to us. We monitor health and safety incidents and near-misses, and target zero fatalities, disabling injuries and lost-time incidents. Each company has a benchmark lost-time injury frequency rate (LTIFR) against which it is measured.

There were no fatalities in the group and 42 disabling injuries (2012: 30 disabling injuries) during the year. There were 66 lost-time incidents in 2013 (2012: 160), which represents a lost time injury frequency rate (LTIFR) of 1.12 per 200 000 hours worked (2012: 3.82). There were also 116 non-lost time injuries during the year. These are incidents when employees receive significant medical treatment, but are able to work their next shift.

5 STAFF TURNOVER BY AGE



6 TOTAL TRAINING SPEND (Rmillion)



SAFETY STATISTICS

	2012	2013
Fatalities	0	0
Disabling injuries	30	42
Non-lost time injuries (medical treatment cases)		116
Lost-time injuries*	160	66
Recordable injuries**		182
Person hours worked		11 832 172
Lost-time injury frequency rate (LTIFR)†	3.82	1.12
Recordable injury frequency rate (RIFR)†		3.08

** Lost-time injuries are injuries where an employee is unable to immediately return to work*

*** Recordable injuries = Fatalities + MTCs + LTIs*

† LTIFR and RIFR calculate the LTIs and RIs per 200 000 person hours worked to indicate the injury frequency rate per 100 workers per year

HAZARDOUS SUBSTANCES

Some of our products require us to work with potentially dangerous substances. There is a standard health and safety procedure around every such substance. In addition to complying with South African legislation, we also pay close attention to the standards governing our OE customers in other jurisdictions.

Substances banned by EU directive 2000/53/EC are subject to even more stringent health and safety procedures. These substances include lead, mercury, cadmium and hexavalent chromium. Lead is the only one of these banned substances used at our facilities, specifically at First National Battery, Mutlu Akü and Rombat.

There are stringent safety procedures in place to limit employee exposure to lead. We test blood lead levels when employees join the company and regularly retest to measure ongoing exposure. Where blood lead levels 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 monitor blood lead levels more frequently and to a stricter tolerance than is required by legislation to ensure the safety of our employees.

HIV/AIDS

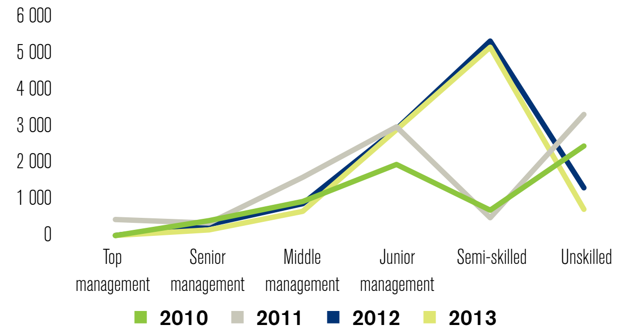
HIV/AIDS prevalence rates vary up to 31% at some of our operations. Our major South African operations offer voluntary counselling and testing (VCT) for employees and contractors. Occupational health sisters identify suspected cases and encourage testing.

Awareness initiatives include 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.

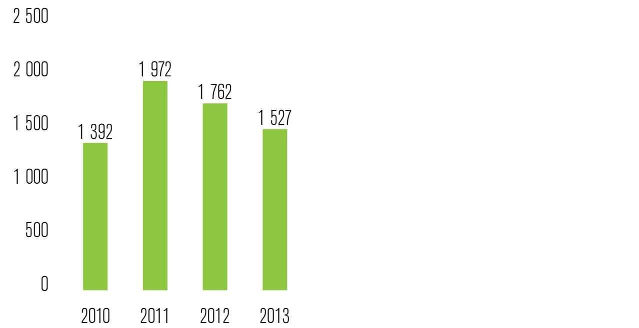
During 2013, 433 employees and contractors received VCT for HIV/AIDS and 433 were tested.

Some subsidiaries provide transport to local hospitals so that employees can collect antiretroviral medication (ARVs). FNB has a wellness programme at its East London facility that offers free HIV/AIDS testing at the company's clinics.

7 TRAINING SPEND PER CATEGORY (Rmillion)



8 TRAINING SPEND PER PERMANENT EMPLOYEE (R)



Human capital
continued

HUMAN RIGHTS

Metair respects the rights of our employees and those of our suppliers to freedom of association. We are committed to the ten principles of the United Nations Global Compact, which include provisions relating to human rights, the rights of labour and a commitment to working against corruption.

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. We apply the same principles to our international operations to ensure that the rights of employees are protected at all our operations.

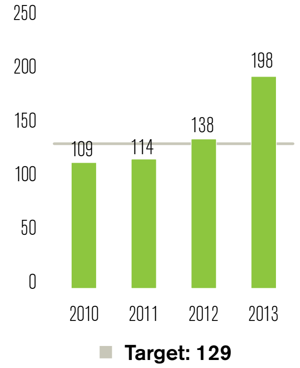
HUMAN CAPITAL TARGETS FOR 2014

- Zero disabling and lost-time 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 2013 employment equity position.
- Maintain or improve group training spend target of R9 million.
- Maintain or improve the target of 138 learnerships in the group.

PROGRESS IN 2013

Target for 2013		Progress in 2013
Zero disabling and lost-time incidents and each subsidiary has set a specific LTIFR target.	⇩	42 disabling and 66 lost-time injuries. Group LTIFR was 1.12. Lost-time injuries and LTIFR improved on 2012, but we did not reach our target of zero harm to employees.
Absenteeism and staff attrition rate for the group should average below 4% (excluding contractors).	⇩	Absenteeism increased to 3.4%, within our target of 4%. Permanent staff turnover averaged 6.4%.
Regain and improve on our 2011 employment equity position.	⇧	Five operations achieved Level 3 contributor status and four achieved Level 4.
Group training spend target to be R8.7 million.	⇧	Training spend totalled R9.9 million.
Number of learnerships in the group to increase to 129.	⇧	198 learnerships.

9 LEARNERSHIPS



Environment

Metair's commitment to doing business responsibly includes an appreciation of natural capital and how this is affected by our activities. We take care to manage the impacts of our operations on the environment around us. Our main environmental impacts are through our carbon footprint, energy consumption, water consumption and waste management. The responsible handling of lead in our battery businesses is another important consideration. At the same time, companies in the group produce a range of environmentally-friendly products that help our customers reduce their energy consumption and environmental impact.

CLIMATE CHANGE

The effects of climate change are a critical concern in the automotive industry. Direct impacts of climate change on Metair's operations include the effects of extreme weather events on distribution chains and increased energy costs in cooling manufacturing processes.

Indirectly, concerns about climate change drive international environmental legislation, such as emission regulations, that affect our OE customers and the products they produce. As a supplier into these closely monitored 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. Increasingly, the focus on reducing environmental impact extends to the supply chain of the OEMs, which directly affects Metair's operations.

The chemical composition of products sold into the European Union is tightly controlled. The automotive industry has to account for the chemical make-up of each component used to make a motor vehicle. Metair therefore is obliged 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 extends to careful testing of the raw materials our suppliers provide to understand whether they are acceptable in terms of our committed outputs.

Metair's subsidiaries are accredited under the environmental management standard ISO 14001 (refer Appendix II on page 83).

CARBON FOOTPRINT

Metair measures the carbon footprint of its nine South African subsidiaries. The group's total carbon footprint (excluding Rombat and Mutlu Akü) for 2013 decreased by 15.9% compared to 2012. This decrease is largely attributable to reduced activity due to factory closures during the strikes in September and October 2013.

FNB accounts for more than half of the group's carbon footprint due to the relative size and nature of the operation. Battery manufacture consumes carbon-dense materials and uses a lot of electricity. FNB also has a broad geographic footprint, which results in high logistical costs. **[1]**

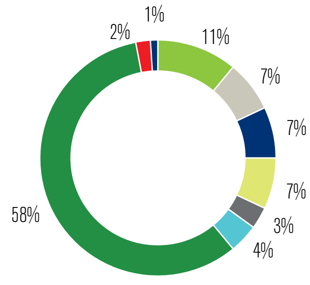
Across the operations surveyed, emissions embedded in raw materials made up half of all emissions and electricity consumption made up a third. The next largest contributor was carbon emissions from upstream and downstream transport and distribution. **[2]**

Combined scope 1 & 2 emissions decreased 6% compared to 2012. Measured per Rand of revenue, 2013's scope 1 & 2 carbon emissions fell 17.6% and by 9.6% when measured per fulltime employee.

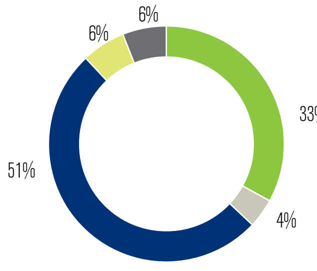
ENERGY CONSUMPTION

With the forecast price of electricity set to increase ahead of

1 CARBON EMISSIONS BY OPERATION



2 CARBON EMISSIONS BY SOURCE

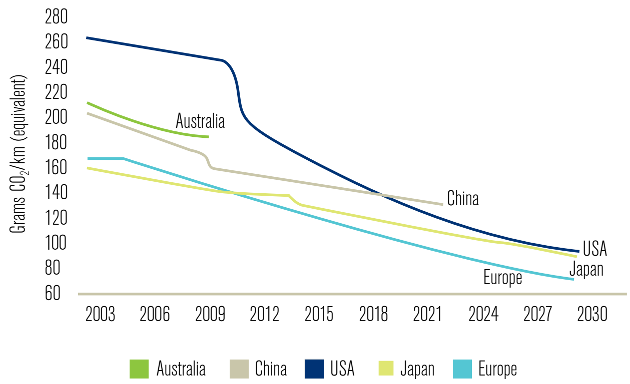


** includes waste, process emissions, packaging, staff travel.*

International emission regulations drive technological change in the automotive industry

The voluntary agreement between the European Automobile Manufacturers Association and the European Commission commits OEMs to limit CO_2 emissions from passenger cars sold in Europe to 130g per kilometre by 2015. Similarly stringent emissions targets in other major markets are driving the automotive industry to find innovative ways to increase fuel efficiency and reduce emissions. Metair is ideally positioned to benefit from these trends through innovations such as our Start/Stop batteries as well as through our strategic acquisitions that position our operations close to the European market.

AUTOMOTIVE CO_2 EMISSION REGULATIONS



Source: International Council on Clean Transportation

inflation for the foreseeable future, managing our electricity consumption is critical not only to maintain our international cost-competitiveness, but also to sustain profitability.

As a group, we focus strategically on constantly improving production efficiencies, which 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.

Each operation implements its own energy efficiency initiatives. During 2013 these included:

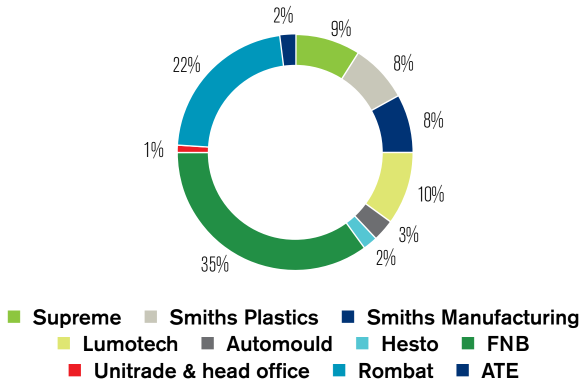
- The continued roll-out of energy-efficient lighting, including Lumotech's proprietary Envirolight warehouse/factory lighting.
- The installation of energy-efficient equipment where old equipment is replaced.
- Changing to winter/summer tariffs and changing shift patterns so that operations do not do start-ups in peak time at Lumotech.
- Improved insulation on furnaces at Supreme. Supreme also made a number of changes to furnaces that resulted in a significant reduction in gas consumption.

Total electricity used in the group increased 15% compared to 2012, due to the inclusion of Rombat in the total electricity figures for 2013. Excluding Rombat, electricity consumption decreased 11%. This decrease is largely attributable to reduced activity in September and October during the industry strikes. [3]

Subsidiaries measure their energy consumption per unit of production against the group target to limit energy consumption per unit to 15% year on year. Weighted by total electricity consumed, the increase on production-adjusted electricity consumption was limited to 1.8% across the group. [4]

Metair aims to implement the ISO 50001 Energy Management System across the group. Tenneco, one of the group's associate companies, obtained ISO 50001 accreditation during

3 ELECTRICITY CONSUMPTION BY OPERATION



the year, becoming the first company in the South African automotive component industry to achieve this.

The group also consumes energy from other non-renewable sources in various stages of production and distribution as shown in the table below. Comparative figures are not available for 2012.

Energy Source	Unit	Amount
Acetylene	Kg	6 728
Coal	Kg	9 620
Diesel	Litres	723 358
LPG (kg)	Kg	987 004
LPG (m^3)	m^3	10 716
Natural gas	m^3	4 138 412
Nitrogen	Kg	451
Oxygen	Kg	2 979 040
Petrol	Litres	261 478

WASTE MANAGEMENT

Recycling forms an integral part of the group environmental management process and is a particular focus in the battery and plastics businesses. We minimise waste from production not only as part of our approach to doing business responsibly, but also as a consequence of our focus on manufacturing excellence and continuously improving production efficiency. The group measures scrap cost per subsidiary and sets stringent scrap reduction targets for primary and secondary materials per subsidiary. We also ensure that where we cannot reuse or recycle waste, we dispose of it responsibly and in line with legislation. Hazardous waste is disposed of using registered disposal companies.

The nature and volume of scrap produced and recycled varies according to operations. Appendix I on page 83 shows a table of some of the waste and recycling streams. The group recycled 3 308 tonnes in 2013, comprising mainly cardboard, paper, plastic, scrap steel and wooden pallets. The group also recycled 33 381 litres of oil and 3 601 chemical drums.

Plastics are recycled in our plastics business and our polyethyleneterephthalate (PET) injection moulding plants use up to 8% regrind plastic. Process scrap is reduced by 30% by using hot runners in production.

FNB invested in a plastics recycling plant and started recycling polypropylene in May 2013. A total of 622.5 tonnes were recycled by this plant in 2013. Lumotech invested in equipment that enables it to use reground scrap plastic together with virgin material in production. The company reclaimed 38 351kg of material through this process, generating a saving of R1.5 million.

Rombat generated 4 222 tonnes of hazardous waste in the form of dross generated from the smelting process. Of this, 2 900 tonnes were sold as by-product to a downstream refiner that concentrates and refines composites from it.

The structure in the industry is to target the use of returnable packaging over the lifecycle of a vehicle in order to reduce waste.

The group tracks yield on lead recycling and plastic recycling percentages as measurement criteria for waste management.

BATTERIES AND RECYCLING

Batteries are made from plastic, lead and acid – substances that if not handled correctly could have serious environmental and health consequences. It is therefore imperative that these products are carefully managed throughout their lifecycle. Our goal, as manufacturers of batteries through our First National Battery, Rombat and Mutlu Akü operations, is to ensure that we take more lead out of the environment than we put into it and dispose of the other components in a responsible way. We incentivise customers to return old batteries when buying new ones and we also have a programme where we go underground to collect discarded batteries in mines.

First National Battery, Rombat and Mutlu Akü recycle scrap batteries, neutralising battery acid and processing it through an effluent plant. Plastic from the casing is processed into pellets which are used to manufacture new batteries. Battery plates, terminals and other extracted lead are refined and blended to produce high-quality lead alloys that are used to make new batteries. Car batteries are nearly 100% recyclable and all the lead and polypropylene that are recovered in the recycling process are used in the production of new batteries.

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. It also protects the lead stock held in the country, preventing unnecessary importation of lead and saving the country foreign reserves. However, securing the supply of sufficient lead is becoming more challenging as exports of scrap lead from South Africa have increased.

Metair is represented on the board of the South African Battery Manufacturers' 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

Environment
continued

South Africa. This resulted in a gazetted regulation on export of scrap being published.

WATER

Water consumption across the group's operations totalled 468 285m^3 for 2013. This represents a 30% increase on the water consumption disclosed in 2012. However, the 2013 figure includes consumption for both Lumotech and Rombat, which were excluded last year. Adjusting for those two operations, water consumption at the remaining operations decreased 23%. This decrease is largely attributable to work stoppages at the South African operations due to the industry strike. [5]

The battery manufacturing process uses a great deal of water and the battery businesses – FNB and Rombat – together accounted for 58% of the water consumption in 2013.

While most of the water consumed by the group is from municipal sources, Rombat uses some ground water and approximately 40% of its consumption is waste water. All four of FNB's plants collect rainwater that is used for different processes in the plants. Total rainwater storage capacity at the plants is 476 000 litres. FNB's injection moulding factory in Fort Jackson has a programme that aims to make it completely independent of the municipal water supply. FNB's Benoni plant recycles more than 13 000 kilolitres from the battery breaking process.

Water-saving initiatives during the year included:
- Fitting of roofing covers over the main cooling tower in plant one at Supreme to reduce evaporation.
- Temperature controlled cooling tower fans installed at Lumotech that turn off to reduce evaporation.
- Rainwater harvesting for cooling at Lumotech.

ENVIRONMENTALLY-FRIENDLY PRODUCTS

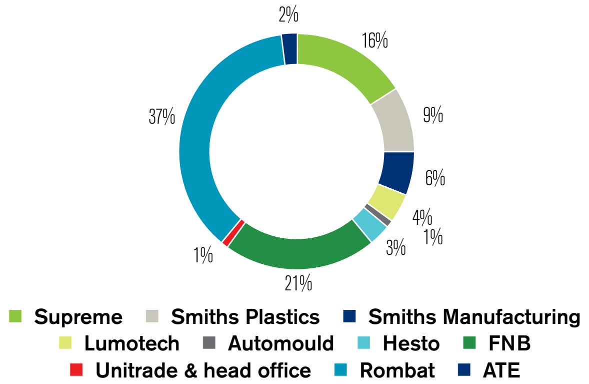
Increasing environmental awareness creates an opportunity to develop energy-efficient and environmentally-friendly products. Metair is well positioned to develop such products due to our exposure to leading technology in the automotive industry, high level of in-house technical skills and culture of innovation. The group invested R31.6 million in research and development during 2013, including the development of environmentally-friendly products.

- **Envirolights** – Lumotech's Envirolights provide better light quality than traditional lights at a fraction of the energy consumption and have a life expectancy of over 20 years. Developed in-house from high-efficiency reflector technology used in car headlamps, Envirolight streetlights also reduce light pollution as 100% of the light is focused onto the ground. The range includes 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 developing a locally manufactured on-demand water heater that requires around one-third of the energy consumed by traditional water heaters. Smiths Manufacturing's Dunair heat pumps have been SABS approved and were made available to staff as part of the company's efforts to encourage environmental awareness. The company is also in the process of preparing a solar water heating kit for testing and approval by the SABS.

- **Start/Stop batteries** – 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.

5 WATER CONSUMPTION PER OPERATION



Derived from the technology we developed over 30 years in cap lamps for the mining industry, our Start/Stop batteries received worldwide series release approval in 2012. They also largely meet the latest stringent VDA (German automobile manufacturers) specification. The battery is produced in South Africa (FNB) and Romania (Rombat) and FNB now supplies Start/Stop batteries to two OEMs in South Africa, with negotiations progressing well to supply a third. The batteries are also currently under evaluation by an international OEM for Metair to supply from all three battery manufacturing locations – South Africa, Romania and Turkey.

We believe that the combination of a diesel particle fuel management system and a Start/Stop car battery represents the future of low-emissions vehicles. This combination results in fuel economy and emissions that substantially reach those of a full hybrid vehicle, but at a fraction of the cost. Global demand for Start/Stop batteries is forecast at 35 million a year from 2016.

The range also includes a 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.

- **Lithium ion cap lamp** – First National Battery also produces a new high-power lithium ion cap lamp that is smaller, lighter and lasts much longer than previous models. These lamps comply with the new SANS 1438 standard published in 2013 and have been well received by the mining industry.

- **M Solar batteries** – These solar batteries are used exclusively for solar-powered installations using solar panels. Their proven durability ensures years of service and their popularity is growing in southern Africa, especially in Botswana, Mozambique and Zimbabwe.

- **Gel VRLA batteries** – First National Battery is currently developing a new range of traction and standby cells using gel VLRA technology. The gel technology makes these cells spill-proof, which improves their environmental footprint.

- **Electric vehicles –** During 2012 the group initiated a project to develop an electric vehicle within a very tight timeframe and budget. Through close team work and collaboration, the subsidiaries and associates produced two electric vehicles – one a retrofit of an existing vehicle, the other designed and built from scratch. Both vehicles used the group's Start/Stop technology. While there is no intention to commercialise these vehicles, the project clearly demonstrated the technical and project management skills in the group. These vehicles have been used for marketing and promotional purposes, including display at the Uyilo E-mobility project launch at Nelson Mandela Metropolitan University in March 2013.

ENVIRONMENTAL IMPACTS

There were no spills or other environmental incidents at any of the group's subsidiaries during 2013. In 2012, there was a small acid leak at First National Battery's Benoni facility that was classified as a non-environmental incident by the Ekurhuleni municipality.

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 2014

Scrap – continue to refine processes to increase efficiency and reduce scrap.

Electricity consumption – keep the volume-adjusted increase in group electricity consumption below 15%.

Recycling – increase the proportion of waste recycled.

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 adhere to all legal requirements. The core principle of the group's ethical policy is for all employees to strive to be exemplary custodians in their respective areas of responsibility in their workplace, home, community, country and the world. This policy was reinforced throughout the group during 2013. The group also has a whistle blowing programme available to all South African subsidiaries whereby employees can report any unethical behaviour without fear of being victimised. This programme will be rolled out to the international subsidiaries during 2014.

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 also has a code of ethics in place which incorporates a corporate citizenship and ethical leadership policy. The group is involved in a number of corporate social investment projects as discussed on page 48 and 49 of this report.

The board established a social and ethics committee during 2012 to ensure that the company's ethics are managed effectively. Refer to the social and ethics committee section in the corporate governance report for more information.

CORPORATE GOVERNANCE

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 these principles. A review is performed by the audit and risk committee annually to ensure that the group has applied the principles and recommended practices in King III. The analysis also identifies areas for improvement or ways in which our governance practices could be enhanced.

We confirm that the group applied the governance principles contained in King III during the 2013 financial year and continues to improve on the application of the recommended practices in our governance systems, processes and procedures.

The group ensures that it complies with all applicable laws and regulations in each jurisdiction in which it operates and considers adherence to non-binding rules, codes and standards in all of the jurisdictions in which it operates. The group 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, including the listings requirements of the JSE and the Borsa Istanbul, Turkey.

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 ten directors, of whom two are executive directors (the managing director and the finance director), three are non-executive directors (one being the chairman) and five are independent non-executive directors.

In the past, it was the company's practice, given the quantum of the direct and indirect shareholding of the major shareholder, Royal Bafokeng Holdings (RBH), to appoint one of its nominees as the non-independent chairman on the board. Following the change in the shareholder register as a consequence of capital raising and issue of new shares as part of the Mutlu Akü acquisition the company has decided to discontinue this practice. In addition, since his move from RBH to Royal Bafokeng Platinum with effect from 1 October 2013 Mr Pooe is no longer a nominee of RBH. The board has decided that given his knowledge and experience of the company and as President of NAACAM that he should continue as chairman of the company in his own right. The board has determined that he should be classified as non-independent and will review this on an annual basis. Mr JG Best was reappointed as the lead independent non-executive director. Two new directors, Messrs S.G. Pretorius and D.R. Wilson have been appointed on 1 January 2014 and form part of the board as described above. Mr Wilson is an employee of Royal Bafokeng Holdings. Details of directors in office are detailed on page 23. 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 well. This process will be coordinated and repeated annually to assess progress. A board evaluation will be done by the board chairman on the individual board members annually going forward.

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 2 665 934 shares.

Metair executive directors participated in the Metair Investments 2009 Share Plan during the year. Proceeds on the vesting of the shares are disclosed in Note 3 of the annual financial statements and further details on allocations to the Metair executive directors are disclosed in Note 14.2 of the annual financial statements.

Annual external board training is planned on topical subjects. During 2013 no external training was done, however training programmes have been identified for 2014. Metair hosted an international marketing conference on 25 February 2014 as a step towards the development of marketing excellence in the group. The Metair board was also invited to this conference and seven board members attended. The topic "leadership" was addressed by Mr Brand Pretorius.

Board meeting attendance

	11 Mar 2013	28 Mar 2013	10 Jun 2013	28 Aug 2013	7 Oct 2013	15 Nov 2013	26 Nov 2013
OME Pooe	P	P	P	P	P	P	P
CT Loock	P	P	P	P	P	P	P
BM Jacobs	P	P	P	P	P	P	P
A Joffe	P	P	P	P	P	P	P
RS Broadley	P	P	P	P	P	P	P
L Soanes	P	P	P	P	P	P	P
A Galiel	P	P	P	P	P	P	P
JG Best	P	P	P	P	P	P	P

P = Present

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 Metair board-approved authority limits. The Metair board remuneration committee approves and the company board ratifies the appointments to the boards of major subsidiaries. A governance framework, including strategic objectives of the framework, 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 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 the monitoring and oversight of:

- The 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 reviews 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 relevant responsible person on a regular basis.

Corporate governance
continued

The committee reviews the interim results, annual financial statements 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 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 October and one in November 2013. The chairman reported to the board after each meeting.

Audit committee meeting attendance

	11 Mar 2013	27 Mar 2013	28 Aug 2013	17 Oct 2013	11 Nov 2013
JG Best	P	P	P	P	P
A Galiel	P	P	P	P	P
L Soanes	P	A	P	P	P

P = Present A = Apologies

The first meeting of 2014 was held in March.

GROUP RISK MANAGEMENT

Risk management is the responsibility of the board with the reporting and monitoring function being 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 and that management allocates 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 is 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

THE TOP TEN RISKS OF THE GROUP:

Previous rank	Rank	Move	Risk name	Risk category	Residual vs inherent risk exposure
New	1	↑	Decrease in South African aftermarket market share and margins due to entry of low cost imported components supported by foreign government export incentives	Strategic	
1	2	↓	Divergence in focus, views and objectives from collective and individual OEMs versus component manufacturers and suppliers	Strategic	
2	3	↓	Mismatch of labour and management expectations resulting in Marikana-type events	Strategic	
3	4	↓	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	5	↓	SA sustainability as a world-competitive manufacturer	Financial	
7	6	↑	Natural disasters, explosions and conflagrations	Continuity of supply	
9	7	↑	Metair's inability to deliver on its strategic vision	Strategic	
6	8	↓	IT system failure	Continuity of supply	
12	9	↑	Loss of key clients	Financial	
13	10	↑	Inability to reduce reliance on single customer	Financial	

◆ Residual risk ◆ Inherent risk

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.

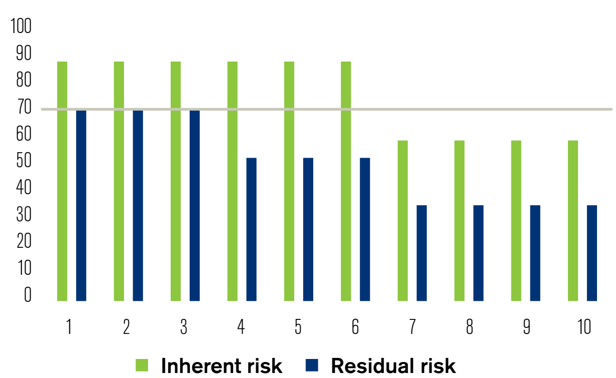
Each subsidiary as well as the Metair corporate office completes a risk identification process. At a group level the major risks of the subsidiaries together with the Metair corporate level risks are combined to arrive at a Metair group risk matrix. Mitigating controls have been applied to the inherent 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 and risk 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 these and 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 that indicates the inherent and residual risk

1 TOP 10 RISKS RELATIVE TO THE OVERALL RISK TOLERANCE LEVEL OF R70 MILLION



Corporate governance
continued

exposure of the risks as well as a graph to indicate where the group consolidated tolerance level falls. One new strategic risk was identified and ranked number one. [1]

TOP TEN RISK INDICATORS RELATIVE TO INDIVIDUAL TOLERANCE LEVELS

Rank	Risk indicator	Individual risk tolerance levels
1	Market new entrants	Zero entrants
2	Incident counter (sensitivity counter) – Number of times escalated to Metair level	Zero events
3	Internal incident counter External incident counter (Protected and unprotected incidents that create work stoppages)	Zero events Zero events
4	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	$ = >R8.50 Yen = >R11.50 Euro = >R12.00 Thai Baht = >R4.70 40% local content Zero
5	New business award counter	10 for 2012 and 12 for 2013
6	Event counter	Zero events
7	Increase in percentage aftermarket and non-automotive sales	<50% of Metair total sales
8	Annual IT disaster events	Zero events
9	OEM cost index landed (CIL)	1
10	Single customer % of total turnover	<35%

IT steering committee

An IT steering committee was constituted during the year. The committee's main focus area will be to look at standardisation and common IT related matters and policies throughout the group.

The committee is in the process of drawing up its terms of reference, policies and procedures. The committee will report to the audit and risk committee.

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 in 2014.

The committee has an independent monitoring role and makes 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 Employment Equity Act and the Broad-Based Black Economic Empowerment Act
  - 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 first meeting in 2013 was held in March.

Social and ethics committee meeting attendance		
	11 March 2013	26 November 2013
A Galiel	P	P
RS Broadley	P	P
CT Loock	P	P
BM Jacobs	P	P
P = Present		

The chairperson reported to the board after each meeting in 2013

The committee is scheduled to meet at least twice a year and social and ethics is a standard item on the board agenda throughout the year.

Social and ethics framework

Arising from the committee's term of reference, during the year the committee developed the Social and Ethics Framework, which is designed to form the basis of the work of the committee, and the platform around which the social and ethics plan is implemented within the business operations.

The core principle of the social and ethics framework is custodianship.

The word custodian comes from the Latin word "custos" meaning a "guardian". Being a custodian refers to a person who has responsibility for taking care, protecting and looking after something. So the aim is to inspire all employees to strive to be exemplary custodians in their area of responsibility at the workplace, home, community, country and world. This applies to all levels of the organization from the least skilled employee to the CEO, each making a different but invaluable contribution to the success of the business. Leaving the business in a better condition than when we started.

Being a custodian incorporates the notion that as individuals we only play a role in a bigger longer term plan and that it is not the size of the role that matters but rather how well one performs one's role.

Custodianship encompasses the key elements of long-term thinking, sustainability and continuity. It elevating the focus beyond individual or personal interests, to build a sustainable legacy, while recognising the broad responsibilities we have as corporate citizens to our various stakeholders, and in so doing contributing to the development of our society.

Metair's social and ethics framework [1] is therefore designed around the concept of being an excellent guardian of:

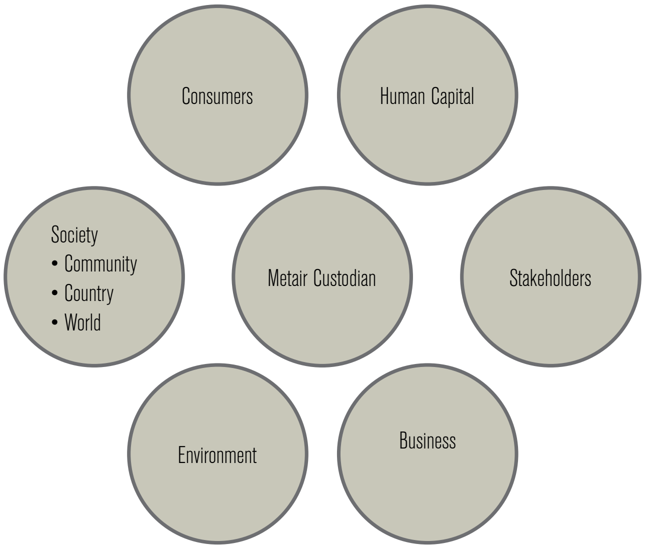
- Human capital
- Stakeholders
- Business
  - In individual's area of responsibility
- Environment
- Society
  - Community
  - Country
  - World
- Consumers

The responsibility assigned with being a custodian also requires accountability, and evaluation against the measures set for being an excellent custodian.

Metair's social and ethics framework is the soft thread that runs through the business, intertwined with the hard threads associated with financial economic performance. Reporting on these annually, we are guided by the group's corporate image and theme. The past themes of:

- Transformation
- Transparency
- Balance
- Measure
- Adjust
- Reflection

1 METAIR'S SOCIAL AND ETHICS FRAMEWORK



provide the specific focal points for the social and ethics framework.

The committee is currently finalising a work plan for 2014 with the goals of:

- Developing the social and ethics framework further, to include processes, structures and procedures for implementation, measurement, reporting and monitoring, which are to be embedded in the operations of the subsidiaries.
- Reviewing existing processes and procedures, and identifying how these might be streamlined to more effectively serve the goals of the social and ethics framework.
- Defining the role of internal audit in assessing the quality of ethics performance and including in the internal audit workplan.
- Ensuring that social and ethics is included as an agenda item at all subsidiary board meetings, and is being continuously monitored.
- Since the group now operates in multiple jurisdictions with potential different views on ethical behaviour, we need to ensure that the recent international acquisitions are included in the ethics management programme.

Metair commissioned an independent verification of the company's B-BBEE shareholding at the end of 2013. The verification showed total BEE shareholding and voting rights of 35.80% and total female BEE shareholding of 7.96% with voting rights of 15.03%. Designated group BEE shareholdings comprised 16.5% of the share register. The group's ownership

Corporate governance
continued

score decreased slightly against the dti Codes of Good Practice to 20.59 points from 20.8 points in 2012.

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 2013), 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 46.

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 all reached their goal by achieving and even improving on the targeted level 4 contributor level already in 2013 instead of the budgeted 2014. Focus remains 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 46 for more information.

COMPANY SECRETARY

Ms SM Vermaak has filled the position of company secretary since 2001. Ms 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 86. At the date of the report the group applied all the principles of King III.

Board audit and risk 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 2013 financial year.

NAMES AND QUALIFICATIONS OF COMMITTEE MEMBERS

JG Best (chairman)	ACMA, 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 website.

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 except for one meeting held on 27 March 2013 where Mr Soanes tendered his apologies.

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 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 61 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 recommendation 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.

Board audit and risk committee report
continued

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.

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 2013 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:

Best

JG Best
Audit committee chairman
24 March 2014

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 assists the board in providing effective leadership and being a good corporate citizen. The committee has complied with its statutory duties and other duties assigned to it by the board for the 2013 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 are reviewed on an annual basis and updated where necessary. During the past year, the committee has executed its duties in accordance with the terms of reference. The terms of reference can be found on the company's website.

The committee has an independent role and makes 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 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

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

No material non-compliance with legislation or best practice, relating to the areas within the committee 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 group incurred no material penalties, fines or convictions during the year.

On behalf of the social and ethics committee

A Galiel
Social and ethics committee chairperson
24 March 2014

Remuneration report

NOMINATIONS COMMITTEE

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

The nominations committee had a meeting on 17 October 2013 (see attendance below) and it was decided that with respect to the Metair board, the functions of the nominations committee would become a function of the full board as a whole and where this item is included in a board agenda this item would be chaired by the lead independent director, Mr JG Best, as the chairman of the Metair board is not independent. The board terms of reference were amended accordingly and the terms of reference of the Remuneration Committee will include the functions of the nominations committee for the subsidiary companies.

Nominations committee meeting attendance:	
	17 October 2013
JG Best	P
RS Broadley	P
L Soanes	P
A Joffe	P
OME Pooe	P
A Galiel	P
P = Present	

The functions of the board with respect to nominations and related matters include:

- Consider potential candidates for appointment as new executive directors to the board,
- Review the composition of the board generally and the balance between executive and non-executive directors appointed to the board.
- Ensure the establishment of a formal process for the appointment of directors including subsidiary directors, including:
  - identification of suitable candidates;
  - performing reference and background checks of candidates prior to appointment; and
  - ensure that formal succession plans for the board, and senior management appointments are developed and implemented.
  - 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.

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

REMUNERATION 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.
- Act as sub-committee for the board in terms of reviewing and recommending subsidiary director appointments along similar lines to those adopted by the board with respect to Metair appointments.

Three meetings were held during the year – in March, June and November 2013. The chairman reported to the board after each meeting.

Remuneration committee meeting attendance:

Remuneration committee meeting attendance:			
	28 March 2013	10 June 2013	11 November 2013
RS Broadley	P	P	P
L Soanes	P	P	P
A Joffe	P	P	P
P = Present			

The next meetings are scheduled for June and November 2014.

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	Base pay	100
	STIP[1]	30
	LTIP[4]	59
		189
Metair FD	Base pay	100
	STIP[1]	30
	LTIP[4]	47
		177
MD of subsidiary	Base pay	100
	STIP[2]	24
	LTIP[4]	47
		171
Directors of subsidiary	Base pay	100
	STIP[3]	18
	LTIP[4]	28
		146

Notes:

1. *Can increase to 100% for exceptional performance*
2. *Can increase to 60% for exceptional performance*
3. *Can increase to 50% 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 before interest and tax, profit after tax, return on equity and B-BBEE targets. An additional item has been added for subsidiary companies being economic recovery targets. The STIP 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.

Remuneration report
continued

The table below indicates percentages allocated to each performance criteria for the short term incentive per management classification and is based on total cost to company. The following table reflects the total percentage attainable for achieving budget as well as the additional percentage attainable for exceptional performance in reaching a predetermined target.

STIP (%)									
	Economic recovery	PBIT/PAT		ROE/ROA		Transfor-mation	Total		
Element	Budget	Budget	Target	Budget	Target	Target	Budget	Target	Grand Total
Metair MD/FD		20	30-50	10	10	10	30	70	100
MDs	8	16	20		8	8	24	36	60
Director	6	12	20		6	6	18	32	50
Exco	3	6	10		3	3	9	16	25

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 and performance shares. Bonus shares will in future only be allocated purely on a discretionary basis and will not be guaranteed.

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 19% = 0.5 times performance shares issued
- ROE at 22% = 1.0 times performance shares issued
- ROE at 26% will have a multiplier effect of 1 to 3 times of performance shares issued.

Refer to Note 14 in the financial statements for details of all awards/allocations 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 equivalent to cash awards earned by management and the vesting period is three years conditional on continued employment. Bonus shares will in future only be allocated purely on a discretional basis and will not be guaranteed.

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)
Metair MD	40	19	59
Metair FD/MDs	32	15	47
Senior executive	17	11	28
Junior executive	12	10	22

In accordance with the recommendations of King III, we disclose below the remuneration of the top three executives of the group excluding the Metair holding company executives, details of which can be found in Note 3 of the financial statements:

Executive emoluments (R'000)	Executive 1	Executive 2	Executive 3
Salaries and allowances	1 973	1 998	1 797
Performance bonuses	1 121	1 128	990
Pension and provident fund contributions	268	263	213
Company contributions	78	46	66
Gain on exercise of share options	6 178	5 628	5 787
Total	**9 618**	**9 063**	**8 853**

Non-executive management remuneration

Non-executive directors' fees remains unchanged for the following year, but will be presented for re-approval by shareholders at the next annual general meeting. Directors fees thus proposed for 2014 are as follows:

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

ANNUAL REPORT SHAREHOLDER ANALYSIS					
Company:	Metair Investments Ltd				
Register date:	27 December 2013				
Issued Share Capital:	198 985 886				
SHAREHOLDER SPREAD		**No of Shareholdings**	**%**	**No of Shares**	**%**
	1 - 1 000 shares	1 342	43.14	643 654	0.32
	1 001 - 10 000 shares	1 202	38.64	4 202 310	2.11
	10 001 - 100 000 shares	393	12.63	13 149 259	6.61
	100 001 - 1 000 000 shares	146	4.69	50 399 484	25.33
	1 000 001 shares and over	28	0.90	130 591 179	65.63
Totals		**3 111**	**100.00**	**198 985 886**	**100.00**
DISTRIBUTION OF SHAREHOLDERS		**No of Shareholdings**	**%**	**No of Shares**	**%**
	Banks/Brokers	42	1.35	33 617 164	16.89
	Close Corporations	43	1.38	427 241	0.21
	Empowerment	1	0.03	37 911 325	19.05
	Endowment Funds	35	1.13	858 347	0.43
	Individuals	2 230	71.68	8 218 607	4.13
	Insurance Companies	30	0.97	4 848 966	2.44
	Investment Companies	5	0.16	63 606	0.03
	Medical Schemes	9	0.29	550 132	0.28
	Mutual Funds	166	5.34	66 315 756	33.33
	Nominees & Trusts	309	9.93	4 353 544	2.19
	Other Corporations	15	0.48	78 734	0.04
	Private Companies	67	2.15	7 874 972	3.96
	Public Companies	4	0.13	231 978	0.12
	Retirement Funds	153	4.92	29 216 093	14.68
	Share Trusts	1	0.03	215 812	0.11
	Treasury Stock	1	0.03	4 203 609	2.11
Totals		**3 111**	**100.00**	**198 985 886**	**100.00**
PUBLIC/NON-PUBLIC SHAREHOLDERS		**No of Shareholdings**	**%**	**No of Shares**	**%**
Non-Public Shareholders		6	0.19	45 308 975	22.77
Directors and Associates of the company		3	0.10	2 978 229	1.50
Share Trusts and Treasury Stock		2	0.06	4 419 421	2.22
Empowerment		1	0.03	37 911 325	19.05
Public Shareholders		3 105	99.81	153 676 911	77.23
Totals		**3 111**	**100.00**	**198 985 886**	**100.00**
Beneficial shareholders holding 3% or more				**No of Shares**	**%**
Royal Bafokeng Holdings				37 911 325	19.05
Investment Solutions				16 389 586	8.24
White Wings Trust				15 600 000	7.84
Government Employees Pension Fund				12 963 274	6.51
Investec				11 638 152	5.85
Coronation Fund Managers				8 957 754	4.50
Foord				8 773 680	4.41
Totals				**112 233 771**	**56.40**

BREAKDOWN OF NON-PUBLIC HOLDINGS		
Directors	**No of Shares**	**%**
Soanes, L	**240 000**	**0.12**
Soanes, L	240 000	0.12
Jacobs, BM	**72 295**	**0.04**
Jacobs, BM	72 295	0.04
Joffe, A	**2 665 934**	**1.34**
Joffe, A (indirect via CoroCapital)	2 665 934	1.34
Totals	**2 978 229**	**1.50**
Metair and Associates (Share Trusts and Treasury Stock)	**No of Shares**	**%**
Metair Share Trust	215 812	0.11
Business Venture Investments No.1217	4 203 609	2.11
Totals	**4 419 421**	**2.22**
Empowerment	**No of Shares**	**%**
Royal Bafokeng Metair Trust	37 911 325	19.05
Totals	**37 911 325**	**19.05**

BREAKDOWN OF BENEFICIAL SHAREHOLDERS HOLDING 3% OR MORE		
Beneficial Shareholders Holding 3% or more	**No of Shares**	**%**
Royal Bafokeng Metair Trust	**37 911 325**	**19.05**
Royal Bafokeng Metair Trust	37 911 325	19.05
Investment Solutions	**16 389 586**	**8.24**
Investment Solutions Funds - Specialist	5 513 153	2.77
Investment Solutions Funds - Local	3 612 067	1.82
Investment Solutions - Incubator Pure Equity	2 593 931	1.30
Investment Solutions Funds	1 597 683	0.80
Investment Solutions Funds - Cautions Managed	945 625	0.48
Investment Solutions - Specialist	923 200	0.46
Investment Solutions Funds - Institutional Equity	389 701	0.20
Investment Solutions Funds	196 805	0.10
Investment Solutions Funds - Institutional Equity	160 808	0.08
Investment Solutions Funds - Aggressive Equity	140 982	0.07
Investments Solution Real Return Focus Fund	117 000	0.06
Investment Solutions Funds - Performer Balanced	72 410	0.04
Investment Solutions Funds - Institutional Equity	54 100	0.03
Investment Solutions - Balanced	48 700	0.02
Investment Solutions Funds	11 821	0.01
Investment Solutions Funds	6 800	0.00
Investment Solution Real Return Focus Fund	4 800	0.00
White Wings Trust	**15 600 000**	**7.84**
White Wings Trust	15 600 000	7.84
Government Employees Pension Fund	**12 963 274**	**6.51**
Government Employees Pension Fund	7 827 731	3.93
Government Employees Pension Fund	2 789 893	1.40
Government Employees Pension Fund	897 837	0.45
Government Employees Pension Fund	786 973	0.40
Government Employees Pension Fund	660 840	0.33
Investec	**11 638 152**	**5.85**
Investec Cautious Managed Fund	2 837 786	1.43
Investec Emerging Companies Fund	2 185 683	1.10
Investec Securities - Proprietary STRATE A/C No 2	2 093 476	1.05
Investec Special Focus Fund	1 881 891	0.95
Investec Growth Fund	1 516 298	0.76
Investec Absolute Balanced Fund	1 123 018	0.56
Coronation Fund Managers	**8 957 754**	**4.50**
Corolife Special Opportunities Portfolio	3 446 300	1.73
Coronation Balanced Plus Fund	1 862 300	0.94
Coronation Equity Fund	765 100	0.38
Corolife Managed Portfolio	746 680	0.38
Coronation Capital Plus Fund	695 100	0.35
Coronation Balanced Defensive Fund	338 949	0.17
Corolife Absolute Portfolio	299 290	0.15
Coronation Market Plus Fund	262 200	0.13
Coronation Industrial Fund	181 600	0.09
Coronation Smaller Companies Fund	86 635	0.04
Coronation Domestic Absolute Portfolio	71 200	0.04
Corolife Active Equity Portfolio	66 900	0.03
Corolife Medical Aid Portfolio	48 500	0.02
Coronation Life - Inflation Plus	46 900	0.02
Corolife Absolute Portfolio	19 500	0.01
Coronation Performer Balanced Fund	10 800	0.01
Coronation Houseview Fund	9 800	0.00
Foord	**8 773 680**	**4.41**
Foord Balanced Fund	4 483 567	2.25
Foord Equity Fund	3 304 323	1.66
Foord Absolute Return Fund	985 790	0.50
Totals	**112 233 771**	**56.40**

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 2013 Metair Integrated Annual Report provides stakeholders with information presented in a consistent and comparable framework.

The GRI index that follows on page 79 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 B+.

Sustainability assurance statement

INDEPENDENT THIRD-PARTY ASSURANCE STATEMENT

To the board and stakeholders of Metair Investments Limited (Metair):
Integrated Reporting & Assurance Services (IRAS) was commissioned by Metair to provide independent third party assurance (ITPA) over the sustainability content within the 2013 Integrated Annual Report (hereafter, referred to as 'the Report'), covering the period 01 January to 31 December 2013. The assurance team consisted of Michael H. Rea, our Lead Certified Sustainability Assurance Practitioner, with more than 15 years' experience in environmental and social performance measurement, including sustainability reporting and assurance, and our team of junior associates.

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 undertaken any commissions for Metair that would conflict with our independence. Responsibility for producing this report lay solely with Metair and its report authorship consultants. 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**;
- The sustainability content within the Report meets the reporting requirements of Global Reporting Initiative (GRI) G3 guidelines; and,
- The sustainability content within the Report meets reasonable local and international reporting expectations for transparency and accountability, inclusive of the presence of key sustainability data points (i.e., quantitative performance data).

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;
- Reviews of drafts of the Report to confirm that the GRI's G3 (Application Level B) reporting expectations have been met; and,
- Reviews of drafts of the Report to test for reasonable disclosure of key sustainability data, as assessed against IRAS's Sustainability Data Transparency Index (SDTI).

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 draft reviews. 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, inclusive of the approach to identifying the material issues to be reported on, reasonably meets the GRI's G3 reporting requirements (Application Level B). However, room for improvement continues to exist within

Sustainability assurance statement
continued

the way in which certain performance data is collected, collated and reported.

Although scoring relatively highly against IRAS's SDTI expectations – for the second year in a row, more improvements can yet be made with respect to the collection, collation and reporting of data for key sustainability performance indicators that have not yet been included within either the Sustainability or Integrated Annual Report.

CONCLUSIONS AND RECOMMENDATIONS

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

However, the following recommendations have been identified:

- 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'.
- 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. Metair should ensure that clear explanations are offered with respect to what is measured, how often, via what measurement technique(s), and to who results are reported for control purposes.

Having successfully addressed the requirements of GRI's G3 Application Level B, it is our recommendation that Metair continue to seek process improvement towards the ultimate goal of meeting the GRI's "G4 Comprehensive" level requirements.

For more information about the assurance process employed to assess the sustainability information contained within Metair's 2013 Integrated Annual Report, email michael@iras.co.za.

Integrated Reporting & Assurance Services (IRAS)
17 March 2014
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	26, 30
1.2	Description of key impacts, risks, and opportunities.	Material issues, What we said – what we did, Managing director's report	19, 21, 30
2.	**Organisational Profile**		
2.1	Name of the organisation.	Who we are	3
2.2	Primary brands, products, and/or services.	Who we are, What we do	3, 8
2.3	Operational structure of the organisation, including main divisions, operating companies, subsidiaries, and joint ventures.	Group structure	10
2.4	Location of organisation's headquarters.	Who we are, Inside back cover	3, 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, About this report	2, 3
2.6	Nature of ownership and legal form.	Who we are	3
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/ beneficiaries).	Who we are, What we do	3, 8
2.8	Scale of the reporting organisation.	Financial highlights, Financial review, Value added statement	7, 35, 45
2.9	Significant changes during the reporting period regarding size, structure, or ownership.	About this report	2
2.10	Awards received in the reporting period.	Awards	22
3.	**Report Parameters**		
3.1	Reporting period (e.g., fiscal/calendar year) for information provided.	About this report	2
3.2	Date of most recent previous report (if any).	1 January 2012 – 31 December 2012	
3.3	Reporting cycle (annual, biennial, etc.)	Annual	
3.4	Contact point for questions regarding the report or its contents.	About this report	2
3.5	Process for defining report content.	Material issues	19
3.6	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers).	About this report	2
3.7	State any specific limitations on the scope or boundary of the report (see completeness principle for explanation of scope).	About this report	2
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.	About this report	2
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).	About this report	2
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.	About this report	2
3.12	Table identifying the location of the Standard Disclosures in the report.	This table	79
3.13	Policy and current practice with regard to seeking external assurance for the report.	About this report, Assurance statement	2, 77

Global Reporting Initiative (GRI) Index
continued

Profile Disclosure	Description	Reference and comments	Page No
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	60
4.2	Indicate whether the Chair of the highest governance body is also an executive officer.	Corporate governance	60
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	60
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	Corporate governance, Stakeholder relationships	60, 42
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	70
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided.	Corporate governance	60
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	60
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	60
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.	Corporate governance	60
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organisation.	Corporate governance	60
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organisation subscribes or endorses.	About this report, Corporate governance	2, 60
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	42
4.15	Basis for identification and selection of stakeholders with whom to engage.	Stakeholder relationships	42
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	Stakeholder relationships	42
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	42

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	45
EC2	Financial implications and other risks and opportunities for the organisation's activities due to climate change.	Environment	55
EC3	Coverage of the organisation's defined benefit plan obligations.	Note 24 to the Financial Statements.	161
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	46
EC7	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation.	Transformation	46
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.	Transformation	46
Environmental Performance Indicators			
EN2	Percentage of materials used that are recycled input materials.	Environment, Appendix I	55, 83
EN5	Energy saved due to conservation and efficiency improvements.	Environment	55
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	55
EN7	Initiatives to reduce indirect energy consumption and reductions achieved.	Environment	55
EN8	Total water withdrawal by source.	Environment	55
EN9	Water sources significantly affected by withdrawal of water.	Environment	55
EN10	Percentage and total volume of water recycled and reused.	Appendix I	83
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved.	Environment	55
EN22	Total weight of waste by type and disposal method.	Appendix I	83
EN23	Total number and volume of significant spills.	Environment	55
EN27	Percentage of products sold and their packaging materials that are reclaimed by category.	Environment	55
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	
Labour practices and decent work			
LA1	Total workforce by employment type, employment contract, and region.	Human capital	50
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.	50
LA4	Percentage of employees covered by collective bargaining agreements.	Human capital	50
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region.	Human capital	50
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	50
LA10	Average hours of training per year per employee by employee category.	Human capital	50

Global Reporting Initiative (GRI) Index
continued

Performance Indicators			Page No
Indicator	**Description**	**Reference and comments**	
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	Human capital	50
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.	50, 60, 84
Social: Human Rights			
HR4	Total number of incidents of discrimination and actions taken.	There were no incidents of discrimination reported during the year.	
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	50
HR6	Operations identified as having significant risk for incidents of child labour, and measures taken to contribute to the elimination of child labour.	No operations have a significant risk for incidents of child labour.	
HR7	Operations identified as having significant risk for incidents of forced or compulsory labour, and measures to contribute to the elimination of forced or compulsory labour.	No operations have a significant risk for incidents of forced or compulsory labour.	
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	55
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		2013	2012
Oil	litres	43 713	75 397
Sludge	litres	199 250	285 867
Sludge	tonnes	1 494	
General waste	m^3	295 744	128 007
Hazardous waste	tonnes	68 358	
Hazardous waste	m^3		20 545
Recycling			
Waste recycled	tonnes	3 308	8 318
Oil recycled	litres	33 381	49 481
Thinners recycled	litres		8 804
Chemical drums	each	3 601	

Hazardous waste includes brake dust, silicone waste, hotmelt, paint markers, paint cans, fluorescent tubes, lead dross, filter bags, hard rubber, plastic separators, filter cake, copper sludge and oily rags.

Waste recycled consists of paper, cardboard, plastic, scrap metal, scrapped copper wire, steel, copolymer polypropylene and wooden pallets.

Appendix II – Accreditation

	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**	**ISO/TS 16949**	**Q1 Ford**	**QSB GM**	**Formal Q**	**VCA**	**SABS SANS**
First National Battery Division	✔		✔	✔	N/A	✔	✔	N/A	N/A
Smiths Manufacturing (Pty) Ltd	✔	✔	✔	✔	N/A	✔	N/A	✔	N/A
Hesto Harnesses (Pty) Ltd	✔		✔	✔	N/A	✔	N/A	N/A	N/A
Smiths Plastics (Pty) Ltd	✔		✔	✔	N/A	N/A	N/A	N/A	N/A
Automould (Pty) Ltd	✔		✔	✔	N/A	N/A	N/A	N/A	N/A
Supreme Spring Division	✔		✔	✔	✔	✔	✔	N/A	N/A
Alfred Teves Brake Systems (Pty) Ltd	✔	✔	✔	✔	N/A	N/A	N/A	✔	N/A
Lumotech (Pty) Ltd	✔		✔	✔	✔	N/A	✔	✔	✔
Tenneco Automotive Holdings (Pty) Ltd	✔	✔	✔	✔	✔	✔	✔	N/A	N/A
Valeo Systems South Africa (Pty) Ltd			✔	✔	N/A	N/A	N/A	N/A	N/A
Unitrade 745 (Pty) Ltd	✔		✔	✔	N/A	N/A	N/A	N/A	N/A
Rombat	✔	✔	✔	✔	N/A	N/A	N/A	N/A	N/A

ISO 14001 – Environmental Management System.
OHSAS 18001 – Occupational Health and Safety standard.
ISO 9001 – Quality Management System (similar to ISO/TS 16949) but for non-automotive.
ISO/TS 16949 – Quality Management System based on ISO 9001, but including specific international automotive requirements.
Q1 – a customer-specific requirement for Ford. The foundation is ISO/TS 16949. However, there are specific management systems for Ford Motor Company International.
QSB – GM: Global General Motors Specific Quality Systems Basics 2009.
Formal Q – VW Specific Supplier Quality Review System.
VCA – Vehicle Certification Authority UK is a quality review system for export safety-critical items.
SABS SANS – SABS Mark approval for product and manufacturing facility.

Tenneco, one of the group's associate companies, obtained ISO 50001 accreditation during the year, becoming the first company in the South African automotive component industry to achieve this.

Appendix III – B-BBEE certification

B-BBEE ELEMENTS		Smiths Plastics	Smiths Manufacturing	Lumotech	Supreme	Hesto	Unitrade	FNB	Automould	ATE	Group Total
Ownership	23	20.8	20.35	22.91	20.80	20.35	20.80	20.80	20.80	20.80	188.41
Management Control	11	5.83	3.65		2.49	5.00	8.00	2.39	1.78	6.68	35.82
Employment Equity	18	9.68	7.11	8.80	3.78	13.29	12.88	5.06	12.95	2.31	75.86
Skills Development	15	9.53	9.25	10.60	15.00	4.76	11.05	10.6	10.04	4.77	85.60
Preferential Procurement	20	9.39	19.77	18.32	13.77	15.45	13.07	18.17	13.98	13.36	135.28
Enterprise Development	15	15.00	15.00	15.00	5.96	10.86	4.54	15.00	1.32	15.00	97.68
Socio-Economic Development	5	5.00	4.90	4.76	5.00	1.96	4.72	5.00	5.00	5.00	41.34
TOTAL		**75.23**	**80.03**	**80.39**	**66.8**	**71.67**	**75.06**	**77.02**	**65.87**	**67.92**	**659.99**
Level Contributor		**3**	**3**	**3**	**4**	**4**	**3**	**3**	**4**	**4**	

Appendix IV – Staff complement

(headcount figures in these tables include Hesto employees)

2012												
	Male				Female							
	African	Coloured	Asian	White	African	Coloured	Asian	White	Foreign	Permanent	Contractors	Retrenchments
ATE	79	1	0	14	9	7	1	6	6	123	0	
Lumotech	79	83	2	81	76	142	1	22	3	489	18	
Supreme	282	9	9	55	11	2	0	25	2	395	114	
Unitrade	13	0	9	4	3	0	3	0	0	32	0	
Hesto	125	4	183	9	846	13	423	0	2	1 605	38	
FNB	1 020	98	17	178	51	13	2	64	14	1 457	80	
Automould	144	0	46	9	35	0	14	2	0	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	0	85
Rombat	0	0	0	586	0	0	0	97	0	683	0	
Metair				2				3		5	0	
Total	**2 372**	**227**	**459**	**1 005**	**1206**	**188**	**509**	**227**	**30**	**6 223**	**255**	**122**
Total including contractors								**6 478**				

2013												
	Male				Female							
	African	Coloured	Asian	White	African	Coloured	Asian	White	Foreign	Permanent	Contractors	Retrenchments
ATE	76	1	0	15	11	6	1	5	6	121	0	
Lumotech	75	93	3	76	87	148	1	24	4	511	6	
Supreme	302	10	9	59	11	2	0	24	2	419	92	
Unitrade	15	0	13	3	3	0	3	0	0	37	0	
Hesto	155	3	182	9	1 014	12	426	2	5	1 808	0	
FNB	1 025	103	18	182	52	10	4	62	13	1 469	34	
Automould	146	0	41	8	35	2	13	2	0	247	10	
Smiths Manufacturing	318	23	129	49	83	8	53	7	1	671	12	
Smiths Plastics	284	9	52	12	81	1	8	1	0	448	0	
Rombat	0	0	0	625	0	0	0	94	2	721	1	
Metair	0	0	0	2	0	0	0	3	0	5	0	
Total	**2 396**	**242**	**447**	**1 040**	**1 377**	**189**	**509**	**224**	**33**	**6 457**	**155**	**0**
Total including contractors								**6 612**				

Appendix V – Training by subsidiary

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	38 202						38 202
Total	**80 799**	**374 444**	**931 882**	**2 933 615**	**5 289 788**	**1 355 833**	**10 966 360**

2013 Training Spend (R)							
	Top management	Senior management	Middle management	Junior management	Semi-skilled	Unskilled	Total training spend
ATE			31 478	9 693	21 468		62 639
Lumotech	15 375	60 590	20 576	327 873	152 862	189 508	766 784
Supreme	10 060	18 738	76 067	374 535	635 893	30 193	1 145 486
Unitrade		2 103	1 448	2 055	177 909		183 514
Hesto	1 815	19 602	188 171	967 741	227 973		1 405 302
FNB	8 782	19 332	150 708	589 627	1 890 618	304 791	2 963 859
Automould			55 909	25 413	69 124		150 446
Smiths Manufacturing		68 648	158 375	596 854	1 636 009	235 910	2 695 796
Smiths Plastics			25 764	4 100	183 416	19 557	232 836
Rombat	8 273	21 732			133 332		163 337
Head Office	36 000	18 000	18 000	18 000			90 000
Total	**80 304**	**228 745**	**726 496**	**2 915 890**	**5 128 604**	**779 959**	**9 859 999**

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	60
1.2	The board should ensure that the company is and is seen to be a responsible corporate citizen.	⬆	Corporate governance report	60
1.3	The board should ensure that the company's ethics are managed effectively.	➡	Corporate governance report/social and ethics committee report	60, 69
2.	**BOARDS AND DIRECTORS**			
2.1	The board should act as the focal point for the custodian of corporate governance.	⬆	Corporate governance report	60
2.2	The board should appreciate that strategy, risk, performance and sustainability are inseparable.	⬆	Corporate governance report – group risk management	62
2.3	The board should provide effective leadership based on an ethical foundation.	⬆	Corporate governance report	60
2.4	The board should ensure that it is and is seen to be a responsible corporate citizen.	⬆	Corporate governance report	60
2.5	The board should ensure that the company's ethics are managed effectively.	⬆	Corporate governance report/social and ethics committee report	60, 69
2.6	The board should ensure that the company has an effective and independent audit committee.	⬆	Corporate governance report – board audit and risk committee	61
2.7	The board should be responsible for the governance of risk.	⬆	Corporate governance report – group risk management	62
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	61
2.10	The board should ensure that there is an effective risk-based internal audit.	⬆	Corporate governance report – board audit and risk committee	61
2.11	The board should appreciate that stakeholders' perceptions affect the company's reputation.	⬆	Stakeholder relationships	42
2.12	The board should ensure the integrity of the company's integrated report.	⬆	About this report	2
2.13	The board should report on the effectiveness of the company's system of internal controls.	⬆	Board audit and risk committee report	67
2.14	The board and its directors should act in the best interest of the company.	⬆	Corporate governance report	60
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	61
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	60
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	60
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	60
2.19	Directors should be appointed through a formal process.	⬆	Remuneration report	70
2.20	The induction of an ongoing training and development of directors should be conducted through formal processes.	⬆	Remuneration report	70
2.21	The board should be assisted by a competent, suitably qualified company secretary.	⬆	Corporate governance report	60
2.22	The evaluation of the board, its committees and the individual directors should be performed every year.	⬆	Corporate governance report	60
2.23	The board should delegate certain functions to well-structured committees but without abdicating its own responsibilities.	⬆	Corporate governance report	60
2.24	A governance framework, including strategic objectives of the policy, should be agreed between the group and its subsidiary boards.	⬆	Corporate governance report	60

Apply ⬆ Needs improvement ➡ Do not apply ⬇

		Apply/ In progress/ Do not apply	Reference and Comments	Page No
2.25	Companies should remunerate directors and executives fairly and responsibly.	⬆	Remuneration report	70
2.26	Companies should disclose the remuneration of each individual director and certain senior executives.	⬆	Remuneration report Annual financial statements – Note 3	70, 121
2.27	Shareholders should approve the company's remuneration policy.	⬆	Notice to shareholders	178
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	61
3.2	Audit committee members should be suitably skilled and experienced independent non-executive directors.	⬆	Board audit committee report	67
3.3	The audit committee should be chaired by an independent non- executive director.	⬆	Board audit committee report	67
3.4	The audit committee should oversee integrated reporting.	⬆	Board audit committee report	67
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	67
3.6	The audit committee should satisfy itself of the expertise, resources and experience of the company's finance function.	⬆	Board audit committee report	67
3.7	The audit committee should be responsible for overseeing the internal audit.	⬆	Board audit committee report	67
3.8	The audit committee should be an integral component of the risk management process.	⬆	Board audit committee report	67
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	67
3.10	The audit committee should report to the board and shareholders on how it has discharged its duties.	⬆	Board audit committee report	67
4.	**THE GOVERNANCE OF RISK**			
4.1	The board should be responsible for the governance of risk.	⬆	Corporate governance report – group risk management	62
4.2	The board should determine the levels of risk tolerance.	⬆	Corporate governance report – group risk management	62
4.3	The risk committee or audit committee should assist the board in carrying out its risk responsibilities.	⬆	Corporate governance report – group risk management	62
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	62
4.5	The board should ensure that risk assessments are performed on a continual basis.	⬆	Corporate governance report – group risk management	62
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	62
4.7	The board should ensure that management considers and implements appropriate risk responses.	⬆	Corporate governance report – group risk management	62
4.8	The board should ensure continuous risk monitoring by management.	⬆	Corporate governance report – group risk management	62
4.9	The board should receive assurance regarding the effectiveness of the risk management process.	⬆	Corporate governance report – group risk management	62
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	62

Appendix VI – King III checklist
continued

		Apply/ In progress/ Do not apply	Reference and Comments	Page No
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	64
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	62
5.4	The board should monitor and evaluate significant IT investments and expenditure.	⬆	Forms part of risk management, Financial review	35
5.5	IT should form an integral part of the company's risk management.	⬆	Corporate governance report – group risk management	62
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	62
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	67
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	60
6.3	Compliance should form an integral part of the company's risk management process.	⬆	Corporate governance report – group risk management	62
6.4	The board should delegate to management the implementation of an effective compliance framework and processes.	⬆	Corporate governance report	60
7	**INTERNAL AUDIT**			
7.1	The board should ensure that there is an effective risk -based internal audit.	⬆	Board audit committee report	67
7.2	Internal audit should follow a risk based approach to its plan.	⬆	Corporate governance report	60
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	60
7.4	The audit committee should be responsible for overseeing the internal audit.	⬆	Corporate governance report	60
7.5	Internal audit should be strategically positioned to achieve its objectives.	⬆	Corporate governance report	60
8.	**GOVERNING STAKEHOLDER RELATIONSHIPS**			
8.1	The board should appreciate that stakeholders' perceptions affect the company's reputation.	⬆	Stakeholder relationships	42
8.2	The board should delegate to management to proactively deal with stakeholder relationships.	⬆	Stakeholder relationships	42
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	42
8.4	Companies should ensure the equitable treatment of shareholders.	⬆	Stakeholder relationships	42
8.5	Transparent and effective communications with stakeholders is essential for building and maintaining their trust and confidence.	⬆	Stakeholder relationships	42
8.6	The board should ensure that disputes are resolved as effectively, efficiently and expeditiously as possible.	⬆	Stakeholder relationships	42
9.	**INTEGRATED REPORTING AND DISCLOSURE**			
9.1	The board should ensure the integrity of the company's integrated report.	⬆	About this report	2
9.2	Sustainable reporting and disclosure should be integrated with the company's financial reporting.	⬆	Integrated annual report 2013	
9.3	Sustainability reporting and disclosure should be independently assured.	⬆	Sustainability assurance statement	77

Apply ⬆ Needs improvement ➡ Do not apply ⬇

Annual Financial Statements

Contents

LEVEL OF ASSURANCE

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

PREPARER

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

PUBLISHED

24 March 2014

Company secretary: **Sanet Vermaak**
Registration number: 1948/031013/06
ISIN: ZAE 000090692
JSE share code: MTA

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PO Box 2077
Saxonwold
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Telephone: +27 11 646 3011
Fax: +27 11 646 3102
Email: sanet@metair.co.za

Statement of responsibility
by the board of directors

The directors are responsible for maintaining proper accounting records and the preparation, integrity, and fair presentation of the financial statements of Metair Investments Limited (Metair) 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 annual 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 annual 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 annual financial statements as set out in this report have been prepared by the directors in accordance with International Financial Reporting Standards (IFRS) and the requirements of the South African Companies Act 71, 2008 (Companies Act of South Africa).

They are based on appropriate accounting policies, which have been applied consistently and are supported by reasonable and prudent judgements and estimates. The directors also prepared the other information included in the annual report and are responsible for both its accuracy and consistency with the annual financial statements. The annual 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 2013 set out on pages 92 to 177 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 95.

Certificate by company secretary

In my capacity as company secretary, I hereby confirm, in terms of section 33(1) of the Companies Act of South Africa, that for the year ended 31 December 2013, 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
24 March 2014

Directors' report
for the year ended 31 December 2013

The directors have pleasure in submitting their report for the year ended 31 December 2013.

GENERAL REVIEW

The main business of the group is the manufacture and supply of motor vehicle components for the original equipment and aftermarket sector in both local and export markets. The group also manufactures non-automotive products. The annual financial statements, on pages 92 to 177 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 R341.4 million (2012: R440.5 million).

DIVIDENDS

The following dividends were declared for ordinary shares:	2013 R'000	2012 R'000
Declared and paid – 2012		
Ordinary dividend – 95 cents per share	139 049	
Declared and paid – 2011		
Ordinary dividend – 72 cents per share		101 884

A dividend of 70 cents per share was declared in respect of the year ended 31 December 2013.

STATED CAPITAL/SHARE CAPITAL AND PREMIUM

Ordinary shares with a par value of 2 cents each in the authorised and issued share capital were converted into ordinary shares with no par value (effective on 4 December 2013).

The number of authorised ordinary shares increased from 187 500 000 to 400 000 000 by the creation of an additional 212 500 000 shares of no par value.

46 454 011 ordinary shares of no par value in the authorised share capital were issued at a price of R32.29 per share on 10 December 2013.

Full details on the present position of the company's share capital are set out in the notes to the annual financial statements.

Share incentive scheme's particulars relating to options under the share option scheme and awards under the share plans are given in note 14 to the annual financial statements.

CHANGES IN NON-CURRENT ASSETS

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

	R'000
– Acquisition of subsidiary (Mutlu group)	1 595 895
– Additions	134 643
– Disposals	(10 838)

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

	R'000
– Acquisition of subsidiary (Mutlu group)	1 201 231
– Additions	384

DIRECTORS

The composition of the board of directors is set out on page 23.

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 176.

During the year the group acquired a 100% shareholding in Mutlu Holding Anonim Şirketi and other companies within the group (Mutlu group) (refer note 9 and note 28.1).

HOLDING COMPANY

The company has no holding company.

AUDITORS

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

RESOLUTIONS

The following special resolutions, the nature of which might be significant to members in their appreciation of the state of affairs of the group were passed at a general meeting held on 3 December 2013:

Special Resolution 1 – Approval of the share capital conversion

Resolved as a special resolution that, in terms of Regulation 31 of the Companies Regulations, all the ordinary shares of the company, comprising 187 500 000 authorised and 152 531 875 issued shares having a par value of 2 cents each, be and are hereby converted into ordinary shares of no par value on the basis that each ordinary no par value share shall have the same value, rights and privileges, as the value, rights and privileges which attached to such shares immediately prior to the passing of this special resolution 1 and that the whole of the amounts standing to the credit of the ordinary share capital account and the share premium account of the company be transferred to the stated capital account of the company, and that the Memorandum of Incorporation of the company be amended accordingly.

Special Resolution 2 – Approval of the share capital increase

Resolved as a special resolution that, in terms of section 36 of the Companies Act of South Africa, the number of authorised ordinary shares of the company be and is hereby increased from 187 500 000 ordinary shares of no par value to 400 000 000 ordinary shares of no par value, and that the Memorandum of Incorporation of the company be amended accordingly.

Special Resolution 3 – Consequential amendments to the company's Memorandum of Incorporation

Resolved as a special resolution that, the company's Memorandum of Incorporation be and is hereby consequentially amended as follows:

(a) The definition of 'Ordinary Share' in Article 1 of the Memorandum of Incorporation is amended by the deletion of the words '[a share] ~~in the Capital, irrespective of the nominal par value thereof~~, [which entitles…]' and the substitution therefor of the following words '[a share] of no par value [which entitles …]';

(b) Article 5.1 of the company's Memorandum of Incorporation is deleted in its entirety and replaced with the following:

'5.1 The company is authorised to issue 400 000 000 Ordinary Shares.'

(c) Article 14.1.7 of the company's Memorandum of Incorporation is deleted in its entirety and the existing Articles 14.1.8, 14.1.9 and 14.1.10 are consequentially renumbered as, respectively, Articles 14.1.7, 14.1.8 and 14.1.9;

(d) Article 15.1 of the company's Memorandum of Incorporation is amended by the deletion of the words '…, ~~or any sum received by way of premium on the issue of any shares~~, …' in the 7th line thereof;

(e) Article 19.1 is amended by:

(i) the deletion of the colon at the end of Article 19.1 (and before sub-article 19.1.1);

(ii) the insertion of the following words at the end of Article 19.1 (and after the aforesaid deleted colon):

(iii) '[….:] be entitled to one vote in respect of each no par value share he holds.'; and

(iv) the deletion of sub-articles 19.1.1 and 19.1.2 in their entirety.

Special Resolution 4 – Issue of the vendor consideration placement shares

Resolved as a special resolution that, in terms of section 41(3) of the Companies Act of South Africa, the issue of the vendor consideration placement shares to placees, on the terms and conditions set out in the circular to which this notice of general meeting was attached, be and is approved.

Special Resolution 5 – Approval of financial assistance by the company

Resolved as a special resolution that the Metair shareholders hereby approve of the company providing, at any time and from time to time during the period of two years commencing on the date of this special resolution, any direct or indirect financial assistance as contemplated in sections 44 and 45 of the Companies Act of South Africa to any one or more related or inter-related companies or corporations of the company and/or to any one or more members of any such related or inter-related company or corporation and/or to any one or more persons related to any such company or corporation, provided that:

(a) the recipient or recipients of such financial assistance, the form, nature and extent of such financial assistance and the terms and conditions under which such financial assistance is provided, are determined by the Metair board from time to time;

(b) the Metair board may not authorise the company to provide

Directors' report
continued

any financial assistance pursuant to this special resolution unless the Metair board meets all those requirements of sections 44 and 45 of the Companies Act of South Africa which it is required to meet in order to authorise the company to provide such financial assistance; and

(c) such financial assistance to a recipient thereof is, in the opinion of the Metair board, required for the purpose of:

(i) securing (in its widest sense) funding and/or any refinancing of the debt facilities contemplated by the debt arrangements; and/or

(ii) funding the growth, expansion, reorganisation or restructuring of the businesses or operations of such recipient; and/or

(iii) meeting all or any of such recipient's operating expenses (including capital expenditure); and/or

(iv) funding such recipient for any other purpose which in the opinion of the Metair board is directly or indirectly in the interests of the company.

Special Resolution 6 – Approval of financial assistance by subsidiaries

In that the obligations to Absa to be assumed by the company and those subsidiaries of the company who are intended to be parties to the facilities agreement will constitute direct and/or indirect financial assistance by each of them to the company and its related and inter-related companies within the meaning of sections 44(2) and 45(2) of the Companies Act of South Africa, the Metair directors, having carefully considered the purpose for which the debt facilities (or any refinancing thereof) are to be applied, the import of the proposed transaction for the Metair group, the nature of the security to be provided by the company and its applicable subsidiaries and the obligations to be assumed by each of them under the debt arrangements, and having had due regard to the financial position as at date hereof of the company and such subsidiaries, are satisfied that the company and the subsidiaries who will be or become a party to the facilities agreement would satisfy the solvency and liquidity test (as contemplated in section 4 of the Companies Act of South Africa) immediately after providing such direct and/or indirect financial assistance; that the terms under which such financial assistance is proposed to be given are fair and reasonable to the company and those subsidiaries; and that all conditions and/or restrictions (if any) in respect of the granting of financial assistance contained in the respective Memoranda of Incorporation of the company and such subsidiaries have been satisfied.

Resolved as a special resolution that the provision of direct and/or indirect financial assistance by the company and its subsidiaries who are intended to be or become parties to the facilities agreement, on substantially the terms and conditions and in the manner provided for in that agreement (and as summarised in Annexure 4 to the Circular of which the notice forms part), and any refinancing of the loan facilities referred to in the facilities agreement by way of term debt facilities on materially no less favourable commercial terms, be and it is hereby authorised and approved.

POST-BALANCE SHEET EVENTS

The mandatory tender offer in Turkey closed on 11 March 2014 and Metair owns 96.4% of Mutlu Akü shares. There were no other significant post-balance sheet events that require disclosure in the annual financial statements.

APPROVAL OF ANNUAL FINANCIAL STATEMENTS

The directors have approved the annual financial statements on pages 91 to 177 which are signed on their behalf by:

OME Pooe
Chairman

CT Loock
Managing director

Johannesburg
24 March 2014

Independent auditor's report
to the shareholders of Metair Investments Limited

We have audited the consolidated and separate annual financial statements of Metair Investments Limited, set out on pages 96 to 177, which comprise the balance sheets as at 31 December 2013, 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 consolidated and separate 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 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 2013, 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 OF SOUTH AFRICA

As part of our audit of the consolidated and separate financial statements for the year ended 31 December 2013, 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
24 March 2014

Accounting policies

PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated annual financial statements are set out below. These policies have been consistently applied to all the years presented, except for the adoption of IFRS 10 (refer note 29).

BASIS OF PREPARATION

The consolidated annual 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 derivative financial instruments, which are shown at fair value.

The preparation of the consolidated annual 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 164.

(a) Standards, amendments and interpretations effective in 2013

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 has had no impact on the group as there are no joint arrangements.

Amendment to IFRS 7 – Financial Instruments: Disclosures – Asset and Liability offsetting (effective from 1 January 2013): The International Accounting Standards Board (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.

The amendment has been applied and had no significant impact.

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.

The amendments had minimal effects on the group.

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.

The amendments had minimal effects on the group.

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.

In considering the implication of the new requirements, Hesto Harnesses (Pty) Ltd (Hesto) was reclassified from a subsidiary to an associate. Hesto is equity accounted (refer notes 9 and 29).

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 has amended the disclosures for the requirements (refer note 10).

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 IFRS 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 IFRS or US GAAP.

The impact was not considered to be significant as the group predominantly carries derivative instruments at fair value.

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.

The impact was 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.

Hesto is now equity accounted as an associate.

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 has applied the transitional requirements (refer note 29).

Annual Improvements issued May 2012: Improvements to IFRSs (issued May 2012) was issued by the IASB as part of the 'annual improvements process' resulting in the following amendments to standards issued and effective for 31 December 2013 year-ends:

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 (due to 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 tax relating to distributions and transaction costs. The amendment clarifies that the treatment is in accordance with IAS 12. Income tax related to distributions is recognised in the income statement, and income tax 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 in 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 Maker (CODM) and there has been a material change in those measures since the last annual financial statements.

Accounting policies
continued

(b) Standards, amendments and interpretations effective in 2013 but not relevant to the group
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.

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.

(c) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the group
A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2013, and have not been applied in preparing these annual financial statements. None of these is expected to have a significant effect on the annual financial statements of the group, except the following set out below:

- *IFRS 9 – Financial instruments:* IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces parts of IAS 39 that related to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch.

  The group is yet to assess IFRS 9's full impact. The group will consider the impact of the remaining phases of IFRS 9 when completed by the board.

- *IFRIC 21 – Accounting for levies (effective for financial periods beginning on/after 1 January 2014):* IFRIC 21, 'Levies', sets out the accounting for an obligation to pay a levy that is not income tax. The interpretation addresses diversity in practice around when the liability to pay a levy is recognised.

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

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the group.

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

BASIS OF CONSOLIDATION

(a) Subsidiaries
The consolidated annual financial statements incorporate the annual 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 all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are no longer consolidated from the date that control is lost.

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

The consideration transferred for the acquisition of a subsidiary is measured at the fair value of the assets transferred, the liabilities incurred to the former owners of the 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. Acquisition-related costs are expensed in the period in which the costs are incurred or services received.

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

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

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 or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

Changes 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.

Mandatory purchase of non-controlling interests in business combinations

The acquisition of an additional ownership interest in an acquired subsidiary from the non-controlling interest arising from a mandatory tender offer required by the local laws and regulations, is accounted for as one single acquisition that is completed over a period of time.

The existence of the statutory obligation to the non-controlling interest is recognised as a financial liability based on the expected payments. The liability for the mandatory tender offer is recognised at the date control is obtained of the acquiree.

Disposals of subsidiaries

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

(b) Non-controlling interest

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 excluding the non-controlling interest's portion of share based payment reserve.

Non-controlling interests are not recognised to the extent of mandatory tender offers (refer above).

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

(c) 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 or loss where appropriate.

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

Unrealised gains on transactions between the group and its associates are eliminated to the extent of the group's interest in associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Dilution gains or losses arising on investments in associates are recognised in the income statement.

If an associated company applies accounting policies that are recognised as being materially different to those adopted by the group, appropriate adjustments are made to the consolidated annual financial statements, prior to equity accounting.

The group's share of associated earnings less dividends received is transferred to a non-distributable reserve within the statement of changes in equity. For the purposes of the cash flow statement dividends received from associates are disclosed as operating cash flows as these enter into the determination of net profit or loss.

(d) Joint arrangements

Under IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The group has assessed the nature of its investments and determined that it has no joint arrangements.

FOREIGN CURRENCIES TRANSLATION

(a) Functional and presentation currency

Items included in the annual 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 annual financial statements are presented in South African Rands (ZAR), which is the company's functional and the group's presentation currency.

(b) Transactions and balances

Transactions denominated in foreign currencies are translated into the functional currency at the rate of exchange ruling at the transaction date and if remeasured on date of remeasurement. Foreign exchange gains or losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised within other 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 reporting date.

(c) 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 or liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

INTANGIBLES

(a) Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred in an acquisition over the group's share in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquired and the amount of the non-controlling interest in the acquiree. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates and is tested for impairment as part of the overall balance. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed and is recognised in profit or loss. The carrying value of goodwill is compared to the recoverable amount which is the higher of value-in-use and the fair value less cost to sell. Goodwill is allocated to 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. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level. Gains or losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(b) Trademarks and licences

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

Trademarks	15 years
Licences	15 years

(c) Customer relationships

Customer relationships are recognised at cost, or if they were acquired in a business combination they are recognised at fair value at the acquisition date. These intangibles have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is charged to the income statement on a straight line basis over the following estimated useful lives:

Customer relationships	5 –15 years

(d) Brands

Brands are recognised at cost, or if they were acquired in a business combination they are recognised at fair value at the acquisition date. These intangibles have a finite useful life and are carried at cost less accumulated amortisation, except for the Mutlu Akü brand which has been assessed by management as an indefinite useful life intangible asset. Amortisation is charged to the income statement on a straight line basis over the useful life of the asset of 25 years. The indefinite life intangible assets are tested for impairment annually.

Subsequent expenditure on acquired intangible assets is capitalised only when the cost meets the definition and recognition criteria of IAS 38 and the costs can be reliably measured.

PROPERTY, PLANT AND EQUIPMENT

(a) Owned assets

Land and buildings comprise mainly factories and offices. All property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

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

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

Buildings	50 years
Plant and equipment	3 – 20 years
Vehicles and machinery (capitalised leases)	3 – 5 years

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Residual values and useful lives of all assets are reviewed, and adjusted if appropriate, on an annual basis. In addition, depreciation of an item of property, plant and equipment is to begin when it is available for use and ceases at the earlier

Accounting policies
continued

of the date it is classified as held for sale or the date that it is derecognised upon disposal. Expenditure incurred on the construction of property, plant and equipment is capitalised within property, plant and equipment and depreciated once brought into use.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains or losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within other operating income and expenses in the income statement.

(b) Assets held under finance leases
Assets leased in terms of finance lease agreements are capitalised. These are leases were a significant portion of the risk and rewards are taken up by the group. 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 their estimated residual value at rates considered appropriate to reduce book values over the shorter of the duration of the lease agreements or useful life of the assets. Finance costs are charged to the income statement over the period of the lease. Finance leases are capitalised at the estimated present value of the underlying lease payments. Each lease payment is allocated between the liability and the finance charge so as to achieve a constant rate on the finance balance outstanding.

LEASES

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

IMPAIRMENT OF NON-FINANCIAL ASSETS

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

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

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

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

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

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

Non-financial assets other than goodwill that suffered 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 and are not considered to be qualifying assets. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

CURRENT AND DEFERRED TAX

(a) Current income tax
The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity respectively. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the countries where the company and its subsidiaries

operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred tax assets and liabilities

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

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

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the group is unable to control the reversal of the temporary difference for associates. Only where there is an agreement in place that gives the group the ability to control the reversal of the temporary difference not recognised.

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

PROVISIONS

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

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

TRADE PAYABLES

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

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

REVENUE

Revenue is recognised only when it is probable that the economic benefits associated with a transaction will flow to the group and the amount of revenue can be measured reliably and when specific criteria have been met for each of the group's activities as described below.

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

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

(a) 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 manufactures 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 obligations 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 at fair value based on the price specified in the sales contracts or agreed pricing.

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

(c) 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), the Productive Asset Allowance (PAA), the Automotive Production and Development Programme (APDP) and other state and schemes (foreign).

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.

Grants are classified as non-current to the extent that they are long-term in nature.

Government grants that compensate the group for expenses incurred are recognised in the income statement as other operating income when there is reasonable assurance that they will be received and that the group will comply with the conditions attached to the grants. These are recognised over the period necessary to match them with the costs that they are intended to compensate.

Grants are recognised at their fair value when there is a reasonable assurance that the grant will be received and the group will comply with all attached conditions.

EARNINGS PER SHARE

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

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

Headline earnings is earnings as determined by IAS 33, excluding 'separately identifiable re-measurements' (as defined in SAICA Circular 3/2012), net of related tax (both current and deferred) and related non-controlling interest, other than re-measurements specifically included in headline earnings 'including re-measurements' (as defined in SAICA Circular 3/2012).

FINANCIAL INSTRUMENTS

Financial instruments carried at the reporting 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:

– edges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or
– edges 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.

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 reporting 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.

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 or 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 reporting 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 reporting date. These are classified as non-current assets. Loans and receivables are classified as 'trade and other receivables' in the balance sheet (refer note 12), 'short-term loans – subsidiaries' (refer note 9) and 'cash and cash equivalents' (refer note 13).

Recognition and measurement

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

(i) Significant financial difficulty of the issuer or obligor;
(ii) A breach of contract, such as a default of payment terms (also refer to trade receivables below);
(iii) 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;
(iv) When it becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
(v) The disappearance of an active market for that financial asset because of financial difficulties; or
(vi) Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
   - Adverse changes in the payment status of borrowers in the portfolio; and
   - National or local economic conditions that correlate with defaults on the assets in the portfolio.

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

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

Impairment testing of trade receivables is described in the accounting policy note on trade receivables.

TRADE RECEIVABLES

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest 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 method; any difference between proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowing. Borrowing costs are expensed unless capitalised as part of the cost of a qualifying asset, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

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

EMPLOYEE BENEFITS

(a) 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 reporting date.

(b) Retirement benefits

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

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

(c) 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 reporting 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. The discount rate used is interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

Accounting policies
continued

In South Africa there is no deep and liquid market in such bonds and therefore the market rates on government bonds are used.

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

Past-service costs are recognised immediately in the income statement.

(d) 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.

(e) 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 or losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income in the statement of comprehensive income in the period in which they arise. Valuations of these obligations are carried out by independent qualified actuaries.

(f) Share-based payment transactions

The group operates an equity settled share-based payment compensation plan.

The fair value of share options, share appreciation rights, 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 reporting date, the entity revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, for equity settled share-based payments, in the income statement, with a corresponding adjustment to equity.

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

The group's net vesting impact on the vesting of share-based payment obligations 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 tax effects, and 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 annual financial statements in the period in which the dividends are approved by the company in a general meeting or the board.

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 TAX ON COMPANIES AND DIVIDENDS TAX

Secondary tax on companies (STC) was provided in respect of net dividends declared up to 31 March 2012 and is recognised as a tax charge. STC was abolished in April 2012 and the 15% dividends withholding tax 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 2013

	Notes	GROUP 2013 R'000	GROUP 2012 Restated R'000	GROUP As at 1 January 2012 Restated R'000	COMPANY 2013 R'000	COMPANY 2012 Restated R'000
ASSETS						
Non-Current Assets		**4 299 084**	1 462 435	894 203	**2 078 106**	520 699
Property, plant and equipment	7	**2 844 929**	1 191 499	706 811		
Intangible assets	8	**1 243 531**	84 494	16 728		
Interest in subsidiaries	9				**2 075 312**	517 905
Investment in associates	10	**199 786**	175 939	159 398	**2 794**	2 794
Deferred taxation	17	**10 838**	10 503	11 266		
Current Assets		**3 150 242**	1 831 434	1 435 124	**310 439**	149 995
Inventory	11	**1 264 241**	755 274	579 792		
Trade and other receivables	12	**1 274 387**	667 665	478 003	**154**	144
Taxation		**21 002**	424	4 869		
Short-term loans – subsidiaries	9				**306 104**	149 374
Derivative financial assets	21.5	**15 870**	162	615		
Cash and cash equivalents	13	**574 742**	407 909	371 845	**4 181**	477
Total Assets		**7 449 326**	3 293 869	2 329 327	**2 388 545**	670 694
EQUITY AND LIABILITIES						
Capital and Reserves						
Stated capital/share capital and premium	14	**1 497 931**	42 876	42 876	**1 497 931**	42 876
Treasury shares	14	**(45 241)**	(72 232)	(113 509)		
Share-based payment reserve	15.1	**58 215**	33 287	17 584	**17 561**	11 666
Hedging reserve	15.2			(3 471)		
Foreign currency translation reserve	15.3	**87 809**	36 660			
Equity accounted earnings	15.4	**190 742**	171 895	154 309		
Retained earnings	15.5	**1 897 909**	1 755 168	1 485 063	**720 783**	613 866
Ordinary shareholders equity		**3 687 365**	1 967 654	1 582 852	**2 236 275**	668 408
Non-controlling interest	15.6	**101 387**	85 076	79 022		
Total Equity		**3 788 752**	2 052 730	1 661 874	**2 236 275**	668 408
Non-Current Liabilities		**1 655 008**	289 265	110 828		
Borrowings	16	**1 021 976**	183 804	27 458		
Post-employment benefits	24	**107 685**	28 499	24 860		
Deferred taxation	17	**378 954**	60 590	58 510		
Deferred grant income	18	**125 313**				
Provision for liabilities and charges	19	**21 080**	16 372			
Current Liabilities		**2 005 566**	951 874	556 625	**152 270**	2 286
Trade and other payables	18	**1 472 949**	602 399	430 683	**13 992**	2 286
Borrowings	16	**180 796**	67 398	24 627		
Taxation		**41 682**	11 601	7 541		
Provisions for liabilities and charges	19	**141 406**	71 366	58 607		
Short-term loans – subsidiaries	9				**138 278**	
Derivative financial liabilities	21.5	**1 492**	7 629	10 061		
Bank overdrafts	13	**167 241**	191 481	25 106		
Total Liabilities		**3 660 574**	1 241 139	667 453	**152 270**	2 286
Total Equity and Liabilities		**7 449 326**	3 293 869	2 329 327	**2 388 545**	670 694

Income statements

for the year ended 31 December 2013

		GROUP		COMPANY	
	Notes	2013 R'000	2012 Restated R'000	2013 R'000	2012 R'000
Revenue	1	**5 227 426**	4 603 150		
Cost of sales		**(4 177 984)**	(3 542 121)		
Gross profit		**1 049 442**	1 061 029		
Other operating income	3	**98 087**	67 342	**343 870**	335 166
Distribution costs		**(222 328)**	(174 954)		
Administrative expenses		**(451 732)**	(368 936)		
Other operating expenses		**(27 855)**	(14 672)	**(1 783)**	(14 345)
Operating profit	3	**445 614**	569 809	**342 087**	320 821
Interest income	2	**15 421**	19 206	**1**	5
Interest expense	2	**(27 888)**	(26 457)		(4 082)
Share of results of associates	10	**61 924**	78 921		
Profit before taxation	3	**495 071**	641 479	**342 088**	316 744
Taxation	4	**(121 172)**	(166 903)		(12 354)
Profit for the year		**373 899**	474 576	**342 088**	304 390
Attributable to:					
Equity holders of the company		**341 376**	440 543	**342 088**	304 390
Non-controlling interests		**32 523**	34 033		
		373 899	474 576	**342 088**	304 390
Earnings per share					
Basic earnings per share (cents)	5	**229**	310		
Diluted earnings per share (cents)	5	**223**	304		

Statements of comprehensive income

for the year ended 31 December 2013

	Notes	GROUP 2013 R'000	GROUP 2012 Restated R'000	COMPANY 2013 R'000	COMPANY 2012 R'000
Profit for the year		**373 899**	474 576	**342 088**	304 390
Other comprehensive income:					
Items that will not be reclassified to profit or loss:					
– Actuarial gains/(losses) recognised	24	**395**	(1 321)		
– Taxation effect	17	**(157)**	296		
		238	(1 025)		
Items that may be reclassified to profit or loss:					
– Exchange gains arising on translation of foreign operations	15.3	**51 881**	36 845		
– Cash flow hedges	15.2	**110 377**	(7 548)		
– Taxation effect	17		(1 350)		
		162 258	27 947		
Other comprehensive income for the year net of taxation		**162 496**	26 922		
Total comprehensive income for the year		**536 395**	501 498	**342 088**	304 390
Attributable to:					
Equity holders of the company		**503 182**	467 280	**342 088**	304 390
Non-controlling interests	15.6	**33 213**	34 218		
		536 395	501 498	**342 088**	304 390

Statement of changes in equity

for the year ended 31 December 2013

GROUP	Notes	Stated capital R'000	Share capital and premium R'000	Treasury shares R'000	Other reserves 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 2013									
Balance as at 1 January 2013 (Restated)	14, 15		42 876	(72 232)	241 842	1 755 168	1 967 654	85 076	2 052 730
Net profit for the year	15					341 376	341 376	32 523	373 899
Other comprehensive income	15				161 526	280	161 806	690	162 496
Total comprehensive income for the period	15				161 526	341 656	503 182	33 213	536 395
Conversion of par value ordinary shares to ordinary shares of no par value	14	42 876	(42 876)						
Proceeds from shares issued	14	1 500 000					1 500 000		1 500 000
Share issue costs	14	(44 945)					(44 945)		(44 945)
Employee share option scheme:									
– Value of service provided	15.1				9 747		9 747		9 747
– Deferred taxation	15.1				15 767		15 767		15 767
Vesting of share-based payment obligation:									
– Utilisation of treasury shares to settle obligation	14, 15.1			25 896	(25 896)				
– Estimated taxation effect of utilisation of treasury shares	15.1				(15 123)		(15 123)		(15 123)
– Transfer of net vesting impact to retained earnings	15.1, 15.5				41 019	(41 019)			
Loss on settlement of old scheme	15.1				(586)		(586)		(586)
Shares disposed by the Metair Share Trust	14			1 095			1 095		1 095
Transfer to acquisition of subsidiary	15.2				(110 377)		(110 377)		(110 377)
Transfer of associate profit and dividend	15.4				18 847	(18 847)			
Dividend*	15.5					(139 049)	(139 049)	(16 902)	(155 951)
Balance as at 31 December 2013	14, 15	1 497 931		(45 241)	336 766	1 897 909	3 687 365	101 387	3 788 752
Year ended 31 December 2012 (Restated)									
Balance as at 1 January 2012 (as previously reported)			42 876	(113 509)	53 565	1 599 664	1 582 596	118 812	1 701 408
Effect of changes in accounting policies					114 857	(114 601)	256	(39 790)	(39 534)
Balance as at 1 January 2012 (Restated)	15		42 876	(113 509)	168 422	1 485 063	1 582 852	79 022	1 661 874
Net profit for the year	15					440 543	440 543	34 033	474 576
Other comprehensive income	15				27 762	(1 025)	26 737	185	26 922
Total comprehensive income for the period	15				27 762	439 518	467 280	34 218	501 498
Non-controlling interest arising on acquisition of subsidiary	15.6							2 055	2 055
Employee share option scheme:									
– Value of service provided	15.1				8 574		8 574		8 574
– Deferred taxation	15.1				11 817		11 817		11 817
Vesting of share-based payment obligation:									
– Utilisation of treasury shares to settle obligation	14, 15.1			34 289	(34 289)				
– Estimated taxation effect of utilisation of treasury shares	15.1				(16 148)		(16 148)		(16 148)
– Transfer of net vesting impact to retained earnings	15.1, 15.5				49 943	(49 943)			
Loss on settlement of old scheme	15.1				(4 194)		(4 194)		(4 194)
Shares disposed by the Metair Share Trust	14			6 988			6 988		6 988
Transfer to acquisition of subsidiary	15.2				12 369		12 369		12 369
Transfer of associate profit and dividend	15.4				17 586	(17 586)			
Dividend**	15.5					(101 884)	(101 884)	(30 219)	(132 103)
Balance as at 31 December 2012 (Restated)	14, 15		42 876	(72 232)	241 842	1 755 168	1 967 654	85 076	2 052 730

* An ordinary dividend of 70 cents per share was declared in respect of the year ended 31 December 2013.

** An ordinary dividend of 95 cents per share was declared in respect of the year ended 31 December 2012.

Statement of changes in equity
For the year ended 31 December 2013

COMPANY	Notes	Stated capital R'000	Share capital and premium R'000	Treasury shares R'000	Share-based payment reserves R'000	Retained earnings R'000	Attributable to equity holders of the company R'000	Total equity R'000
Year ended 31 December 2013								
Balance as at 1 January 2013 (Restated)			**42 876**		**11 666**	**613 866**	**668 408**	**668 408**
Net profit for the year	15.5					**342 088**	**342 088**	**342 088**
Total comprehensive income for the period	15					**342 088**	**342 088**	**342 088**
Conversion of ordinary shares of 2 cents each into ordinary shares of no par value	14	**42 876**	**(42 876)**					
Proceeds from shares issued	14	**1 500 000**					**1 500 000**	**1 500 000**
Share issue costs	14	**(44 945)**					**(44 945)**	**(44 945)**
Employee share option scheme:								
– Value of service provided	15.1				**9 747**		**9 747**	**9 747**
Purchase of treasury shares	14			**(94 118)**			**(94 118)**	**(94 118)**
Settlement of share options	14, 15.1			**94 118**	**(3 852)**	**(90 266)**		
Dividend*	15.5					**(144 905)**	**(144 905)**	**(144 905)**
Balance as at 31 December 2013	14, 15	**1 497 931**			**17 561**	**720 783**	**2 236 275**	**2 236 275**
Year ended 31 December 2012 (Restated)								
Balance as at 1 January 2012 (as previously reported)			42 876		11 709	517 022	571 607	571 607
Effect of changes in accounting policies					(582)		(582)	(582)
Balance as at 1 January 2012 (Restated)	15		42 876		11 127	517 022	571 025	571 025
Net profit for the year	15.5					304 390	304 390	304 390
Total comprehensive income for the period	15					304 390	304 390	304 390
Employee share option scheme:								
– Value of service provided	15.1				8 574		8 574	8 574
Purchase of treasury shares	14			(106 045)			(106 045)	(106 045)
Settlement of share options	14, 15.1			106 045	(8 035)	(97 723)	287	287
Dividend**	15.5					(109 823)	(109 823)	(109 823)
Balance as at 31 December 2012 (Restated)	14, 15		42 876		11 666	613 866	668 408	668 408

* An ordinary dividend of 70 cents per share was declared in respect of the year ended 31 December 2013.

** An ordinary dividend of 95 cents per share was declared in respect of the year ended 31 December 2012.

Statements of cash flows

for the year ended 31 December 2013

	Notes	GROUP 2013 R'000	GROUP 2012 Restated R'000	COMPANY 2013 R'000	COMPANY 2012 Restated R'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash generated from operations	20.1	**665 908**	672 445	**(8 314)**	(14 695)
Interest paid	2	**(27 888)**	(26 457)		(4 082)
Taxation paid	20.2	**(88 814)**	(156 477)		(10 254)
Dividends paid	20.3	**(155 951)**	(132 103)	**(144 905)**	(109 823)
Dividend income from associates	10	**43 077**	61 335		
Net cash inflow/(outflow) from operating activities		**436 332**	418 743	**(153 219)**	(138 854)
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisition of property, plant and equipment	7	**(134 643)**	(284 127)		
Acquisition of intangible assets	8	**(384)**	(2 036)		
Proceeds on insurance claim relating to property, plant and equipment	3	**15 342**	898		
Acquisition of subsidiary	28	**(2 204 246)**	(443 149)		(400 103)
Increase in interest in associate	10	**(5 000)**			
(Increase)/decrease in advances subsidiaries excluding impairment				**(1 482 267)**	305 591
Interest received	2	**15 421**	19 206	**1**	5
Dividends received	3			**184 134**	233 838
Proceeds on disposal of property, plant and equipment	3, 7	**10 885**	5 003		
Net cash (outflow)/inflow from investing activities		**(2 302 625)**	(704 205)	**(1 298 132)**	139 331
CASH FLOWS FROM FINANCING ACTIVITIES					
Long-term loans raised		**773 055**	199 798		
Long-term loans repaid		**(58 189)**	(68 999)		
Short-term loans raised		**524**	144 939		100 000
Short-term loans repaid		**(56 205)**	(110 050)		(100 000)
Proceeds from shares issued	14	**1 500 000**		**1 500 000**	
Share issue costs	14	**(44 945)**		**(44 945)**	
Decrease in treasury shares		**509**	2 794		
Cost of utilisation of treasury shares	15.1	**(15 123)**	(16 148)		
Net cash inflow from financing activities		**2 099 626**	152 334	**1 455 055**	
Net increase/(decrease) in cash and cash equivalents		**233 333**	(133 128)	**3 704**	477
Cash and cash equivalents at beginning of the year		**216 428**	346 739	**477**	
Exchange (loss)/gains on cash and cash equivalents		**(42 260)**	2 817		
Cash and cash equivalents at end of the year	13	**407 501**	216 428	**4 181**	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 2013							
Revenue	**3 143 576**	**52**	**1 440 130**	**24**	**486 399**	**8**	**5 070 105**
Profit before interest and taxation	**221 968**		**224 263**		**18 162**		**464 393**
for the year ended 31 December 2012 (Restated)							
Revenue	3 135 068	58	1 162 136	22	462 957	9	4 760 161
Profit before interest and taxation	308 140		202 724		59 141		570 005

	Direct exports						
	Original equipment	**Segment % of revenue**	**After-market**	**Segment % of revenue**	**Non-auto**	**Segment % of revenue**	**Total**
for the year ended 31 December 2013							
Revenue	**105 307**	**2**	**772 275**	**13**	**44 810**	**1**	**922 392**
(Loss)/profit before interest and taxation	**(3 638)**		**60 901**		**1 494**		**58 757**
for the year ended 31 December 2012 (Restated)							
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

				Reconciling items*			
	Local total	**Direct exports total**	**Property rental**	**Share of results of associates**	**Managed associates**	**Other reconciling items****	**Total**
for the year ended 31 December 2013							
Revenue	**5 070 105**	**922 392**	**90 671**		**(765 071)**	**(90 671)**	**5 227 426**
Profit/(loss) before interest and taxation	**464 393**	**58 757**	**90 026**	**61 924**	**(62 486)**	**(105 076)**	**507 538**
Net finance costs							**(12 467)**
Profit before taxation							**495 071**
Included in the above:							
– Depreciation and amortisation							**(143 261)**
for the year ended 31 December 2012 (Restated)							
Revenue	4 760 161	602 087	67 053		(759 098)	(67 053)	4 603 150
Profit/(loss) before interest and taxation	570 005	53 568	66 124	78 921	(96 243)	(23 645)	648 730
Net finance costs							(7 251)
Profit before taxation							641 479
Included in the above:							
– Depreciation and amortisation							(112 599)
– Impairment charges							(1 045)

* Although the results of Hesto do not quality for consolidation due to the application of IFRS 10 and IAS 28, the results of Hesto have been included in the segmental review as Metair has a 75% equity interest and is responsible for the operational management of this associate.

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

1. SEGMENTAL REVIEW (R'000) (CONTINUED)

Segment information

The executive board of directors of the group and company are the chief operating decision makers (CODM).

Management has determined the operating segments based on the information reviewed by the CODM, such as allocating resources and assessing performance.

The group manufactures predominantly automotive components for the automotive market. In order to determine operating and reportable segments, management reviewed various factors, including geographical location, 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 and qualitative thresholds from IFRS 8, the reportable segments were determined on a product market perspective as follows:

- Local:
  - Original equipment
  - Aftermarket
  - Non-auto
- Direct export:
  - Original equipment
  - Aftermarket
  - Non-auto
- Property rental

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

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

An impairment of the investment in the associated company Vizirama 112 (Pty) Ltd (Vizirama) of R1 045 000 was recorded during the prior year.

Goodwill arising in the year amounted to R543 697 000 as a result of the acquisition of Mutlu group. Mutlu group operates predominantly in the original equipment and aftermarket segments (refer note 28.1).

Goodwill arising in the prior year amounted to R35 955 000 as a result of the acquisition of Rombat S.A. (Rombat). Rombat operates predominantly in the original equipment and aftermarket segments (refer note 28.2).

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

The breakdown of such segments are provided above.

Major Customers

37% (2012: 43%) of total revenue results from sales to a single external customer of the OE segment.

Geographical information

The group is domiciled in South Africa. The result of its revenue from South African operations is R4 007.8 million (2012: R4 027.0 million) and from foreign operations is R1 219.7 million (2012: R576.2 million). Foreign countries consist of Romania and Turkey.

Notes to the annual financial statements
continued

		GROUP		COMPANY	
		2013 R'000	2012 Restated R'000	2013 R'000	2012 R'000
2.	**NET FINANCE**				
	Interest income:				
	– On bank deposits	**15 421**	19 206	**1**	5
	Interest expense:				
	– Bank borrowings	**(27 471)**	(25 579)		(4 082)
	– Finance leases	**(417)**	(878)		
		(27 888)	(26 457)		(4 082)
	Net finance (expense)/income	**(12 467)**	(7 251)	**1**	(4 077)
3.	**PROFIT BEFORE TAXATION**				
	Profit before taxation is stated after taking into account the following:				
	Other operating income				
	Dividends from subsidiaries (unlisted)			**142 107**	174 946
	Dividends from associates (unlisted)			**42 027**	58 892
	Distribution from subsidiaries			**90 266**	97 723
	Management and committee fees received	**4 673**	1 658		
	Government grants	**66 575**	10 313		
	Income on scrapping	**11 776**	9 512		
	Bad debts recovered	**191**	312		
	Rent received	**2 276**	2 323		
	Other financial assets at fair value through profit or loss				
	– Fair value losses and option premium	**(25 997)**	(18 563)	**(24 122)**	
	– Fair value gains*	**1 834**	22 864	**93 592**	3 605
	Insurance proceeds on fire**	**30 934**	24 702		
	Other	**5 825**	14 221		
		98 087	67 342	**343 870**	335 166

* The company obtained foreign exchange contracts in respect of the investment in the Mutlu group (refer note 28.1). Fair value movements are recognised in the income statement as hedge accounting has been applied at a group level and not at a company level.

	GROUP		COMPANY	
	2013 R'000	2012 Restated R'000	2013 R'000	2012 R'000
3. PROFIT BEFORE TAXATION (continued)				
Expenses by nature				
Auditors' remuneration:				
– Audit fees and disbursements	**6 806**	6 882	**14**	14
– Non-audit assurance services	**1 195**	420		
– Non-audit non-assurance services	**4 371**	1 730		
Depreciation and amortisation (notes 7 and 8)	**143 261**	112 599		
Impairment of associate (note 10)		1 045		1 045
Other operational losses on fire**	**17 793**	971		
Profit on disposal of property, plant and equipment	**(47)**	(183)		
Operating lease charges:				
– Property	**17 162**	18 604		
– Plant and equipment	**14 989**	14 666		
Bad debt write off	**1 650**	68		
Managerial, technical service fees and transactional costs paid to outside parties	**36 474**	8 176	**2**	1 295
Foreign exchange losses – net	**18 369**	11 915		11 415
Distribution costs	**222 328**	174 954		
Raw materials, consumables used and other overheads	**3 405 520**	2 859 575	**1 542**	563
Employee benefit expense	**990 028**	889 261	**225**	13
Total cost of sales, distribution costs and other operating and administrative expenses	**4 879 899**	4 100 683	**1 783**	14 345
Employee benefit expense				
Wages and salaries	**860 124**	771 924	**225**	13
Share based payment expenses	**9 747**	8 574		
Social security costs	**60 058**	52 839		
Pension costs – defined contribution plans	**57 417**	53 227		
Post-employment benefits (note 24)	**2 682**	2 697		
	990 028	889 261	**225**	13
Number of persons employed by the group at the end of the year				
Hourly	**3 837**	3 018		
Monthly	**2 033**	1 817		
	5 870	4 835		

Notes to the annual financial statements
continued

3. PROFIT BEFORE TAXATION (continued)

****Fires and related insurance proceeds**

Supreme fire and related insurance proceeds (2013)

Included in other operating income and expenses are insurance proceeds and related costs in respect of the Supreme Spring (a division of Metindustrial (Pty) Ltd) (Supreme) fire.

On 31 January 2013 a fire partly destroyed the Plant 2 production line. Related operational losses have been recognised in profit or loss and includes inventory damaged by the fire (and written off) and incidental business interruption expenses. The insurance claim has been agreed with the insurers and a total profit of R13 million was recognised. All insurance claims were finalised within the 2013 financial year.

FNB fire and related insurance proceeds (2012)

Included in other operating income and expenses are insurance proceeds and related costs in respect of the First National Battery (a division of Metindustrial (Pty) Ltd) (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 or loss and includes inventory damaged by the fire (and written off) and incidental business interruption expenses. The insurance claim had been agreed with the insurers and a total profit of R24 million (2011: R90 million) was recognised.
The total profit recognised is allocated as follows:

	Supreme 2013 R'000	FNB 2012 R'000
Profit on insurance recovery on property, plant and equipment	**15 342**	898
Insurance recovery on stock written off and business interruption expenses	**(2 201)**	22 833
Total profit for the year	**13 141**	23 731
Made up of:		
Total insurance proceeds recognised for the year	**30 934**	24 702
Less: Stock written off and business interruption expenses	**(17 793)**	(971)
Total profit for the year	**13 141**	23 731

	GROUP		COMPANY	
	2013 R'000	2012 Restated R'000	2013 R'000	2012 R'000
Directors' emoluments				
Executive directors				
– Salaries and allowances	**10 710**	9 892	**10 710**	9 892
– Other benefits	**28 588**	28 863	**28 588**	28 863
	39 298	38 755	**39 298**	38 755
– Paid by subsidiary companies	**(39 298)**	(38 755)	**(39 298)**	(38 755)
Non-executive directors	**225**	13	**225**	13
– Fees	**1 981**	1 673	**1 981**	1 673
– Paid by subsidiary company	**(1 756)**	(1 660)	**(1 756)**	(1 660)

3. PROFIT BEFORE TAXATION (continued) Directors' emoluments (continued)					
	COMPANY 2013				
	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				3 530	1 856
– Performance bonuses				3 408	1 916
– Pension and provident fund contributions				182	194
– Company contributions				76	49
– Gain on the exercise of share options				19 065	9 022
				26 261	13 037
– Paid by subsidiary companies				(26 261)	(13 037)
Non-executive directors	2	2	2		
– Fees	307	375	278		
– Paid by subsidiary company	(305)	(373)	(276)		
	OME Pooe** R'000	A Galiel R'000	JG Best R'000		
Non-executive directors	2	2	215		
– Fees	278	348	395		
– Paid by subsidiary company	(276)	(346)	(180)		
	COMPANY 2012				
	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)	

* Paid to Coro Capital (Pty) Ltd.

** Paid by Royal Bafokeng Management Services (Pty) Ltd for first three quarters of 2013.

Notes to the annual financial statements
continued

		GROUP		COMPANY	
		2013 R'000	2012 Restated R'000	2013 R'000	2012 R'000
4.	**TAXATION**				
	South African normal taxation	**121 172**	153 627		2 100
	Current:				
	– this year	**110 110**	161 466		
	– prior years	**(14 001)**	(9 760)		
	Deferred:				
	– this year	**28 565**	571		2 100
	– prior years	**(3 502)**	1 350		
	Secondary taxation on companies		13 276		10 254
		121 172	166 903		12 354
		%	%	**%**	%
	Reconciliation of taxation rate:				
	Standard rate – South Africa	**28**	28	**28**	28
	Associates' results – net of tax	**(4)**	(3)		
	Prior year adjustment:				
	– current	**(3)**	(2)		
	– deferred	**(1)**			1
	Secondary taxation on companies		2		3
	Exempt income and non-deductible expenses	**5**	1	**(28)**	(28)
	Foreign tax rate difference	**(2)**	(1)		
	Taxation losses for which no deferred taxation asset was recognised	**1**	1		
	Effective rate	**24**	26		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 R39 347 385 (2012: R32 030 406) in respect of estimated taxation losses amounting to R153 154 948 (2012: R134 924 868) that can be carried forward against future taxable income.				
5.	**EARNINGS PER SHARE**				
	Basic earnings per share represents 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.	**229**	310		
	Headline earnings per share represents 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 2/2013, divided by the weighted average number of shares in issue during the year excluding treasury shares.	**219**	310		

	GROUP		COMPANY	
	2013 R'000	2012 Restated R'000	2013 R'000	2012 R'000
5. EARNINGS PER SHARE (continued)				
Diluted earnings per share				
Diluted earnings per share (cents)	**223**	304		
Diluted headline earnings per share (cents)	**214**	304		
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 2013 R'000**	**Per share 2013 cents**	**Earnings 2012 Restated R'000**	**Per share 2012 Restated cents**
Earnings per share				
Net profit attributable to ordinary shareholders	**341 376**	**229**	440 543	310
Profit on disposal of property, plant and equipment	**(34)**		(132)	
Gross amount	**(47)**		(183)	
Taxation effect	**13**		51	
Profit on insurance recovery on fire – property, plant and equipment	**(14 099)**	**(9)**	(788)	(1)
Gross amount	**(15 342)**		(898)	
Taxation effect	**1 243**		110	
Net other impairment charges			1 045	1
Gross amount			1 045	
Taxation effect				
Headline earnings	**327 243**	**219**	440 668	310
Weighted average number of shares in issue ('000)	**149 271**		142 030	

Notes to the annual financial statements
continued

		GROUP			
		Earnings 2013 R'000	Per share 2013 cents	Earnings 2012 Restated R'000	Per share 2012 Restated cents
5.	**EARNINGS PER SHARE (continued)**				
	Diluted earnings per share				
	Net profit attributable to ordinary shareholders	**341 376**	**223**	440 543	304
	Number of shares used for diluted earnings calculation ('000)	**152 856**		144 963	
	Diluted headline earnings per share				
	Headline earnings	**327 243**	**214**	440 668	304
	Number of shares used for diluted earnings per share calculated ('000)	**152 856**		144 963	
	Weighted average number of shares in issue ('000)	**(149 271)**		(142 030)	
	Adjustment for dilutive share options ('000)	**3 585**		2 933	

		GROUP		COMPANY	
		2013 R'000	2012 Restated R'000	2013 R'000	2012 R'000
6.	**DIVIDENDS**				
	A dividend of 95 cents (2012: 72 cents) per share in respect of the 2012 (2011) year declared on 18 March 2013 (23 March 2012) and paid on 15 April 2013 (23 April 2012).	**139 049**	101 884	**144 905**	109 823

	Land and buildings R'000	Plant and equipment R'000	Vehicles and machinery R'000	Total R'000
	GROUP			
7. PROPERTY, PLANT AND EQUIPMENT				
2013				
At cost	**1 315 637**	**2 544 116**	**9 457**	**3 869 210**
Less: Accumulated depreciation and impairment	**(60 121)**	**(955 349)**	**(8 811)**	**(1 024 281)**
	1 255 516	**1 588 767**	**646**	**2 844 929**
2012 (Restated)				
At cost	308 859	1 670 571	16 979	1 996 409
Less: Accumulated depreciation and impairment	(18 672)	(769 456)	(16 782)	(804 910)
	290 187	901 115	197	1 191 499
1 January 2012 (Restated)				
At cost	207 039	1 191 939	17 941	1 416 919
Less: Accumulated depreciation and impairment	(12 368)	(680 300)	(17 440)	(710 108)
	194 671	511 639	501	706 811
Reconciliation of movement:				
Year ended 31 December 2013				
Opening net book value	**290 187**	**901 115**	**197**	**1 191 499**
Net acquisition of subsidiary	**933 570**	**662 325**		**1 595 895**
Additions	**54 089**	**79 761**	**793**	**134 643**
Disposals	**(44)**	**(10 794)**		**(10 838)**
Depreciation	**(10 549)**	**(123 928)**	**(344)**	**(134 821)**
Currency adjustment	**(11 737)**	**80 288**		**68 551**
Closing net book value	**1 255 516**	**1 588 767**	**646**	**2 844 929**
Year ended 31 December 2012 (Restated)				
Opening net book value	194 671	511 639	501	706 811
Net acquisition of subsidiary	75 338	194 590		269 928
Finalisation of fair values*		11 367		11 367
Additions	20 021	264 106		284 127
Disposals		(4 793)	(27)	(4 820)
Depreciation	(6 032)	(102 097)	(277)	(108 406)
Currency adjustment*	6 189	26 303		32 492
Closing net book value	290 187	901 115	197	1 191 499

* The value of land and buildings acquired in Rombat in 2012 was determined on a provisional basis. These values were subsequently finalised and adjusted (refer note 28.2).

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

Certain assets amounting to R106 477 254 are encumbered as security for bank overdrafts as set out in note 13 and R399 537 353 security for borrowings as set out in note 16.

The following items include construction work in progress:	**2013 R**	**2012 (Restated) R**
Land and buildings	**2 423 342**	20 232 543
Plant and equipment	**38 708 165**	42 768 777

7.	**PROPERTY, PLANT AND EQUIPMENT (continued)**

Depreciation expenses are included within cost of sales of R126.2 million (2012: R101.4 million); distribution costs of R1.8 million (2012: R1.4 million); and administration expenses of R6.9 million (2012: R5.5 million) in the income statement.

Impairment losses are recognised in administrative expenses in the income statement. Reversal of impairment is included in other income. No impairment losses and reversals were recognised in the 2013 and 2012 years of assessment.

Lease rentals amounting to R17 162 000 (2012: R18 604 000) and R14 989 000 (2012: R14 666 000) relating to property, plant and equipment are included in the income statement. The group leases various vehicles and machinery under non-current finance lease agreements. The lease terms are for a minimum of 5 years and ownership of the assets lies within the group.

	GROUP						
	Goodwill R'000	Trademarks R'000	Licences R'000	Brands R'000	Customer relationship R'000	Other R'000	Total R'000
8. INTANGIBLE ASSETS							
2013							
At cost	**580 677**	**40 313**	**22 099**	**423 759**	**224 918**	**2 296**	**1 294 062**
Less: Accumulated amortisation and impairment	**(17 797)**	**(4 462)**	**(16 520)**	**(5 091)**	**(4 540)**	**(2 121)**	**(50 531)**
	562 880	**35 851**	**5 579**	**418 668**	**220 378**	**175**	**1 243 531**
2012 (Restated)							
At cost	54 015	31 967	10 798	11 802	5 802	6 628	121 012
Less: Accumulated amortisation and impairment	(17 797)	(1 997)	(9 219)	(2 209)	(2 713)	(2 583)	(36 518)
	36 218	29 970	1 579	9 593	3 089	4 045	84 494
1 January 2012 (Restated)							
At cost	17 797	1 000	9 684	11 802	5 802	1 807	47 892
Less: Accumulated amortisation and impairment	(17 797)	(381)	(7 583)	(1 737)	(2 133)	(1 533)	(31 164)
		619	2 101	10 065	3 669	274	16 728
Reconciliation of movement:							
Period ended 31 December 2013							
Opening net book value	**36 218**	**29 970**	**1 579**	**9 593**	**3 089**	**4 045**	**84 494**
Acquisition of subsidiary	**543 698**			**429 232**	**228 301**		**1 201 231**
Transfers			**4 546**			**(4 546)**	
Additions			**384**				**384**
Amortisation		**(2 465)**	**(927)**	**(2 882)**	**(1 827)**	**(339)**	**(8 440)**
Currency adjustments	**(17 036)**	**8 346**	**(3)**	**(17 275)**	**(9 185)**	**1 015**	**(34 138)**
Closing net book value	**562 880**	**35 851**	**5 579**	**418 668**	**220 378**	**175**	**1 243 531**
Period ended 31 December 2012 (Restated)							
Opening net book value		619	2 101	10 065	3 669	274	16 728
Acquisition of subsidiary	32 815	28 782				2 481	64 078
Finalisation of fair values*	3 141						3 141
Additions						2 036	2 036
Amortisation		(1 616)	(522)	(472)	(580)	(1 003)	(4 193)
Currency adjustments*	262	2 185				257	2 704
Closing net book value	36 218	29 970	1 579	9 593	3 089	4 045	84 494

8. INTANGIBLE ASSETS (continued)

* The value of goodwill relating to the Rombat acquisition reported in the previous year was determined on a provisional basis. Subsequent to 31 December 2012 these values have been finalised and adjusted to reflect the final value (refer note 28.2.)

Amortisation expenses are included within cost of sales and administration expenses in the income statement.

December 2013

Additions to intangibles through business combinations in 2013 of R1 201 231 000 related to the acquisition of Mutlu group (refer note 28.1). This includes goodwill of R543 698 000 and is allocated fully to the Mutlu group cash-generating unit.

December 2012

Additions to intangibles through business combinations in 2012 of R64 078 000 related to the acquisition of Rombat (refer note 28.2). This includes goodwill of R32 815 000 and is allocated fully to the Rombat cash-generating unit.

General

Goodwill, trademarks, brands and customer relationships are allocated to their respective underlying cash-generating units. The respective businesses acquired are defined as the underlying cash-generating units which support the valuation of the goodwill, trademarks, brands and customer relationships.

Brands are recognised as indefinite useful life intangible assets when an analysis of the relevant underlying factors confirm that there is no foreseeable limit to the period over which the asset is expected to generate net cash flows for the entity. This assumption is further justified by the strong presence these brands have in their respective marketplace.

Goodwill and indefinite life intangible assets are allocated to the following cash-generating units:

	Opening net book value R'000	Acquisition of subsidiary R'000	Finalisation of fair values R'000	Currency adjustments R'000	Closing net book value R'000
2013					
Goodwill					
– Rombat	**36 218**			**9 064**	**45 282**
– Mutlu group		**543 698**		**(26 100)**	**517 598**
Brand					
– Mutlu group		**353 501**		**(14 268)**	**339 233**
	36 218	**897 199**		**(31 304)**	**902 113**
2012					
Goodwill					
– Rombat		32 815	3 141	262	36 218
		32 815	3 141	262	36 218

The impairment test for goodwill and intangible assets identifies the recoverable amount of a cash-generating unit and is determined based on value-in-use.

Value-in-use calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. The estimated growth rates applied are in line with that of the industry in which the cash-generating unit operates and are materially similar to assumptions of external market sources. The cash-generating units' recoverable amount is most sensitive to the growth rate assumptions applied. Growth rates for impairment testing purposes beyond five years were assumed at six percent.

Assumptions were based on management's past experience and best estimates regarding forecasts. Management determined budgeted operating profit based on past performance and its experience of market developments. The discount rates used are post-tax and reflect the appropriate risk associated with the industry.

Notes to the annual financial statements
continued

8. INTANGIBLE ASSETS (continued)

The summary of key assumptions used for value-in-use calculations are as follows	Rombat %	Mutlu Akü %
2013		
Growth rate*	**4.0**	**6.0**
Discount rate**	**15.4**	**15.3**
2012		
Growth rate*	N/A	N/A
Discount rate**	N/A	N/A

* Compounded growth rate used to extrapolate cash flows beyond the budget period.

** Pre-tax discount rate applied to cash flow projections.

The impairment calculations were tested for sensitivity to significant changes in the key assumptions used and no significant movements were noted that indicated an impairment in either Mutlu group or Rombat.

The basis for sensitivity testing was the budgeted operating profit used in the value-in-use calculation, which was adjusted by 10% and 20% lower.

	GROUP 2013 R'000	GROUP 2012 Restated R'000	COMPANY 2013 R'000	COMPANY 2012 R'000
9. INTEREST IN SUBSIDIARIES				
Unlisted				
Shares and capital contributions at cost less amounts written off*			**146 286**	452 797
Non-current advances to subsidiary companies			**2 136 194**	278 171
Share-based payment costs			**17 561**	11 666
Provision for impairment			**(224 729)**	(224 729)
			2 075 312	517 905
Current advances to subsidiary companies			**306 104**	149 374
Current advances from subsidiary companies			**(138 278)**	
			2 243 138	667 279

* During the year under review Inalex (Pty) Ltd (Inalex) was established as a wholly-owned intermediate holding company of the group.

A capital contribution of R93 592 068 was made by Metair. In addition the company transferred its direct ownership interest in Metair International Holdings Cooperatief U.A. to Inalex at its carrying value (cost) of R400 102 614 as part of an inter-group transfer of investments.

The group then acquired a 100% shareholding in Mutlu group (refer note 28.1) through Inalex. A non-current advance of R1 883 715 was made to capitalise Inalex, which in turn utilised the proceeds to acquire Mutlu group.

In 2012 the group acquired a majority shareholding in Rombat (refer note 28.2).

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 and is regarded as part of the net investment in subsidiaries.

Current advances are interest free and payable on demand.

The provision for impairment relates to non-current advances to subsidiary companies.

	GROUP		COMPANY	
	2013 R'000	2012 Restated R'000	2013 R'000	2012 R'000
9. INTEREST IN SUBSIDIARIES (continued)				
Aggregate attributable income and losses after taxation of subsidiaries:				
– Income	**453 310**	553 980		
– Losses	**(46 495)**	(19 922)		

Details of subsidiaries are disclosed on page 176.

Subsidiary and transactions with non-controlling interests

Set out below is the summarised financial information for Smiths Manufacturing (Pty) Ltd (Smiths) (75% held) that has non-controlling interest that is material to the group. The amounts disclosed are based on those included in the consolidated financial statements before inter-company eliminations.

	2013 R'000	2012 R'000
Summarised balance sheet		
Non-controlling interest percentage	**25%**	25%
Current		
Assets	**390 757**	352 001
Liabilities	**(146 089)**	(142 982)
Total current net assets	**244 668**	209 019
Non-current		
Assets	**165 305**	159 529
Liabilities	**(32 169)**	(45 703)
Total non-current net assets	**133 136**	113 826
Net assets	**377 804**	322 845
Summarised results		
Revenue	**1 178 520**	1 259 242
Other comprehensive income	**(167)**	
Total comprehensive income allocated to non-controlling interests	**32 139**	33 804
Dividends paid to non-controlling interests	**16 902**	30 219
Accumulated non-controlling interests	**101 387**	85 076
Summarised cash flow		
Net cash inflow/(outflow) from operating activities	**43 526**	(31 044)
Net cash outflow from investing activities	**(27 975)**	(10 426)
Net cash outflow from financing activities	**(10 107)**	(15 502)

Notes to the annual financial statements

continued

		GROUP 2013 R'000	GROUP 2012 Restated R'000	COMPANY 2013 R'000	COMPANY 2012 R'000
10.	**INVESTMENT IN ASSOCIATES**				
	Unlisted				
	Shares at cost less impairment	**9 044**	4 044	**2 794**	2 794
	Share of post-acquisition reserves included in equity accounted earnings	**190 742**	171 895		
	Income from associates in current year less dividends	**18 847**	17 586		
	In respect of prior years	**171 895**	154 309		
	Total carrying value	**199 786**	175 939	**2 794**	2 794
	Reconciliation of movements:				
	Balance at beginning of the year	**175 939**	159 398	**2 794**	3 839
	Acquisition of associate	**5 000**			
	Provision for impairment – Vizirama		(1 045)		(1 045)
	Share of equity accounted earnings	**61 924**	78 921		
	Dividends received	**(43 077)**	(61 335)		
	Investment in associates	**199 786**	175 939	**2 794**	2 794

Set out below are the associates of the group as at 31 December 2013, which are accounted for on the equity basis. The associates listed below have share capital consisting solely of ordinary shares, which are held directly by the group. Their principal place of business is South Africa.

Nature of investment in associates	Percentage holding	Number of shares held	Group carrying amount R'000	Group/company cost R'000
2013				
Unlisted				
Hesto	**74.9%**	**749**	**138 579**	**1**
Tenneco Automotive Holdings SA (Pty) Ltd (Tenneco)	**25.1%**	**154 712**	**14 445**	
Toyoda Gosei (Pty) Ltd (Toyoda Gosei)	**20.0%**	**200**	**11 065**	
Valeo Systems SA (Pty) Ltd (Valeo)	**49.0%**	**490**	**30 697**	**2 793**
Vizirama	**33.0%**	**40**		**1 045**
Eye2square	**20.0%**		**5 000**	**5 000**
			199 786	**8 839**
2012 (Restated)				
Unlisted				
Hesto	74.9%	749	128 588	1
Tenneco	25.1%	154 712	12 111	
Toyoda Gosei	20.0%	200	7 885	
Valeo	49.0%	490	27 355	2 793
Vizirama	33.0%	40		1 045
			175 939	3 839

10. INVESTMENT IN ASSOCIATES (continued)

The companies are all incorporated in South Africa. Details of the associates are disclosed on page 176.

The associate companies operate in the automotive industry and manufacture automotive parts for original equipment and aftermarket segments, similar to the group strategy, with the exception of Vizirama. Vizirama is an investment company that holds the patents and owns the tooling utilised in the manufacture of streetlights.

Hesto (managed associate) manufactures and sells automotive wiring harnesses and related components in South Africa. Hesto has been reclassified from a subsidiary to an associate upon application of IFRS 10 (refer note 29). Even though the group has a majority shareholding and manages the company, the existence of a currently exercisable call option held by the other shareholder allows the other shareholder to gain control.

The group's associates are private companies and there is no quoted market price available for shares.

Summarised financial information for associates

Set out below are the summarised financial information for the associates, which are accounted for using the equity method.

	Managed associate		Other associates		Total	
	2013 R'000	2012 R'000	2013 R'000	2012 R'000	2013 R'000	2012 R'000
Summarised income statements						
Revenue	**765 071**	759 098	**954 682**	931 100	**1 719 753**	1 690 198
Profit after tax	**46 314**	68 225	**87 295**	88 170	**133 609**	156 395
Dividends received from associate	**24 698**	37 332	**18 379**	24 003	**43 077**	61 335
Summarised balance sheets						
Current						
Assets	**218 434**	197 102	**438 698**	393 996	**657 132**	591 098
Liabilities	**(111 662)**	(81 010)	**(209 612)**	(182 992)	**(321 274)**	(264 002)
Non-current						
Assets	**89 288**	62 262	**67 065**	49 693	**156 353**	111 955
Liabilities	**(11 041)**	(6 675)	**(3 409)**		**(14 450)**	(6 675)
Net assets	**185 019**	171 679	**292 742**	260 697	**477 761**	432 376

The information above reflects the amounts presented in the financial statements of the associates adjusted for differences in accounting policies between the group and the associates.

Reconciliation of summarised financial information

Reconciliation of the summarised financial information presented to the carrying amount of its interest in associates:

	Managed associate		Other associates		Total	
	2013 R'000	2012 Restated R'000	2013 R'000	2012 R'000	2013 R'000	2012 Restated R'000
Opening net assets 1 January	**171 679**	153 296	**260 697**	116 312	**432 376**	269 608
Profit for the year	**46 314**	68 225	**87 295**	88 170	**133 609**	156 395
Dividends paid	**(32 974)**	(49 842)	**(55 250)**	56 215	**(88 224)**	6 373
Closing net assets	**185 019**	171 679	**292 742**	260 697	**477 761**	432 376
Interest in associates	**138 579**	128 588	**61 207**	47 351	**199 786**	175 939
Goodwill						
Carrying value	**138 579**	128 588	**61 207**	47 351	**199 786**	175 939

		GROUP		COMPANY	
		2013 R'000	2012 Restated R'000	2013 R'000	2012 R'000
11.	**INVENTORY**				
	Raw material	**595 311**	358 848		
	Work in progress	**271 084**	84 312		
	Finished goods	**397 846**	312 114		
		1 264 241	755 274		
	Included in the above are inventories stated at net realisable value of	**28 289**	20 356		
	The cost of inventories recognised as expense and included in cost of sales amounted to	**2 695 765**	2 194 479		
	Certain inventory has been pledged as security over bank overdrafts (refer note 13) and borrowings (refer note 16).				
12.	**TRADE AND OTHER RECEIVABLES**				
	Trade receivables	**1 161 594**	633 702		
	Less: Provision for impairment of trade receivables	**(22 056)**	(25 857)		
		1 139 538	607 845		
	Prepayments	**38 867**	20 866		
	Insurance proceeds receivable		12 842		
	Grant claims receivable	**46 000**			
	Other receivables	**49 982**	26 112	**154**	144
		1 274 387	667 665	**154**	144

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
2013				
Original equipment	**235 711**	**31 970**	**574**	**268 255**
Exports	**159 536**	**60 542**	**15 540**	**235 618**
Aftermarket	**511 062**	**52 224**	**4 632**	**567 918**
Non-automotive	**67 437**	**21 056**	**1 310**	**89 803**
	973 746	**165 792**	**22 056**	**1 161 594**
2012 (Restated)				
Original equipment	169 759	10 825	8 047	188 631
Exports	127 763	16 103	11 563	155 429
Aftermarket	204 919	20 275	3 540	228 734
Non-automotive	27 776	30 425	2 707	60 908
	530 217	77 628	25 857	633 702

12. TRADE AND OTHER RECEIVABLES (continued)

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

	2013 R '000	2012 (Restated) R '000
Rand	**476 056**	401 009
British Pound	**4 512**	1 467
Euro	**176 380**	130 668
US Dollar	**50 059**	4 558
Australian Dollar	**1 054**	243
Romanian Lei	**148 827**	129 720
Turkish Lira	**417 356**	
Japanese Yen	**143**	
	1 274 387	667 665

No interest is applicable to accounts receivable balances.

The provision for impairment can be analysed as follows:

	Total R'000	Original equipment R'000	Export R'000	Aftermarket R'000	Non-automotive R'000
2013					
At 1 January	**25 857**	**8 047**	**11 563**	**3 540**	**2 707**
Provision for/(recovery of) receivables impairment	**1 832**	**450**	**741**	**809**	**(168)**
Amounts written off	**(1 028)**				**(1 028)**
Unused amounts reversed	**(8 200)**	**(7 923)**		**(76)**	**(201)**
Currency adjustments	**3 595**		**3 236**	**359**	
At 31 December	**22 056**	**574**	**15 540**	**4 632**	**1 310**
2012 (Restated)					
At 1 January	13 289	8 156	1 393	2 584	1 156
Acquisition of subsidiary	11 203		9 917	1 286	
Provision for receivables impairment	3 579	(109)	1 640	497	1 551
Amounts written off	(407)		(372)	(35)	
Unused amounts reversed	(1 807)		(1 015)	(792)	
As at 31 December	25 857	8 047	11 563	3 540	2 707

12. TRADE AND OTHER RECEIVABLES (continued)

The ageing profile of trade receivables are presented below:

	Total R'000	Original equipment R'000	Export R'000	Aftermarket R'000	Non-automotive R'000
2013					
Up to 3 months	**1 048 348**	**267 402**	**201 164**	**493 890**	**85 892**
3 – 6 months	**81 613**	**751**	**17 179**	**60 667**	**3 016**
Over 6 months	**31 633**	**102**	**17 275**	**13 361**	**895**
	1 161 594	**268 255**	**235 618**	**567 918**	**89 803**
2012 (Restated)					
Up to 3 months	593 711	178 790	140 605	221 238	53 078
3 – 6 months	13 636	1 407	3 349	5 079	3 801
Over 6 months	26 355	8 434	11 475	2 417	4 029
	633 702	188 631	155 429	228 734	60 908

The creation and release of provision for impaired receivables have been included in 'other operating expenses' in the income statement. Unwinding of discount is included in interest expense 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 collateral received in return for the Mutlu group balances included in trade receivables is in the form of letters of guarantees and mortgages amounting to R378 567 817.

Certain trade receivables have been pledged as security over bank overdrafts (refer note 13) and borrowings (refer note 16).

	GROUP		COMPANY	
	2013 R'000	2012 Restated R'000	2013 R'000	2012 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	**574 742**	407 909	**4 181**	477
Bank overdrafts	**(167 241)**	(191 481)		
	407 501	216 428	**4 181**	477
Effective weighted interest rate on short-term bank deposits	**3.49%**	4.39%		
Effective weighted interest rate on bank overdrafts	**9.43%**	9.42%		
Effective weighted interest rate on European bank overdrafts	**2.45%**	1.91%		

Property, plant and equipment of R106 477 254; inventory of R14 584 244; and trade receivables of R59 193 057 of the group have been pledged as security for bank overdrafts provided.

		GROUP		COMPANY	
		2013 R'000	2012 R'000	2013 R'000	2012 R'000
14.	**STATED CAPITAL (2012: SHARE CAPITAL AND PREMIUM) AND TREASURY SHARES**				
	Authorised				
	400 000 000 ordinary shares of no par value				
	187 500 000 ordinary shares at a par value of 2c each		3 750		3 750
	Metair entered into placement agreements for a private placement of Metair shares (Vendor Consideration Placement Shares) to partly fund the acquisition of Mutlu group. As a result:				
	– Ordinary shares with a par value of 2 cents each in the authorised and issued share capital were converted into ordinary shares with no par value (effective on 4 December 2013).				
	– The number of authorised ordinary shares increased from 187 500 000 to 400 000 000 by the creation of an additional 212 500 000 shares of no par value.				
	– 46 454 011 ordinary shares of no par value were issued at a price of R32.29 per share on 10 December 2013.				
	Reconciliation of number of shares at no par value issued				
	Balance at the beginning of the year (2012: par value)	**152 531 875**	152 531 875	**152 531 875**	152 531 875
	Issue of ordinary shares	**46 454 011**		**46 454 011**	
	Balance at the end of the year	**198 985 886**	152 531 875	**198 985 886**	152 531 875
	Issued				
	198 985 886 ordinary shares of no par value	**1 497 931**		**1 497 931**	
	152 531 875 ordinary shares of 2c each		3 051		3 051
	Share premium		39 825		39 825
		1 497 931	42 876	**1 497 931**	42 876
	Reconciliation of stated capital (2012: share capital and share premium):				
	Balance at the beginning of the year and conversion of share capital and premium into stated capital	**42 876**	42 876	**42 876**	42 876
	Proceeds from shares issued	**1 500 000**		**1 500 000**	
	Share issue costs	**(44 945)**		**(44 945)**	
	Balance at the end of the year	**1 497 931**	42 876	**1 497 931**	42 876

	GROUP 2013 R'000	GROUP 2012 R'000	COMPANY 2013 R'000	COMPANY 2012 R'000
14. STATED CAPITAL (2012: SHARE CAPITAL AND PREMIUM) AND TREASURY SHARES (continued)				
The following share issue costs were recognised in stated capital:				
– 2% Equity commitment fee	**32 120**			
– Equity raising fee	**12 825**			
	44 945			
Treasury shares				
Balance at the beginning of the year	**(72 232)**	(113 509)		
Shares disposed by the Metair Share Trust	**1 095**	6 988		
Shares disposed by Business Venture Investments No 1217 (Pty) Ltd (vesting utilisation)	**25 896**	34 289		
Balance at the end of the year	**(45 241)**	(72 232)		
Number of treasury shares are held as follows:				
– Metair Share Trust	**215 812**	295 812		
– Business Venture Investments No 1217 (Pty) Ltd	**4 203 609**	6 775 203		
	4 419 421	7 071 015		

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

Share options

The Metair Share Trust holds 215 812 (2012: 295 812) ordinary shares.

A share purchase scheme exists with 207 500 (2012: 295 812) available 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:

	2013 Average offer price per share R	2013 Options 000's	2012 Average offer price per share R	2012 Options 000's
At 1 January	**6.30**	**296**		901
Forfeited	**(4.34)**	**(8)**		
Delivered	**6.36**	**(80)**		(605)
At 31 December	**6.30**	**208**		296

14. STATED CAPITAL (2012: SHARE CAPITAL AND PREMIUM) AND TREASURY SHARES (continued)

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

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

Option price R	Date granted	Date exercisable	2013 Number of shares	2012 Number of shares
4.34	1/04/03	1/04/08		8 312
6.36	5/04/04	5/04/09	**207 500**	287 500

80 000 (2012: 605 000) options were exercised during the year. The average share price (market value) per share on date of exercise was R37.68.

The share options are exercisable immediately after the option has been granted (provided this does not fall in a closed period as determined by the JSE Limited) but no 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 as determined by the JSE Limited.

Options expire if not taken up within 10 years from date of the grant. 8 312 options previously granted to directors in the group expired during the year. All outstanding options at 31 December 2013 and 2012 were exercisable.

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

The trust held 215 812 (2012: 295 812) shares in Metair at year-end. The market value of these shares as at 31 December 2013 was R39.59 (2012: R32.35) per share.

	2013	2012
Number of shares held by the Metair Share Trust in respect of share option scheme	**207 500**	295 812
Number of shares held by Metair Share Trust in respect of share option scheme forfeited to be transferred	**8 312**	
	215 812	295 812
Market value of shares held by the Metair Share Trust in respect of share option scheme	**R8 543 997**	R9 569 518

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

14.2 The Metair Investments Limited 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, 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 or 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.

Special allocations of shares awarded in 2013 vest on the 3rd, 4th, 5th, 6th and 7th anniversaries of their award in five equal portions annually.

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.

Notes to the annual financial statements
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14. STATED CAPITAL (2012: SHARE CAPITAL AND PREMIUM) AND TREASURY SHARES (continued)

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

Movements in the number of rights granted are as follows:

	2013 Number of grants	2013 Weighted average grant price R	2012 Number of grants	2012 Weighted average grant price R
Balance at beginning of year	**4 933 669**	**10.97**	6 371 380	6.86
Granted	**800 000**	**37.33**	340 278	30.79
Lapsed			(6 045)	(16.04)
Vested	**(2 139 778)**	**(5.98)**	(1 771 944)	(6.08)
Balance at end of year	**3 593 891**	**19.80**	4 933 669	10.97
IFRS 2 share-based payment charge		**R2 636 252**		R2 866 353

Rights outstanding at the end of the year vest in the following years (performance period), subject to the fulfilment of performance conditions.

	2013 Number of rights	2012 Number of rights
Year ending 31 December:		
2013		1 919 213
2014	**1 897 146**	2 103 084
2015	**490 224**	500 649
2016	**453 095**	297 297
2017	**273 426**	112 426
2018	**160 000**	
2019	**160 000**	
2020	**160 000**	
	3 593 891	4 932 669

b) Performance shares

Annual conditional awards of performance shares will be made to participants with a zero grant price. 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.

Special allocations of shares awarded in 2012 vest on the 4th and 5th anniversaries of their award in two equal portions annually to the extent that the specified performance criteria over the intervening period has been met.

Special allocations of shares awarded in 2013 vest on the 3rd, 4th and 5th anniversaries of their award in three equal portions annually 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, non-market vesting condition, with a minimum target of 19% return on equity.

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

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

Movements in the number of shares awarded are as follows:

	2013 Number of shares	2012 Number of shares
Balance at beginning of year	731 189	1 311 700
Granted *	667 967	1 412 964
Lapsed	(7 314)	(9 579)
Vested	(428 249)	(1 983 896)
Balance at end of year	963 593	731 189
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:		
2014	300 132	312 836
2015	326 384	330 353
2016	259 743	44 000
2017	60 667	44 000
2018	16 667	
	963 593	731 189
IFRS 2 share-based payment charge	R2 790 874	R2 798 530

* Included in performance shares granted is 418 890 (2012: 912 464) additional shares granted and approved by the Remuneration Committee in terms of the fulfilment of and exceeding performance conditions in excess of return on equity targets.

c) Bonus shares

On an annual basis, participants will receive a grant of bonus shares with a zero grant price, 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. Special allocations of shares awarded in 2013 vest after three years conditional only on continued employment in three equal portions annually, subject to the fulfilment of performance conditions.

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

	2013 Number of shares	2012 Number of shares
Balance at beginning of year	909 677	570 081
Granted	392 440	368 631
Vested	(277 111)	(29 035)
Balance at end of year	1 025 006	909 677
IFRS 2 share-based payment charge	4 320 196	R2 904 822
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
2014	272 591	283 027
2015	409 975	363 595
2016	242 440	
2017	50 000	
2018	50 000	
	1 025 006	909 677

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

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

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.

Assumptions used to value the grants	Share appreciation rights	Performance shares	Bonus shares
2013			
Spot price	**R37.88**	**R37.40/R37.88**	**R37.40/R37.88**
Strike price	**R37.33**	**Nil**	**Nil**
Volatility**	**44.33%**	**N/A**	**N/A**
Dividend yield	**2.08%**	**2.42%/2.12%**	**2.42%/2.12%**
Valuation (IFRS 2)	**R7 621 616**	**R3 392 989**	**R11 372 273**
Fair value per share at grant	**R22.03**	**R34.88/R34.77**	**R34.88/R34.77**
2012			
Spot price	R30.59/R30.50	R24.25/R24.89	R 24.85
Strike price	R30.79/R30.72	Nil	Nil
Volatility**	49.31%/49.22%	N/A	N/A
Dividend yield	2.91%/2.93%	3.75%/3.02%/3.05%	3.75%
Valuation (IFRS 2)	R2 874 931	R4 953 199	R5 816 428
Fair value per share at grant	R12.57/R12.73	R21.66/R14.89	R21.66/R14.89

The total IFRS 2 employee share-based payment expense for the year was R9 747 321 (2012: R8 569 705), including allocation to non-controlling interests. The cost of share-based expenses for the company is capitalised to the investment in subsidiaries. Metair's share price at 31 December 2013 was R39.59 (2012: R32.5).

** 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. STATED CAPITAL (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 (number of shares):				
2013				
CT Loock	**800 000**	**69 962**	**180 222**	**1 050 184**
BM Jacobs		**8 920**	**17 544**	**26 464**
2012				
CT Loock	44 277	114 260	17 967	176 504
BM Jacobs	19 916	12 042	12 680	44 638
Exercise (number of shares):				
2013				
CT Loock	**(469 015)**		**(54 061)**	**(523 076)**
BM Jacobs	**(231 808)**		**(15 113)**	**(246 921)**
2012				
CT Loock	(435 290)	(128 668)		(563 958)
BM Jacobs	(216 308)	(64 920)		(281 228)
Cumulative (number of shares):				
2013				
CT Loock	**1 426 911**	**227 673**	**323 185**	**1 977 769**
BM Jacobs	**304 103**	**40 800**	**47 475**	**392 378**
2012				
CT Loock	1 095 926	157 711	197 024	1 450 661
BM Jacobs	535 911	31 880	45 044	612 835

** Set off against performance shares exercised is 79 853 (2012: 193 588) additional shares granted and approved by the Remuneration Committee in terms of the fulfilment of certain performance conditions.

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

14.3 Interest of directors

At 31 December 2013 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 2013								31 December 2012							
	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	**72 295**	**0.04**							3 403							
Non-executive directors																
A Joffe			**2 665 934**	**1.34**							2 350 593	1.54				
Independent non-executive directors																
L Soanes	**240 000**	**0.12**							240 000	0.16						
Total	**312 295**	**0.16**	**2 665 934**	**1.34**					250 252	0.16	2 350 593	1.54				

Notes to the annual financial statements
continued

		GROUP 2013 R'000	GROUP 2012 Restated R'000	COMPANY 2013 R'000	COMPANY 2012 R'000
15.	**OTHER RESERVES**				
	Other reserves comprises the following:				
15.1	**Share-based payment reserve**				
	Balance at the beginning of the year	**33 287**	17 584	**11 666**	11 127
	Value of service provided	**9 747**	8 574	**9 747**	8 574
	Deferred taxation	**15 767**	11 817		
	Utilisation of treasury shares to settle obligation*	**(25 896)**	(34 289)	**(3 852)**	(8 035)
	Estimated taxation effect of utilisation of treasury shares	**(15 123)**	(16 148)		
	Transfer of net vesting impact to retained earnings	**41 019**	49 943		
	Loss on settlement (Metair Share Trust)	**(586)**	(4 194)		
	Balance at the end of the year	**58 215**	33 287	**17 561**	11 666
	*The market value of shares utilised to settle the obligation amounted to R94 million (2012: R106 million).				
15.2	**Hedging reserve**				
	Balance at beginning of the year		(3 471)		
	Effects of cash flow hedges	**110 377**	(7 548)		
	Deferred taxation		(1 350)		
	Transfer to acquisition of subsidiary	**(110 377)**	12 369		
	Balance at end of the year				
15.3	**Foreign currency translation reserve**				
	Balance at beginning of the year	**36 660**			
	Exchange gains arising from translation of foreign operations:				
	– Group	**51 881**	36 845		
	– Non-controlling interests	**(732)**	(185)		
	Balance at end of the year	**87 809**	36 660		
15.4	**Equity accounted reserves**				
	Balance at the beginning of the year	**171 895**	154 309		
	Transfers from retained earnings	**18 847**	17 586		
	Balance at the end of the year	**190 742**	171 895		
	Transfer from retained earnings consists of:				
	– Share of associated companies' after taxation income	**61 924**	78 921		
	– Dividends received	**(43 077)**	(61 335)		
		18 847	17 586		
	Total other reserves	**336 766**	241 824	**17 561**	11 666

		GROUP		COMPANY	
		2013 R'000	2012 Restated R'000	2013 R'000	2012 R'000
15.	**RESERVES (continued)**				
15.5	**Retained earnings**				
	Balance at the beginning of the year	**1 755 168**	1 485 063	**613 866**	517 022
	Net profit for the year	**341 376**	440 543	**342 088**	304 390
	Other comprehensive income	**280**	(1 025)		
	Dividends paid	**(139 049)**	(101 884)	**(144 905)**	(109 823)
	Transfers to equity accounted reserves	**(18 847)**	(17 586)		
	Transfer of net vesting impact to retained earnings	**(41 019)**	(49 943)		
	Settlement of share option			**(90 266)**	(97 723)
	Balance at the end of the year	**1 897 909**	1 755 168	**720 783**	613 866
15.6	**Non-controlling interests**				
	Balance at the beginning of the year	**85 076**	79 022		
	Net profit for the year – attributable to non-controlling interests	**32 523**	34 033		
	Other comprehensive income – attributable to non-controlling interests	**690**	185		
	Arising on acquisition of subsidiary		2 055		
	Dividend	**(16 902)**	(30 219)		
	Balance at the end of the year	**101 387**	85 076		
16.	**BORROWINGS**				
	*Unsecured senior term facility agreement, bearing interest at 1 month JIBAR plus 1.50% nominal annual compounding monthly and repayable on 1 January 2015 (refer to disclosure below). This loan is guaranteed on a joint and several basis by Metair.	**773 055**			
	Term loan credit facility agreement (unsecured), bearing interest at JIBAR plus 2.50% and repayable in half yearly capital instalments of R21 454 545 (2012: R21 454 545) until 14 March 2017.	**150 182**	193 091		
	Long term loan credit facility with Royal Bank of Scotland (RBS), bearing interest at EURIBOR 1 month plus 2.50% and repayable in annual instalments of R11 137 170 (2012: R8 543 000) until December 2015.	**22 274**	25 628		
	Instalment sale agreement secured over plant with a book value of R8 830 144 (2012: R10 938 229), bearing interest at prime less 1.75% and repayable in annual instalments of R3 608 378 (2012: R3 618 681) until May 2016.	**7 771**	10 745		
	Instalment sale agreement, bearing interest at prime less 1.50% and repayable in annual instalments of R0 (2012: R4 339 848). Settled in August 2013.		4 229		
	Instalment sale agreement secured over plant with a book value of R1 904 093 (2012: R2 447 955), bearing interest at prime less 1.50% and repayable in annual instalments of R833 430 (2012: R833 430) until June 2016.	**1 907**	2 581		

Notes to the annual financial statements
continued

		GROUP		COMPANY	
		2013 R'000	2012 Restated R'000	2013 R'000	2012 R'000
16.	**BORROWINGS (continued)**				
	Instalment sale agreement secured over plant with a book value of R2 557 810 (2012: R3 333 212), bearing interest at prime less 1.50% and repayable in annual instalments of R677 410 (2012: R677 410) until January 2017.	**1 864**	2 382		
	Instalment sale agreement secured over plant with a book value of R1 816 939 (2012: R7 663 884), bearing interest at prime less 1.25% (2012: 1.00%) and repayable in monthly instalments of R49 004 (2012: R185 119) until April 2016.	**1 259**	2 918		
	Instalment sale agreement, bearing interest at prime less 2.75% and repayable in monthly instalments of R347 798 (2012: R347 798). Settled in March 2013.		1 033		
	Capitalised finance lease secured over motor vehicles with a book value of R588 816 (2012: R83 544), bearing interest at 7.50%, 8.00% and 9.00% and repayable in monthly instalments of R18 224 (2012: R6 981).	**618**	95		
	Instalment sale agreement secured over plant with a book value of R4 905 232 (2012: R5 409 509), bearing interest at prime less 1.50% and repayable in annual instalments of R1 204 258 (2012: R1 204 258) until October 2017.	**4 034**	5 621		
	Instalment sale agreement, bearing interest at prime less 2.75% and repayable in monthly instalments of R99 198 (2012: R99 198). Settled in July 2013.		680		
	Mortgage bond secured over plant with a book value of R3 395 000 (2012: R3 687 000), bearing interest at 7.00% (2012: 7.50%) and repayable in monthly instalments of R18 707 (2012: R19 210).	**1 146**	1 301		
	Instalment sale agreement, bearing interest at prime less 2.75% and repayable in monthly instalments of R302 704 (2012: R302 704). Settled in March 2013.		898		
	Secured Turkish Lira borrowings, payable on demand with an average interest rate of 8.63%.	**55 191**			
	Secured US Dollar borrowings, payable in six monthly instalments of US Dollar 1 111 111, until 20 January 2017. The interest rate is Libor + 1.5% = 1.85%.	**81 613**			
	Secured US Dollar borrowings, payable in six monthly instalments of US Dollar 747 294, until 18 October 2016. The interest rate is between 3.96% and 5.17%.	**35 157**			
	Secured US Dollar borrowings, payable in seven monthly instalments of US Dollar 908 065, until 25 May 2017. The interest rate is 4.22%.	**66 701**			
		1 202 772	251 202		
	Current portion included in current liabilities	**(180 796)**	(67 398)		
		1 021 976	183 804		

	GROUP 2013 R'000	GROUP 2012 Restated R'000	COMPANY 2013 R'000	COMPANY 2012 R'000
16. BORROWINGS (continued)				
Maturity of non-current borrowings (excluding finance lease liabilities)				
Later than 1 year and not later than 2 years	**881 993**	57 842		
Later than 2 and not later than 5 years	**139 542**	125 904		
	1 021 535	183 746		
Finance lease liabilities – minimum lease payments:				
Not later than 1 year	**217**	45		
Later than 1 year and not later than 5 years	**490**	58		
Future finance charges on finance leases	**(89)**	(8)		
Present value of finance lease liabilities	**618**	95		
The present value of all finance lease liabilities may be analysed as follows:				
Not later than 1 year	**177**	40		
Later than 1 year and not later than 5 years	**441**	55		
	618	95		
Borrowing facilities				
The group has the following total contracted borrowing facilities denominated in (excluding the unsecured Absa facilities):				
Rand	**407 849**	544 258		
US Dollar	**172 152**			
Euro	**13 800**			
Romanian Lei	**1 000**			
Turkish Lira	**59 713**			

*** Unsecured senior term facility agreement between Inalex (Borrower) and Absa Corporate and Investment Banking (a division of Absa Bank Limited) (Lender)**

Unsecured senior term facility agreement	Currency	Value in R'000
Facility A1 (already drawn down)	ZAR	770 000
Facility A2	ZAR	580 000
Facility B	USD	450 000

Unsecured senior bridge facility A1 (Facility A1)

Facility A1 is a R770 000 000 senior unsecured bridge facility with Absa Bank Limited, bearing interest at the aggregate of the margin of 1.50% nominal annual compounding monthly and the 1 month JIBAR.

The facilities will be partly utilised to capitalise Metair International Holdings Cooperatief U.A, which will in turn utilise the entire proceeds received by it to acquire the entire issued share capital of Mutlu Akü and minorities.

Unsecured senior bridge facility A2 (Facility A2)

Facility A2 is a R580 000 000 senior unsecured bridge facility with Absa Bank Limited, bearing interest at the aggregate of the margin of 1.50% nominal annual compounding quarterly and the 1 month JIBAR.

16. BORROWINGS (continued)

Senior Unsecured Bridge and Backstop Facility B (Facility B)

Facility B is a R450 000 000 (USD 45 000 000) senior unsecured backstop facility with Absa Bank Limited, bearing interest at the aggregate of the margin of 2.00% nominal annual compounding quarterly for cash advances in USD and the 1 month LIBOR for USD advances and the margin of 2.00% nominal annual compounding quarterly and the 1 month JIBAR for cash advances in Rands.

This facility will be utilised as a back stop facility to refinance the existing debt of Mutlu group.

Facility B can be used for cash advances in USD for up to USD10 000 000 or in Rands.

The obligations of the borrower are guaranteed on a joint and several basis by Metair and certain of the subsidiaries within the Metair group.

The final repayment date is 1 January 2015. The group is evaluating alternative repayment plans for the Absa Senior Bridge Facility, with any additional funding relating to the Facility A2.

The borrowing powers of the company are unlimited in terms of its Memorandum of Incorporation.

The carrying amount of the above borrowings are denominated in the following currencies:

	GROUP		COMPANY	
	2013 R'000	2012 Restated R'000	2013 R'000	2012 R'000
Rand	**941 836**	225 574		
Euro	**22 274**	25 628		
Turkish Lira	**55 192**			
US Dollar	**183 470**			
	1 202 772	251 202		

The value of security provided for certain borrowings (excluding financed assets), can be summarised as follows:

	2013 R'000
Property, plant and equipment	**399 537**
Trade receivables	**182 495**
Inventory	**57 963**

		GROUP		COMPANY	
		2013 R'000	2012 Restated R'000	2013 R'000	2012 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% (2012: 28%) for South Africa, 16% (2012: 16%) for Romania and 20% for Turkey.				
	The following amounts are shown in the consolidated balance sheet:				
	Deferred taxation assets	**10 838**	10 503		
	Deferred taxation liabilities	**(378 954)**	(60 590)		
		(368 116)	(50 087)		
	The movement on the deferred income taxation account is as follows:				
	At beginning of year	**50 087**	47 244		(2 100)
	Acquisition of subsidiary	**318 644**	10 996		
	Income statement charge/(credit):				
	– Current year	**28 565**	1 921		2 100
	– Prior year	**(3 502)**			
	Taxation charged/(credited) to other comprehensive income:				
	– Actuarial gains/(losses)	**157**	(296)		
	– Cash flow hedges		1 350		
	Taxation (credited)/charged to equity:				
	– Share-based payments	**(15 767)**	(11 817)		
	Currency adjustments	**(10 068)**	689		
	At end of period	**368 116**	50 087		
	Deferred taxation assets:				
	– Deferred taxation asset to be recovered after more than 12 months	**(81 435)**	(74 412)		2 100
	– Deferred taxation asset to be recovered within 12 months	**(13 889)**	(16 398)		(2 100)
		(95 324)	(90 810)		
	Deferred taxation liabilities:				
	– Deferred taxation liability to be recovered after more than 12 months	**445 691**	130 655		
	– Deferred taxation liability to be recovered within 12 months	**17 749**	10 242		
		463 440	140 897		
	Amounts aggregated based on subsidiary companies:				
	– Deferred taxation assets	**(95 324)**	(90 810)		
	– Deferred taxation liabilities	**463 440**	140 897		
	Net deferred taxation liability	**368 116**	50 087		
	Deferred income taxation assets and liabilities are offset when the income taxation relate to the same fiscal authority and there is a legal right to offset at settlement.				

17. DEFERRED TAXATION (continued)

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			
	Plant and equipment allowances R'000	Intangibles R'000	Other R'000	Total R'000
2013				
Opening balance	**115 898**	**8 420**	**16 579**	**140 897**
Acquisition of subsidiary	**215 052**	**130 795**	**(578)**	**345 269**
Reallocations	**(2 820)**	**1 629**	**(12 837)**	**(14 028)**
(Credited)/charged to the income statement:				
– current year	**(845)**	**(1 161)**	**5 174**	**3 168**
– prior year	**(1 620)**		**25**	**(1 595)**
Currency adjustments	**(6 366)**	**(3 929)**	**24**	**(10 271)**
Closing balance	**319 299**	**135 754**	**8 387**	**463 440**

	Post employment benefits R'000	Plant and equipment allowances R'000	Intangibles R'000	Other R'000	Total R'000
2012 (Restated)					
Opening balance	4 117	100 088	3 724	11 989	119 918
Acquisition of subsidiary**		8 808	4 605		13 413
(Credited)/charged to the income statement:					
– current year	(4 117)	6 780	(259)	4 590	6 994
Currency adjustments**		222	350		572
Closing balance		115 898	8 420	16 579	140 897

** Adjusted for finalisation of provisionally determined values in respect of prior year business combination (refer note 28.2).

17. DEFERRED TAXATION (continued)

Deferred taxation assets

	GROUP						
	Share-based payments R'000	Post-employment benefits R'000	Assessed losses set off R'000	Provision for doubtful debts R'000	Warranty claims R'000	Derivatives and other R'000	Total R'000
2013							
Opening balance	**(28 017)**	**(11 073)**	**(5 749)**	**(901)**	**(12 652)**	**(32 418)**	**(90 810)**
Acquisition of subsidiary		**(16 282)**			**(5 917)**	**(4 426)**	**(26 625)**
Reallocations	**17 591**	**(4 546)**	**(22)**	**620**	**(2 789)**	**3 174**	**14 028**
Charged/(credited) to the income statement:							
– current year	**11 741**	**7 188**	**4 677**	**(976)**	**555**	**2 212**	**25 397**
– prior year			**(2 442)**			**535**	**(1 907)**
Chargedto other comprehensive income		**157**					**157**
Deferred taxation on share-based payment reserve*	**(15 767)**						**(15 767)**
Currency adjustments	**(11)**	**657**		**(7)**	**239**	**(675)**	**203**
Closing balance	**(14 463)**	**(23 899)**	**(3 536)**	**(1 264)**	**(20 564)**	**(31 598)**	**(95 324)**

	Share-based pay-ments R'000	Cash flow hedge R'000	Post-employment benefits R'000	Assessed losses set off R'000	Provision for doubtful debts R'000	Warranty claims R'000	Other R'000	Total R'000
2012								
Opening balance	(13 726)	(2 100)	(7 986)	(10 404)	(453)	(10 513)	(27 492)	(72 674)
Acquisition of subsidiary**							(2 417)	(2 417)
(Credited)/Charged to the income statement – current year	(2 474)	750	(2 791)	4 655	(448)	(2 139)	(2 626)	(5 073)
Charged/(credited) to other comprehensive income		1 350	(296)					1 054
Deferred taxation on share-based payment reserve*	(11 817)							(11 817)
Currency adjustments**							117	117
Closing balance	(28 017)		(11 073)	(5 749)	(901)	(12 652)	(32 418)	(90 810)

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

** Adjusted for finalisation of provisionally determined values in respect of prior year business combination (refer note 28.2).

Deferred tax assets

	COMPANY	
	Derivative R'000	Total R'000
2012		
Opening balance	(2 100)	(2 100)
Charged to the income statement	2 100	2 100

Notes to the annual financial statements
continued

		GROUP		COMPANY	
		2013 R'000	2012 Restated R'000	2013 R'000	2012 R'000
18.	**TRADE AND OTHER PAYABLES**				
	Trade creditors	**413 899**	302 942		
	Accrual for leave pay	**22 303**	21 776		
	Sundry creditors and other accruals	**404 550**	237 308	**13 992**	2 286
	Deferred income on government grants	**144 929**	40 373		
	Mutlu Akü minority tender offer acquisition liability*	**612 581**			
		1 598 262	602 399	**13 992**	2 286
	Non-current portion of deferred income on government grants included in non-current liabilities	**(125 313)**			
		1 472 949	602 399	**13 992**	2 286
	* An additional commitment of approximately US Dollar 58.4 million has been raised for the mandatory tender offer of minorities, to be made by Metair, following the acquisition of the Mutlu group (refer note 28.1). The foreign amount payable as been translated at year end. The mandatory tender offer process is expected to be concluded in the first quarter of 2014.				
	The fair value of trade and other payables approximates their carrying value.				
	The carrying amounts of the group's trade and other payables are denominated in the following currencies:				
	Rand	**459 163**	374 799	**13 992**	2 286
	Yen	**30 912**	30 700		
	US Dollar	**86 627**	10 101		
	Euro	**81 263**	95 132		
	British Pound	**370**	9 101		
	Thai Baht	**7 427**	6 999		
	Romanian Lei	**183 394**	75 567		
	Turkish Lira	**749 100**			
	Singapore Dollar	**6**			
		1 598 262	602 399	**13 992**	2 286
	No interest is payable on these amounts.				

19. PROVISIONS FOR LIABILITIES AND CHARGES

Warranty claims

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.

Environmental and other

The group uses various raw materials and chemicals in production. A provision is recognised for the present value of costs that may be incurred for environmental matters of certain manufacturing sites. These provisions were acquired as part of the Mutlu group and Rombat acquisition and the impact of the unwinding of discount is insignificant.

	GROUP			
	Executive bonus R'000	Warranty claims R'000	Environmental and other R'000	Total R'000
2013				
Balance at beginning of the year	**16 311**	**46 472**	**24 955**	**87 738**
Acquisition of subsidiary		**29 141**	**16 742**	**45 883**
Charged to the income statement:				
– Additional provision	**17 744**	**29 736**	**214**	**47 694**
– Unused amounts reversed		**(558)**	**(1 145)**	**(1 703)**
Utilised during the year	**(16 446)**	**(5 826)**	**(13)**	**(22 285)**
Currency adjustments	**374**	**754**	**4 031**	**5 159**
Balance at end of the year	**17 983**	**99 719**	**44 784**	**162 486**
	Executive bonus R'000	Warranty claims R'000	Environmental and other R'000	Total R'000
2012 (Restated)				
Balance at beginning of the year	15 760	35 301	7 546	58 607
Acquisition of subsidiary	338	2 025		2 363
Finalisation of purchase price allocations*			15 106	15 106
Charged to the income statement:				
– Additional provision	15 134	10 480	1 644	27 258
Utilised during the year	(14 984)	(1 478)	(607)	(17 069)
Currency adjustments*	63	144	1 266	1 473
Balance at end of the year	16 311	46 472	24 955	87 738

Analysis of total provisions	**2013 R'000**	**2012 R'000**
Non-current	**21 080**	16 372
Current	**141 406**	71 366
	162 486	87 738

* The other provisions reported in the previous year for the acquisition of Rombat were determined on a provisional basis. Subsequent to 31 December 2012, these values have been finalised (refer to note 28.2).

		GROUP		COMPANY	
		2013 R'000	2012 Restated R'000	2013 R'000	2012 Restated 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	**495 071**	641 479	**342 088**	316 744
	Adjustment for:				
	Depreciation and amortisation	**143 261**	112 599		
	Impairment charge		1 045		1 045
	Profit on disposal of property, plant and equipment	**(47)**	(183)		
	Profit on insurance proceeds for property, plant and equipment	**(15 342)**	(898)		
	Subsidiary acquisition costs	**78 058**	7 808		
	Other financial assets at fair value through profit or loss:				
	– Fair value losses	**25 997**	18 563	**24 122**	
	– Fair value gains	**(1 834)**	(22 864)	**(93 592)**	(3 605)
	Foreign exchange losses on operating activities	**18 369**	11 915		11 415
	Net share-based payment charge effects			**5 895**	539
	Share-based payment expenses	**9 747**	8 574		
	Post-retirement benefit	**2 682**	2 697		
	Share of equity accounted earnings/income from investments	**(61 924)**	(78 921)	**(274 400)**	(331 561)
	Interest income	**(15 421)**	(19 206)	**(1)**	(5)
	Interest expense	**27 888**	26 457		4 082
	Operating profit/(loss) before working capital changes	**706 505**	709 065	**4 112**	(1 346)
	Working capital changes:				
	Increase in inventory	**(48 716)**	(76 829)		
	(Increase)/decrease in trade and other receivables	**(57 568)**	4 217	**(11)**	(11)
	Increase/(decrease) in trade and other payables (including provisions and derivatives)	**65 687**	35 992	**(12 415)**	(13 338)
	Cash generated from/(utilised in) operations	**665 908**	672 445	**(8 314)**	(14 695)
20.2	**Taxation paid**				
	Taxation paid is reconciled to the amount disclosed in the income statement as follows:				
	Amounts unpaid at beginning of year	**(11 177)**	(2 672)		
	Income statement charge (note 4)	**(96 109)**	(164 982)		(10 254)
	Currency adjustment	**(2 208)**			
	Amounts unpaid at end of year	**20 680**	11 177		
		(88 814)	(156 477)		(10 254)
20.3	**Dividends paid**				
	To shareholders	**(139 049)**	(101 884)	**(144 905)**	(109 823)
	To non-controlling interests	**(16 902)**	(30 219)		
		(155 951)	(132 103)	**(144 905)**	(109 823)

21. FINANCIAL INSTRUMENTS

21.1 Financial Instruments by category

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

	GROUP		
	Loans and receivables R'000	Assets at fair value through profit or loss R'000	Total R'000
2013			
Assets as per balance sheet			
Derivative financial instruments		**15 870**	**15 870**
Trade and other receivables*	**1 235 520**		**1 235 520**
Cash and cash equivalents	**574 742**		**574 742**
Total	**1 810 262**	**15 870**	**1 826 132**
2012 (Restated)			
Assets as per balance sheet			
Derivative financial instruments		162	162
Trade and other receivables*	633 957		633 957
Cash and cash equivalents	407 909		407 909
Total	1 041 866	162	1 042 028

	GROUP		
	Other financial liabilities at fair value through profit or loss and OCI*** R'000	Other financial liabilities R'000	Total R'000
2013			
Liabilities as per balance sheet			
Borrowings		**1 202 772**	**1 202 772**
Derivative financial instruments	**1 492**		**1 492**
Bank overdraft		**167 241**	**167 241**
Trade and other payables**		**1 431 030**	**1 431 030**
Total	**1 492**	**2 801 043**	**2 802 535**
2012 (Restated)			
Liabilities as per balance sheet			
Borrowings		251 202	251 202
Derivative financial instruments	7 629		7 629
Bank overdraft		191 481	191 481
Trade and other payables**		540 250	540 250
Total	7 629	982 933	990 562

* Prepayments are excluded from the trade and other receivables balance.
** Leave pay and deferred income are excluded from trade and other payables balance.
*** OCI – other comprehensive income.

21. FINANCIAL INSTRUMENTS (continued)

21.1 Financial Instruments by category (continued)

	COMPANY			
	Loans and receivables R'000	Assets at fair value through profit & loss R'000	Other financial liabilities R'000	Total R'000
2013				
Assets and liabilities as per balance sheet				
Short-term loans to subsidiaries		**306 104**		**306 104**
Trade and other receivables *	**154**			**154**
Cash and cash equivalents	**4 181**			**4 181**
Short-term loans from subsidiaries			**(138 278)**	**(138 278)**
Trade and other payables **			**(13 992)**	**(13 992)**
Total	**4 335**	**306 104**	**(152 270)**	**158 169**
2012				
Assets and liabilities as per balance sheet				
Short-term loans to subsidiaries		149 374		149 374
Trade and other receivables *	144			144
Cash and cash equivalents	477			477
Trade and other payables **			(14 335)	(14 335)
Total	621	149 374	(14 335)	135 660

21.2 Financial risk management

The group's activities expose it to a variety of financial risks: market risk (including foreign currency exchange risk and variable interest rate 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 executive board provides principles for overall risk management, as well as guidance containing specific areas such as foreign exchange risk.

A. Market risk

i. Foreign currency risk

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

Management has set up policies to require group companies to manage their foreign currency exchange risk against their functional currency.

The group makes use of professional foreign currency management specialists to cover its foreign exchange exposures. These include the use of forward exchange contracts to cover certain currency exchange exposures.

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

	At balance sheet date				Purchase orders not yet reflected as liabilities in the balance sheet			
	2013		2012 Restated		2013		2012 Restated	
	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	**(14 970)**	**(157 107)**	238	2 004	**(4 988)**	**(50 561)**	(2 173)	(18 656)
Euros	**(4 930)**	**(71 687)**	(2 688)	(30 268)	**(1 302)**	**(19 096)**	(3 088)	(33 621)
Japanese Yen	**(325 080)**	**(32 558)**	(280 606)	(27 792)	**(4 894)**	**(488)**	(544 546)	(58 833)
Australian Dollars			(35)	(310)			(53)	(482)
Great British Pound	**6**	**101**	78	1 062	**(10)**	**(174)**		
Thai Baht	**(12 457)**	**(3 997)**	(20 174)	(5 626)			(20 807)	(5 748)
Singapore Dollars	**(1)**	**(7)**						
Total		**(265 255)**		(60 930)		**(70 319)**		(117 340)

Amounts in brackets represent liabilities.

21. FINANCIAL INSTRUMENTS (continued)

21.2 Financial risk management (continued)

i. Foreign currency risk (continued)

Sensitivity analysis	Profit higher/(lower) 2013 R'000	Profit higher/(lower) 2012 Restated R'000
At 31 December 2013, if the Rand had weakened/strengthened by 10% to the following currencies, with all other variables held constant, post-taxation profit for the year would have been:		
US Dollar Mainly as a result of foreign exchange gains/(losses) on translating foreign denominated trade receivables and trade payables, and US Dollar borrowings in Mutlu Akü and the mark-to-market valuation on forward exchange contracts.	**3 952**	399
Japanese Yen Mainly as a result of foreign exchange gains/(losses) on translating foreign denominated trade receivables and trade payables and the mark-to-market valuation on forward exchange contracts.	**2 215**	2 210
Great British Pound Mainly as a result of foreign exchange gains/(losses) on translating foreign denominated trade receivables and trade payables and the mark-to-market valuation on forward exchange contracts.	**298**	550
Euro Mainly as a result of foreign exchange gains/(losses) on translating foreign denominated trade receivables, Euro borrowings in Rombat S.A. and trade payables and the mark-to-market valuation on forward exchange contracts.	**8 720**	2 559
Thai Baht Mainly as a result of foreign exchange gains/(losses) on translating foreign denominated trade receivables and trade payables and the mark-to-market valuation on forward exchange contracts.	**535**	504
Australian Dollar Mainly as a result of foreign exchange gains/(losses) on translating foreign denominated trade receivables and trade payables and the mark-to-market valuation on forward exchange contracts.	**76**	17
Romanian Lei Mainly as a result of the translation of Rombat S.A. results into Rands.	**5 963**	3 981
Turkish Lira Mainly as a result of the translation of Mutlu results into Rands.	**3 325**	

ii. 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 variable 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 2013, if the average interest rates on borrowings had been 1.0% higher with all other variables held constant, post taxation profit for the year would have been R630 000 (2012: RNil) lower.

Company changes in variable interest rates do not have a significant impact on the company.

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

	GROUP 2013 R'000	GROUP 2012 Restated R'000
6 months or less	**167 241**	18 289
6 to 12 months		173 192
	167 241	191 481

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

21. FINANCIAL INSTRUMENTS (continued)

21.2 Financial risk management (continued)

iii. Price risk

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

B. Credit Risk

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 and a wide spread of smaller customers.

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.

The credit quality of financial assets is based on historical information about counterparty default rules:

Analysis of credit quality	GROUP 2013 R'000	GROUP 2012 Restated R'000
Trade receivables		
Counterparties are:		
Group 1 – new customers (less than 6 months).	**33 685**	5 277
Group 2 – existing customers (more than 6 months) with no defaults in the past.	**1 103 567**	597 003
Group 3 – existing customers (more than 6 months) with some defaults in the past. All defaults were fully recovered.	**2 286**	5 565
	1 139 538	607 845
Cash and cash equivalents		
Bank balances were held as follows:		
South African banks – F1+(zaf) rated	**374 360**	369 666
European banks – B rated	**77 753**	38 243
Turkish banks – BBB- to BBB+ rated	**122 629**	
	574 742	407 909
Derivative financial assets		
Forward exchange contracts were held as follows:		
South African banks – F1+(zaf) rated	**15 870**	1492

	COMPANY 2013 R'000	COMPANY 2012 R'000
Loans to related parties – with no defaults in the past and not impaired	**306 258**	149 518
Bank balances with South African banks – F1+(zaf) rated	**4 181**	477

Ratings are based on Fitch Ratings national short-term at 1 August 2013)

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.

21. FINANCIAL INSTRUMENTS (continued)

21.2 Financial risk management (continued)

C. Liquidity risk

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

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

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

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 – maturities (group)

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

	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
As at 31 December 2013						
Borrowings	1 202 772	1 293 019	248 686	895 933	148 099	301
Overdraft	167 241	167 241	167 241			
Trade and other payables	1 431 030	1 431 030	1 431 030			
As at 31 December 2012 (Restated)						
Borrowings	251 202	288 886	81 806	68 999	137 544	537
Overdraft	191 481	191 481	191 481			
Trade and other payables	540 250	540 250	540 250			

Analysis of financial liabities – maturities (company)

Financial liabilities noted in 21.1 for R152 270 000 (2012: R14 335 000) are all due in less than one year. The contractual cash flows approximate the carrying values. The company has provided guarantees (refer note 16) for certain funding provided by Absa to the group and no liabilities are likely to arise.

Analysis of derivative financial instruments

Details of the outstanding foreign exchange contracts which will be settled on a net basis follows in note 21.4.1.

21. FINANCIAL INSTRUMENTS (continued)

21.3 Capital risk management

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

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 debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the balance sheet plus net debt.

The gearing ratios at 31 December 2013 and 2012 were as follows:

	GROUP	
	2013 R'000	2012 Restated R'000
Total borrowings (notes 13 and 16)	**1 370 013**	442 683
Less: Cash and cash equivalents (note 13)	**(574 742)**	(407 909)
Net debt	**795 271**	34 774
Ordinary shareholders equity	**3 687 365**	1 967 654
Total capital	**4 482 636**	2 002 428
Gearing ratio	**17.7%**	1.7%

Debt covenants

The borrowings provided by financiers to the group are subject to covenant measures. The main covenant measures are:

– Debt service cover ratio not less than 1.25 times

– Interest cover ratio not less than 3.0 times

– Net debt to EBITDA ratio shall not exceed 2.5 times

Covenant measures at balance sheet date has been met.

21.4 Fair value estimation

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

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 exchange contracts is determined using quoted forward exchange rates at the balance sheet date (level 2).

Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

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

21. FINANCIAL INSTRUMENTS (continued)

21.4.1 Derivative financial instruments – Net fair value

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

		GROUP			
		2013 R'000		2012 Restated R'000	
	Level	Assets	Liabilities	Assets	Liabilities
At 31 December					
Forward exchange contracts and similar instruments - held for trading valued at fair value through profit/(loss)	2	**15 870**	**1 492**	162	7 629

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 maximum exposure to credit risk at the balance sheet is the fair value of the derivative assets.

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

Group:

Cash flow hedge

During the year, the group concluded the acquisition of the Mutlu group (refer note 28.1) and the cash flow hedge was recognised as cost of acquisition.

In 2012, the group concluded the acquisition of a Rombat SA (refer note 28.2) 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 gain of R1.5 million (2012: a loss of R3.9 million) and is included within administrative 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	
	2013 R'000	2012 R'000
Fair value gain/(loss) in year	**110 377**	(7 548)
Taxation on fair value loss		(1 350)
	110 377	(8 898)

21. FINANCIAL INSTRUMENTS (continued)

21.5 Derivative financial instruments – Net fair value (continued)

Forward exchange contracts

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

Imports	Rand amount '000	Foreign amount '000	Average forward exchange rate	Currency used	Period to maturity
US Dollar	418 571	40 862	10.26	USD	10 January 2014 – 30 April 2014
Euro	43 345	3 040	14.17	EURO	15 January 2014 – 18 December 2014
Japanese Yen	113 518	1 114 498	9.78	JPY	27 January 2014 – 31 December 2014
Thai Baht	8 075	25 435	3.14	THB	27 January 2014 – 25 April 2014
	583 509				

Exports	Rand amount '000	Foreign amount '000	Average forward exchange rate	Currency used	Period to maturity
US Dollar	3 706	354	10.48	USD	28 March 2014
Euro	1 801	127	14.26	EURO	31 January 2014
Australian Dollar	469	50	9.35	AUD	31 January 2014
Great British Pound	1 391	84	16.79	GBP	16 January 2014
	7 367				

Company:
The company obtained foreign exchange contracts in respect of the acquisition of the investment in the Mutlu group (refer note 28.1). The contracts taken out in the company have been closed out before year end.

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

	GROUP 2013 R'000	GROUP 2012 Restated R'000	COMPANY 2013 R'000	COMPANY 2012 R'000
22. CONTINGENT LIABILITIES				
Letters of support in respect of secured loans and overdrafts of associates:				
Valeo	**3 675**	3 675	**3 675**	3 675

The Alfred Teves Brake Systems (Pty) Ltd (ATE) funding granted by First National Bank has been secured by a letter of suretyship for R28.5 million from Metindustrial (Pty) Ltd (Metindustrial) 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 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. The company has also provided guarantees for funding provided by Absa Bank Limited to Metindustrial and Inalex and no material liabilities are likely to arise and the financial guarantee cost is insignificant.

	GROUP 2013 R'000	GROUP 2012 Restated R'000	COMPANY 2013 R'000	COMPANY 2012 R'000
23. COMMITMENTS				
Capital commitments	**356 528**	237 704		
Contracted:				
– Plant, machinery, tools, jigs and dies	**68 605**	67 504		
Authorised by the directors, but not yet contracted:				
– Plant, machinery, tools, jigs and dies	**287 923**	170 200		
Unexpired portion of operating lease contracts:	**82 944**	85 768		
– Payable within one year	**22 533**	22 060		
– Payable later than 1 year and not later than 5 years	**60 411**	58 549		
– Payable thereafter		5 159		
	439 472	323 472		

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

24. POST-EMPLOYMENT BENEFITS

The group provides certain retirement benefits for its employees.

Amounts recognised in the balance sheet are attributable to:

	GROUP 2013 R'000	GROUP 2012 Restated R'000
Post-employment medical benefit	**29 565**	28 499
Other post-employment benefits	**78 120**	
Liability in the balance sheet	**107 685**	28 499
Income statement charge included in operating profit	**2 682**	2 697

Notes to the annual financial statements
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24. POST-EMPLOYMENT BENEFIT (continued)

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 scheme is unfunded. The present value of the obligation is based on the 'projected unit credit basis' actuarial valuation using a number of assumptions.

The amounts recognised in the income statement are as follows:

	GROUP	
	2013 R'000	**2012 Restated R'000**
Current service costs	**622**	521
Interest costs	**2 060**	2 176
	2 682	2 697
Movement in the liability recognised in the balance sheet:		
At beginning of year	**28 499**	24 860
Total expense per income statement	**2 682**	2 697
Contributions paid	**(1 221)**	(379)
Actuarial (gain)/loss recognised in other comprehensive income	**(395)**	1 321
At end of year	**29 565**	28 499
The amounts recognised in equity are as follows:		
Recognised actuarial (gain)/loss	**(395)**	1 321

	Increase R'000	**Decrease R'000**
The effect of a 1.0% movement in the assumed healthcare cost rate is as follows:		
Effect on the aggregate of the current service cost and interest cost	**3 155**	2 305
Revised defined benefit obligation	**32 720**	27 240

Assumptions	**2013**	**2012**
The principle actuarial assumptions used were:		
– Discount rate for obligation	**8.4%**	7.5%
– Healthcare cost inflation	**6.6%**	5.9%
– Continuation of membership on retirement	**100%**	100%
– CPI inflation	**6.1%**	6.5%
– Average retirement age	**65**	65
– Mortality (post-retirement) tables Assumptions regarding future mortality are set based on actuarial advice in accordance with published statistics and experience.	**PA (90) – 1**	PA (90) – 1

24. POST-EMPLOYMENT BENEFIT (continued)

24.2 Other post-employment benefits

In accordance with the existing Turkish social legislation, the group is required to make lump-sum payments to current employees whose employment is terminated due to retirement or for reasons other than resignation or misconduct. Such payments are calculated on the basis of 30 days pay limited to a maximum of Turkish Lira 3 254 per year at 31 December 2013, per year of employment at the rate of pay applicable at the date of retirement/termination.

In the annual financial statements the group reflects a liability calculated using the projected unit credit method and based upon factors derived using their experience of personnel terminating their services and being eligible to receive retirement pay and discounted by using the current market yield on balance sheet date on government bonds (or Turkish markets board). Severance payment liability is not subject to any legal funding.

	GROUP	
	2013 R'000	2012 Restated R'000
Movement in the present value of the liability recognised in the balance sheet		
Acquisition of subsidiary	**81 406**	
Currency adjustment	**(3 286)**	
	78 120	

The principle actuarial assumptions used at balance sheet date are as follows (based on local Turkish statistics):	2013	2012
Annual discount rates	**9.18%**	
Inflation rate	**5.00%**	
Turnover rate to estimate the probability of retirement	**99.17%**	

The principle assumption is that the maximum liability for each year of service will increase in line with inflation.

Maximum payout per employee per legislation is subject to a monthly cap of Turkish Lira 3 438 per year of service.

24.3 Pension schemes

The Metair group pension benefit fund was curtailed in 2011. Section 14 approval by the Financial Services Board was received during the current year. There are no defined benefit pension schemes in the group.

The group operates defined contributions schemes and contributions are charged against the income statement. The group contributed R57 million (2012: R53 million) to the defined contribution schemes.

25. SUBORDINATION AGREEMENTS

	GROUP		COMPANY	
	2013 R'000	2012 Restated R'000	2013 R'000	2012 R'000
The company has subordinated a portion of loans receivable to the following subsidiaries in favour of and for the benefit of the other creditors to the extent that liabilities exceed total assets.				
Total loan amount receivable:				
Smiths Plastics (Pty) Ltd (Smiths Plastics)			**147 000**	147 000
Metair Management Services (Pty) Ltd (MMS)			**288 684**	
			435 684	147 000

26. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Management makes judgements, estimates and assumptions in the preparation of the annual financial statements that affect the disclosure and values 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 nature, 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 (refer note 14).

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 (refer note 19).

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 relating 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 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

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

Building

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

Plant and equipment

Claims were 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

Claims were based on 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.

Goodwill impairment testing

The group tests annually whether goodwill (including indefinite life intangibles) has suffered any impairment, in accordance with the accounting policy. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (refer note 8).

IFRS 10 – Hesto accounted for as an associate

Management has assessed whether the group has control over Hesto and has determined that it does not control Hesto, notwithstanding the fact that it has a 74.9% shareholding in the company. The existence of a core option held by the other shareholder to acquire the majority or entire shareholding in Hesto results in the group not having control. Consequently Hesto has been classified as an associate as the group has significant influence over this company.

26. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Consolidation of Smiths

Management has assessed the level of influence that the group is able to exercise over Smiths and has determined that it has control over the company. The assessment is based on the fact that the decision-making power, the other shareholder, is considered to be protective in nature. Consequently, the investment is classified as a subsidiary.

Property, plant and equipment

The useful economic life and residual values of items of property, plant and equipment and tangible assets are estimated annually. The actual lives and residual values may vary depending on a variety of factors.

27. RELATED PARTIES

The group and company entered into transactions with related parties. Transactions that are eliminated intra-group for consolidation purposes are not included. Transactions are carried out on a commercial basis.

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

Information on investments in subsidiaries and associates is presented in notes 9, 10 and on pages 176 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.

Information on the shareholding of the company can be found on pages 74 to 75.

The majority shareholder of the group is the Royal Bafokeng Metair Trust, holding 37 911 325 (2012: 37 911 325) ordinary shares at a shareholding of 19.05% (2012: 24.85%). Dividends paid by the company to the Royal Bafokeng Metair Trust amounted to R36 015 759 (2012: R27 296 154). The outstanding balance receivable from the Royal Bafokeng Metair Trust amounted to R154 101 (2012: R144 150).

	GROUP	
	2013 R'000	2012 Restated R'000
The group entered into the following transaction with its equity partners in Smiths:		
Purchases of goods and services	**64 798**	40 371
Outstanding balance at year-end	**349**	17 909
The group entered into the following transactions with its associates:		
Hesto		
Purchases from group companies	**98 822**	88 252
Sales to group companies	**113**	166
Management fees paid to group companies	**532**	497
Management fees received from group companies	**132**	132
Outstanding balance to group companies	**3 607**	3 781
Outstanding balance from group companies	**71**	142
Valeo		
Purchases from group companies	**28 057**	30 105
Rental paid to group companies	**1 053**	953
Management fees paid to group companies	**1 288**	1 161
Outstanding balance to group companies	**1 621**	1 480

The company has provided limited letters of support to certain subsidiaries within the group. the company has also stood as a guarantor for the financing provided to Metindustrial and Inalex, the cost of which is insignificant.

28. BUSINESS COMBINATIONS

28.1 Mutlu group

On 5 December 2013, the group acquired 100% of the issued shares of Mutlu Holding Anonim Şirketi (Mutlu group), which is a group of companies incorporated under Turkish law. Mutlu Akü a 75% held listed company in Turkey, is the group's main operating subsidiary and a manufacturer of 'lead-acid batteries' for the original manufacturers (OEM), aftermarket, non-automotive and export segments. Mutlu group 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 R2 890.7 million. Goodwill of R543.7 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 the Mutlu group and the amounts of the assets acquired and liabilities assumed at the acquisition date:

Consideration at 5 December 2013	**R'000**
Cash and cash equivalents	**2 321 349**
Acquisition vendor payable	**67 890**
Minority tender offer acquisition payable	**611 788**
Hedging gains capitalised	**(110 377)**
Total consideration	**2 890 650**

Recognised amounts of identifiable assets acquired and liabilities assumed	**Provisional fair value R'000**
Assets	
Intangible assets – Brands and customer relationships (refer note 8)	**657 533**
Property, plant and equipment (refer note 9)	**1 595 895**
Inventory	**430 200**
Trade and other receivables	**503 754**
Cash and cash equivalents	**84 784**
	3 272 166
Liabilities	
Borrowings	**(297 005)**
Provisions (refer note 19 and 24.2)	**(127 289)**
Trade and other payables	**(182 275)**
Net deferred taxation (refer note 17)	**(318 644)**
	(925 213)
Total identifiable net assets	**2 346 953**
Goodwill	**543 697**
Purchase consideration (including currency hedging)	**2 890 650**
Acquisition of subsidiary – cashflow on acquisition	
Purchase consideration (including currency hedging) – cash portion	**2 210 972**
Cash and cash equivalents acquired	**(84 784)**
	2 126 188
Transaction costs	**78 058**
Net cashflow on acquisition	**2 204 246**

Transaction-related costs included in administration expenses in the income statement amounted to R78.1 million for the year ended 31 December 2013.

The fair value of trade and other receivables is R503.8 million and includes trade receivables with a fair value of R481.7 million, R0.1 million is considered doubtful. None of the goodwill recognised is expected to be deductible for income taxation purposes.

The fair value of the acquired identifiable tangible and intangible assets is provisional pending receipt of the final valuations for those assets.

28. BUSINESS COMBINATIONS

28.1 Mutlu group (continued)

In respect of this acquisition, the total consideration is based on US Dollars of 287 152 540 translated into Rand at an exchange rate of R10.48 to the US Dollar (effective rate of R10.07 after hedging).

The acquisition was financed by raising cash through the issue of 46 454 million shares by the company (in terms of a private placement) at R32.29 per share and cash raised by interest bearing debt (refer notes 14 and 16). The group has also applied hedge accounting to the acquisition and gains of R110.4 million are capitalised against the cost of the investment. In terms of the acquisition agreement and as required in terms of the laws and regulations of Turkey, Metair is required to undertake the mandatory tender offer (MTO) to acquire the remaining minorities of Mutlu Akü (25%). The additional commitment is to be in line with the value attributable to Mutlu Akü on a stand alone basis by Metair for the purpose of the acquisition, subject to the approval of the Capital Markets Board (CMB) of Turkey. The additional commitment has been included in the purchase consideration and is based on the factors described above.

As a result of the MTO and the high probability of the entire minority buyout, the group has effectively acquired 100% of Mutlu Akü.

Impact of the acquisition on the results of the group	**R'000**
From the dates of acquisition, the acquired businesses contributed:	
– Revenue	**319 676**
– Attributable profit	**33 244**
Had the acquisition been consolidated from 1 January 2013 the income statement would have included:	
– Revenue	**2 276 202**
– Attributable profit	**146 817**

Notes to the annual financial statements
continued

28 BUSINESS COMBINATIONS (continued)

28.2 Rombat

On 14 March 2012, the group acquired 99.43% of the issued shares of 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 goodwill of R36 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 fair values of net assets acquired were disclosed as provisional at 31 December 2012. These values have subsequently been finalised and are summarised below.

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

Recognised amounts of identifiable assets acquired and liabilities assumed	Fair value R'000
Assets	
Trademark and other intangible assets (refer note 8)	**31 264**
Property, plant and equipment (refer note 7)	**281 295**
Inventory	**98 131**
Trade and other receivables	**188 062**
Cash and cash equivalents	**111 177**
	709 929
Liabilities	
Borrowings	**(33 429)**
Provisions (refer note 19)	**(17 469)**
Trade and other payables	**(135 417)**
Overdraft	**(96 756)**
Net deferred taxation (refer note 17)	**(10 996)**
	(294 067)
Total identifiable net assets	**415 862**
Less: Non-controlling interest	**(2 055)**
Goodwill	**35 955**
Purchase consideration (including currency hedging)	**449 762**
Acquisition of subsidiary – cashflow on acquisition	
Purchase consideration (including currency hedging) – cash portion	**449 762**
Cash and cash equivalents acquired	**(111 177)**
Overdraft acquired	**96 756**
	435 341
Transaction costs	**7 808**
Net cash flow on acquisition	**443 149**

28 BUSINESS COMBINATIONS (continued)

28.2 Rombat (continued)

Reconciliation of the provisional fair value of assets and liabilities arising on acquisition to the final fair values:	**Fair value R'000**
Provisional fair values as previously reported	**419 003**
Adjustments to fair values (resultant increase to goodwill)	**(3 141)**
Property, plant and equipment	**11 367**
Deferred taxation	**598**
Provisions	**(15 106)**
Final fair values reported during the current year	**415 862**

Transaction costs included in administration expenses in the income statement 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**

29. CHANGE IN ACCOUNTING POLICIES

Metair adopted IFRS 10, 'Consolidated financial statements', IFRS 12, 'Disclosure of interest in other entities' and consequential amendments to IAS 28, 'Investments in associates and joint ventures' and IAS 27, 'Separate financial statements', on 1 January 2013. The new accounting policies have had the following impact on the financial statements:

Adoption of IFRS 10 – Hesto accounted for as an associate

The adoption of IFRS 10, 'Consolidated financial statements', required Metair to re-assess control over its investees as at 1 January 2013. As a result of this re-assessment, it was concluded that Hesto, which was previously consolidated, should be accounted for as an associate under IAS 28, 'Investments in associates and joint ventures'. The group has applied IFRS 10 and IAS 28 retrospectively in accordance with their transitional provisions.

The effects of the changes to the accounting policies is shown in the following tables:

Impact of change in accounting policy on balance sheets

	As at 31 December 2012* (Previously stated) R'000	Equity accounting for Hesto R'000	As at 31 December 2012 (Restated) R'000	As at 1 January 2012 (Previously stated) R'000	Equity accounting for Hesto R'000	As at 1 January 2012 (Restated) R'000
ASSETS						
Non-current assets	1 395 634	66 801	1 462 435	841 318	52 885	894 203
Property, plant and equipment*	1 249 327	(57 828)	1 191 499	762 752	(55 941)	706 811
Intangible assets*	88 453	(3 959)	84 494	22 718	(5 990)	16 728
Investment in associates	47 351	128 588	175 939	44 582	114 816	159 398
Deferred taxation*	10 503		10 503	11 266		11 266
Current assets	2 024 613	(193 179)	1 831 434	1 640 808	(205 684)	1 435 124
Inventory	869 989	(114 715)	755 274	693 646	(113 854)	579 792
Trade and other receivables	706 862	(39 197)	667 665	518 527	(40 524)	478 003
Taxation	424		424	6 342	(1 473)	4 869
Derivative financial assets	162		162	615		615
Cash and cash equivalents	447 176	(39 267)	407 909	421 678	(49 833)	371 845
Total assets	3 420 247	(126 378)	3 293 869	2 482 126	(152 799)	2 329 327
EQUITY AND LIABILITIES						
Capital and Reserves						
Stated capital/share capital and premium	42 876		42 876	42 876		42 876
Treasury shares	(72 232)		(72 232)	(113 509)		(113 509)
Share-based payment reserve	38 428	(5 141)	33 287	17 542	42	17 584
Hedging reserve				(3 471)		(3 471)
Foreign currency translation reserve	36 660		36 660			
Equity accounted earnings	43 308	128 587	171 895	39 494	114 815	154 309
Retained earnings	1 883 541	(128 373)	1 755 168	1 599 664	(114 601)	1 485 063
Ordinary shareholders equity	1 972 581	(4 927)	1 967 654	1 582 596	256	1 582 852
Non-controlling interest	126 701	(41 625)	85 076	118 812	(39 790)	79 022
Total equity	2 099 282	(46 552)	2 052 730	1 701 408	(39 534)	1 661 874

29. CHANGE IN ACCOUNTING POLICIES (continued)

Impact of change in accounting policy on balance sheets (continued)

	As at 31 December 2012 (Previously stated) R'000	Equity accounting for Hesto R'000	As at 31 December 2012 (Restated) R'000	As at 1 January 2012 (Previously stated) R'000	Equity accounting for Hesto R'000	As at 1 January 2012 (Restated) R'000
Non-current liabilities	295 461	(6 196)	289 265	116 650	(5 822)	110 828
Borrowings	183 804		183 804	27 458		27 458
Post-employment benefits	28 713	(214)	28 499	25 074	(214)	24 860
Deferred taxation	66 572	(5 982)	60 590	64 118	(5 608)	58 510
Provisions for liabilities and charges*	16 372		16 372			
Current liabilities	1 025 504	(73 630)	951 874	664 068	(107 443)	556 625
Trade and other payables	669 090	(66 691)	602 399	533 374	(102 691)	430 683
Borrowings	67 398		67 398	24 627		24 627
Taxation	14 024	(2 423)	11 601	7 541		7 541
Provisions for liabilities and charges	71 508	(142)	71 366	60 651	(2 044)	58 607
Derivative financial liabilities	11 556	(3 927)	7 629	12 769	(2 708)	10 061
Bank overdrafts	191 928	(447)	191 481	25 106		25 106
Total liabilities	1 320 965	(79 826)	1 241 139	780 718	(113 265)	667 453
Total equity and liabilities	3 420 247	(126 378)	3 293 869	2 482 126	(152 799)	2 329 327

* Adjusted for finalisation of provisionally determined values in respect of prior year business combination (refer note 28.2)

The company did not present a third balance sheet as the amendments due to IFRS 2 and IFRS 10 were insignificant.

Impact of change in accounting policy on income statements

	For period ended December 2012 R'000	Equity accounting for Hesto R'000	For period ended December 2012 as presented R'000	For ended December 2011 R'000	Equity accounting for Hesto R'000	For period ended December (Restated) R'000
Revenue	5 273 370	(670 220)	4 603 150	4 294 152	(586 893)	3 707 259
Cost of sales	(4 037 654)	495 533	(3 542 121)	(3 376 719)	461 824	(2 914 895)
Gross profit	1 235 716	(174 687)	1 061 029	917 433	(125 069)	792 364
Other operating income	69 293	(1 951)	67 342	166 236	(3 757)	162 479
Distribution costs	(176 341)	1 387	(174 954)	(132 750)	1 202	(131 548)
Administrative expenses	(438 098)	69 162	(368 936)	(372 440)	56 466	(315 974)
Other operating expenses	(22 138)	7 466	(14 672)	(2 256)	5 248	2 992
Operating profit	668 432	(98 623)	569 809	576 223	(65 910)	510 313
Interest income	21 065	(1 859)	19 206	14 296	(1 649)	12 647
Interest expense	(26 961)	504	(26 457)	(7 858)	358	(7 500)
Share of results of associates	27 817	51 104	78 921	19 339	36 762	56 101
Profit before taxation	690 353	(48 874)	641 479	602 000	(30 439)	571 561
Taxation	(197 718)	30 815	(166 903)	(150 906)	17 929	(132 977)
Profit for the year	492 635	(18 059)	474 576	451 094	(12 510)	438 584
Attributable to:						
Equity holders of the company	440 543		440 543	408 365		408 365
Non-controlling interests	52 092	(18 059)	34 033	42 729	(12 510)	30 219
	492 635	(18 059)	474 576	451 094	(12 510)	438 584

Notes to the annual financial statements
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29. CHANGE IN ACCOUNTING POLICIES (continued)

Impact of change in accounting policy on statements of comprehensive income

	For period ended December 2012 R'000	Equity accounting for Hesto R'000	For period ended December 2012 as presented R'000	For period ended December 2011 R'000	Equity accounting for Hesto R'000	For period ended December 2011 (Restated) R'000
Profit for the year	492 635	(18 059)	474 576	451 094	(12 510)	438 584
Other comprehensive income:						
Items that will not be reclassified to profit or loss:						
– Actuarial losses recognised	(1 321)		(1 321)	(5 345)	330	(5 015)
– Taxation effect	296		296			
Items that may be reclassified to profit or loss:						
– Exchange gains arising on translation of foreign operations	36 845		36 845			
– Cash flow hedges	(7 548)		(7 548)	(4 821)		(4 821)
– Taxation effect	(1 350)		(1 350)	2 645	(92)	2 553
Other comprehensive income for the year net of taxation	26 922		26 922	(7 521)	238	(7 283)
Total comprehensive income for the year	519 557	(18 059)	501 498	443 573	(12 272)	431 301
Attributable to:						
Equity holders of the company	467 280		467 280	401 033		401 033
Non-controlling interests	52 277	(18 059)	34 218	42 540	(12 272)	30 268
	519 557	(18 059)	501 498	443 573	(12 272)	431 301

Impact of change in accounting policy on statements of cash flows

	For period ended December 2012 R'000	Equity accounting for Hesto R'000	For period ended December 2012 as presented R'000	For period ended December 2011 R'000	Equity accounting for Hesto R'000	For period ended December 2011 (Restated) R'000
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash generated from operations	749 751	(77 306)	672 445	450 400	(69 161)	381 239
Interest paid	(26 961)	504	(26 457)	(7 858)	358	(7 500)
Taxation paid	(181 574)	25 097	(156 477)	(126 833)	17 573	(109 260)
Dividends paid	(144 613)	12 510	(132 103)	(130 102)	4 074	(126 028)
Dividend income from associate	24 003	37 332	61 335	8 993	12 159	21 152
Net cash inflow from operating activities	420 606	(1 863)	418 743	194 600	(34 997)	159 603

29. CHANGE IN ACCOUNTING POLICIES (continued)

	For period ended December 2012 R'000	Equity accounting for Hesto R'000	For period ended December 2012 as presented R'000	For period ended December 2011 R'000	Equity accounting for Hesto R'000	For period ended December 2011 (Restated) R'000
CASH FLOWS FROM INVESTING ACTIVITIES						
Acquisition of property, plant and equipment	(298 520)	14 393	(284 127)	(159 749)	16 721	(143 028)
Acquisition of intangible assets	(2 108)	72	(2 036)	(2 397)	2 385	(12)
Proceeds on insurance claim relating to property, plant and equipment	898		898	49 392		49 392
Acquisition of subsidiary	(443 149)		(443 149)			
Interest received	21 065	(1 859)	19 206	14 296	(1 649)	12 647
Proceeds on disposal of property, plant and equipment	5 003		5 003	10 282	(870)	9 412
Net cash outflow from investing activities	(716 811)	12 606	(704 205)	(88 176)	16 587	(71 589)
CASH FLOWS FROM FINANCING ACTIVITIES						
Long-term loans raised	199 798		199 798	9 753		9 753
Long-term loans repaid	(68 999)		(68 999)	(14 207)		(14 207)
Short-term loans raised	144 939		144 939	2 203		2 203
Short-term loans repaid	(110 050)		(110 050)			
Decrease in treasury shares	2 794		2 794	2 575		2 575
Cost of vesting of shares	(16 418)	270	(16 148)			
Net cash inflow from financing activities	152 064	270	152 334	324		324
Net (decrease)/increase in cash and cash equivalents	(144 141)	11 013	(133 128)	106 748	(18 410)	88 338
Cash and cash equivalents at beginning of the year	396 572	(49 833)	346 739	289 824	(31 423)	258 401
Exchange gains on cash and cash equivalents	2 817		2 817			
Cash and cash equivalents at end of the year	255 248	(38 820)	216 428	396 572	(49 833)	346 739

29. CHANGE IN ACCOUNTING POLICIES (continued)

Impact of change in accounting policy on the statements of changes in equity

	Attributable to owners of the parent						
	Share capital and premium R'000	**Treasury shares R'000**	**Other reserves R'000**	**Retained earnings R'000**	**Total R'000**	**Non-controlling interest R'000**	**Total equity R'000**
Balance as at 1 January 2012	42 876	(113 509)	53 565	1 599 664	1 582 596	118 812	1 701 408
Effect of changes in accounting policies			114 857	(114 601)	256	(39 790)	(39 534)
Balance as at 1 January 2012 as restated	42 876	(133 509)	168 422	1 485 063	1 582 852	79 022	1 661 874
Profit for the year as previously reported				440 543	440 543	52 092	492 635
Effect of changes in accounting policies						(18 059)	(18 059)
Profit for the year as restated				440 543	440 543	34 033	474 576
Other comprehensive income for the year as previously reported			27 762	(1 025)	26 737	185	26 922
Other comprehensive income for the year as restated			27 762	(1 025)	26 737	185	26 922
Total comprehensive income for the year as previously reported			27 762	439 518	467 280	52 277	519 557
Effect of changes in accounting policies						(18 059)	(18 059)
Total comprehensive income for the year			27 762	439 518	467 280	34 218	501 498
Non-controlling interest arising on acquisition of subsidiary						2 055	2 055
Employee share option scheme:							
– 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 effect 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 acquisition 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/dividend			3 814	(3 814)			
Dividend				(101 884)	(101 884)	(42 729)	(144 613)
Total contributions by/distributions to owners of the parent, recognised directly in equity as previously stated		41 277	37 069	(155 641)	(77 295)	(44 388)	(121 683)

29. CHANGE IN ACCOUNTING POLICIES (continued)

Impact of change in accounting policy on the statement of changes in equity (continued)

	Attributable to owners of the parent						
	Share capital and share premium R'000	Treasury shares R'000	Other reserves R'000	Retained earnings R'000	Total R'000	Non-controlling interest R'000	Total equity R'000
Carried forward total		41 277	37 069	(155 641)	(77 295)	(44 388)	(121 683)
Balance as at 31 December 2012 as previously reported	42 876	(72 232)	118 396	1 883 541	1 972 581	126 701	2 099 282
Effect of changes in accounting policies			123 446	(128 373)	(4 927)	(41 625)	(46 552)
Balance as at 31 December 2012	42 876	(72 232)	241 842	1 755 168	1 967 654	85 076	2 052 730

Investments in subsidiaries and associates
as at 31 December 2013

	Type	Issued share capital 2013 R'000	2012 R'000	% Direct/(indirect) interest 2013 %	2012 %	Direct/(indirect) cost of shares 2013 R'000	2012 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
Smiths Plastics (Pty) Ltd	ordinary			**100**	100	**28 194**	28 194
Unitrade 745 (Pty) Ltd	ordinary			**100**	100		
Smiths Electric Motors (Pty) Ltd	ordinary			**(75)**	(75)		
First National Battery Industrial (Pty) Ltd	ordinary			**(100)**	(100)		
Tlangi Investments (Pty) Ltd	ordinary			**(100)**	(100)		
Automould (Pty) Ltd	ordinary			**(100)**	(100)		
Alfred Teves Brake Systems (Pty) Ltd	ordinary			**(100)**	(100)		
Rombat SA **	ordinary	**76 010**	76 010	**(99.4)**	(99.4)	**(437 393)**	(437 393)
Management services							
Metair Management Services (Pty) Ltd	ordinary			**100**	100		
Business Venture Investments No 1217 (Pty) Ltd	ordinary			**100**	100		
Inalex (Pty) Ltd	ordinary	**120**		**100**		**93 592**	
Metair International Cooperatief U.A.*	ordinary			**(100)**	(100)	**(2 835 818)**	400 103/ (44 456)
Metair Akü Holding Anonim Şirketi***	ordinary			**(100)**		**(2 391 549)**	
Properties							
SMSA Property (Pty) Ltd	ordinary	**3 000**	3 000	**(75)**	(75)		
ILM Investments (Pty) Ltd	ordinary	**1**	1	**(100)**	(100)		
Honeypenny (Pty) Ltd	ordinary			**(100)**	(100)		
Climate Control Properties (Pty) Ltd	ordinary			**(100)**	(100)		
Direct interest						**146 286**	452 797
Indirect interest						**(5 664 760)**	(481 849)
ASSOCIATES							
Hesto Harnesses (Pty) Ltd	ordinary	**1**	1	**74.9**	74.9	**1**	1
Tenneco Automotive Holdings SA (Pty) Ltd	ordinary	**1 233**	1 233	**25.1**	25.1		
Valeo Systems South Africa (Pty) Ltd	ordinary	**1**	1	**49**	49	**2 793**	2 793
Toyoda Gosei (Pty) Ltd	ordinary	**1**	1	**(20)**	(20)	**1 250**	1 250
Vizirama 112 (Pty) Ltd	ordinary			**33**	33	**1 045**	1 045
Eye2square Innovations (Pty) Ltd	ordinary			**(20)**	(20)	**5 000**	
						10 089	5 089

All subsidiaries and associates are incorporated in South Africa except for:

*Metair International Cooperatief U.A.
– Netherlands

**Rombat S.A. – Romania

***Mutlu group is incorporated in Turkey and consists of the following:
– Mutlu Holding Anonim Şirketi
– Mutlu Akü ve Malzemeleri Sanayii Anonim Şirketi (Mutlu Akü)
– Mutlu Plastik ve Ambalaji Sanayi Anonim Şirketi (Mutlu Plastik)
– Metropol Motorlu Tasitlar Kiralama Anonom Şirketi (Metropol)
– Türker Izabe ve Refine Sanayi Anonim Şirketi (Türker İzabe)

All subsidiary undertakings are included in the consolidation. The proportion of the voting rights in the subsidiary undertakings held directly by the parent company do not differ from the proportion of ordinary shares held.

Amounts owning by/(to) subsidiaries before impairment:	2013 R'000	2012 R'000
Metair Management Services (Pty) Ltd	**288 684**	184 101
Inalex (Pty) Ltd	**1 883 715**	
Lumotech (Pty) Ltd	**70 529**	74 707
Unitrade 745 (Pty) Ltd	**5 312**	5 047
Smiths Plastics (Pty) Ltd	**181 950**	198 417
Business Venture Investments 1217 (Pty) Ltd	**(138 278)**	(47 504)
Metair Share Trust	**12 108**	12 777
	2 304 020	427 545

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 **'company'**)

NOTICE TO SHAREHOLDERS

Notice is hereby given that the annual general meeting of shareholders of Metair Investments Limited will be held in the conference room, AstroTech Conference Centre, Cnr. Anerley Road, Parktown, Johannesburg, on Monday, 5 May 2014, at 14:00 for the following purposes:

Ordinary business

To present the audited annual financial statements, which include the directors' report and the audit and risk committee report, for the year ended 31 December 2013, as approved by the board of directors of the company ('directors') ('board') in terms of section 30(3) of the Companies Act, No. 71 of 2008 (as amended) ('Companies Act'), incorporating the auditors' and directors' reports.

Ordinary resolution number 1

Resolved that Mr JG Best, who retires in terms of the provisions of the company's Memorandum of Incorporation ('MOI'), but, being eligible and has offered himself for re-election (refer to page 24 of the integrated annual report for a brief curriculum vitae of Mr JG Best), be and is hereby re-appointed as a director of the company.

Ordinary resolution number 2

Resolved that Mr SG Pretorius, who retires in terms of the provisions of the MOI, but, being eligible and has offered himself for re-election (refer to page 25 of the integrated annual report for a brief curriculum vitae of Mr SG Pretorius), be and is hereby re-appointed as a director of the company.

Ordinary resolution number 3

Resolved that Mr DR Wilson, who retires in terms of the provisions of the MOI, but, being eligible and has offered himself for re-election (refer to page 25 of the integrated annual report for a brief curriculum vitae of Mr DR Wilson), be and is hereby re-appointed as a director of the company.

Ordinary resolution number 4

Resolved that 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 audit and risk committee (**'committee'**) of the board, be and is hereby appointed as the auditors of the company.

Ordinary resolution number 5

Resolved that subject, where applicable to their reappointment as directors in terms of the resolutions proposed above, to resolve that the members of the Committee as set out below be, and are hereby appointed in accordance with the provisions of section 94 of the Companies Act for the period commencing on the date of their re-appointment and enduring until the next annual general meeting of the company.

Resolved that the nominees to the Committee, as proposed by the board, be and are hereby re-elected:

(i) Mr JG Best, as chairman of the Committee;
(ii) Mr L Soanes, as a member of the Committee; and
(iii) Ms A Galiel, as a member of the Committee,

each of whom are independent non-executive directors of the company.

7. Special business

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

Ordinary resolution number 6

Resolved as an ordinary resolution that the unissued ordinary share capital of the company be and is hereby placed under the control of the directors who are hereby authorised, subject to Article 4.2 of the MOI and the Listings Requirements of the JSE Limited (**'JSE'**) (**'JSE Listings Requirements'**), to allot and issue 29 184 969 ordinary shares, representing 15% of the company's listed equity securities (excluding treasury shares) as at the date of the notice of annual general meeting, on such terms and conditions and at such times as the directors may at their discretion deem fit, until the next annual general meeting.

In particular the approval of this ordinary resolution which, if passed, is in terms of the JSE Listings Requirements subject to not less than 75% of the votes of all shareholders entitled to vote and in attendance or represented at the meeting, being cast in favour of the resolution, and is further subject to paragraphs 5.52, 5.75 and 11.22 of the JSE Listings Requirements, which in summary provide as follows:

- *such shares may only be issued or sold, as the case may be, to public shareholders as defined in paragraph 4.25 to 4.27 of the JSE Listings Requirements, and not to related parties;*
- *the maximum discount (if any) at which such shares may be issued or sold, as the case may be, is 10% of the weighted average traded price of the company's shares on the JSE over the 30 business days preceding the date of determination or agreement of the issue or selling price, as the case may be; and*
- *after the company has issued shares in terms of this general authority representing, on an accumulative basis within a financial year, 5% or more of the number of shares in issue prior to that issue, the company is required to publish an announcement containing full details of the issue.*

Ordinary resolution number 7

Resolved as an ordinary resolution that the company's remuneration policy and its implementation, as set out in the Corporate Governance Report contained in the integrated annual report (refer to page 72 of the integrated annual report) be and is hereby approved through a non-binding advisory vote.

The reason for this resolution being approved through a non-binding advisory vote is because of it being a recommended practice in terms of the King Report on Governance for South Africa 2009 and the King Code of Governance for South Africa 2009 (collectively hereinafter the ***'King III')*** *and in line with sound corporate governance.*

Special resolution number 1

Resolved as a special resolution in terms of section 66(9) of the Companies Act, that the remuneration of the non-executive directors with effect from 1 January 2014 to 31 December 2014 (refer to page 73 of the integrated annual report) be and is hereby approved.

The reason for and effect of special resolution number 1 is to approve, to the extent required, the remuneration for non-executive directors for the period commencing 1 January 2014 and ending 31 December 2014.

Special resolution number 2

Resolved as a special resolution in accordance with section 45 of the Companies Act, that the board be and is hereby authorised, by way of a general authority to, at any time and from time to time during the period of two years commencing on the date of passing of this special resolution to provide, any direct or indirect financial assistance (but subject to the provisions of section 45(1) of the Companies Act and the JSE Listing Requirements) in such amount and in any form (including, but not limited to, by way of loan (on an interest-free or a market-related interest basis), guarantee, the provision of security or otherwise) to any of its present or future subsidiaries and/or any juristic person that the company directly or indirectly controls from time to time (collectively hereinafter the **'Metair group'**) 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, subject thereto that the board will, before making such financial assistance available, satisfy itself that:

(i) immediately after providing the financial assistance, the company will satisfy the solvency and liquidity test as prescribed in section 46(2) of the Companies Act; and

(ii) the terms under which the financial assistance is proposed to be given are fair and reasonable to the company.

The effect of the special resolution and the reason therefore is that same is required in terms of Section 45 of the Companies Act to grant the directors 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 the company or any other juristic person that the company directly or indirectly controls.

The special resolution does not authorise Metair to provide financial assistance to a director or prescribed officer of the company.

In accordance with section 45(5) of the Companies Act, the board hereby gives notice to its shareholders of the fact that it has passed a resolution at a meeting of the directors held on 17 April 2013, 28 October 2013 and 4 December 2013 authorising the company to provide financial assistance to certain related and/or inter-related companies which board resolution will take effect, subject to the passing of special resolution number 2 as set out above.

Special resolution number 3

Resolved as a special resolution in terms of the Companies Act and the JSE Listings Requirements, that the authorisation granted to the company in terms of Article 13 of its MOI to acquire the company's own securities by way of a general approval, upon such terms and conditions and in such amounts as the directors may from time to time decide, subject only to the provisions of the Companies Act and the JSE Listings Requirements, be and is hereby extended, subject to the following terms and conditions:

(i) Any repurchase of securities must be effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the company and any counterparty;
(ii) This general authority shall be valid until the company's next annual general meeting, provided that it shall not extend beyond 15 months from the date of passing of this special resolution;
(iii) Repurchases may not be made at a price greater than 10% above the weighted average of the market value of the securities for the five business days immediately preceding the date on which the repurchase will be effected;
(iv) At any point in time, the company may only appoint one agent to give effect to any repurchase;
(v) An announcement shall be published as soon as the company has cumulatively repurchased 3% of the initial number (being the number of that class of shares in issue at the time that the general authority was granted) of the relevant class of securities and for each 3% in aggregate of the initial number of that class acquired thereafter, containing the details as required by paragraph 11.27 of the JSE Listings Requirements;
(vi) Repurchases shall not, in the aggregate, in any one financial year exceed 20% of the company's issued share capital of that class;
(vii) 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 the Stock Exchange News Service operated by the JSE prior to the commencement of prohibited period;
(viii) The intention of the board is that the repurchase of the company's securities will be effected within the parameters laid down by this resolution as well as by the Companies Act, the JSE Listings Requirements and the board, as and when the directors deem such repurchases to be appropriate, having regard for prevailing market and business conditions;
(ix) The directors will ensure that the requisite prior resolution of the board has been taken authorising such repurchases, confirming that the company and its subsidiaries engaged in such repurchases have passed the solvency and liquidity test envisaged in the Companies Act and confirming that, since such tests were performed, there have been no material changes to the financial position of the Metair group; and
(x) The company may not proceed with a repurchase of its securities until the company's sponsor has discharged its duties in writing to the JSE with regard to the adequacy of the company's working capital for the purpose of undertaking a repurchase of securities.

The directors shall not make any repurchases under this general authority unless they are of the opinion that, after considering the effect of the maximum number of shares to be repurchased and for a period of 12 months after the date of the notice of the annual general meeting:

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

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

Additional Disclosure
In terms of the JSE Listings Requirements, the following disclosures are required with reference to the general authority to repurchase its own securities by the company and/or its subsidiaries set out in special resolution number 3, some of which are set out in the integrated annual report of which this notice forms part.

Directors and management – refer to page 23 of the integrated annual report.

Major shareholders of the company – refer to page 74 of the integrated annual report.

Directors' interests in the company's securities – refer to page 75 and 141 of the integrated annual report.

Share capital – refer to page 135 of the integrated annual report.

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

Directors' responsibility statement
The directors, whose names are given on page 23 of the 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 resolutions contain all the information required by law and the JSE Listings Requirements.

Material change
Other than the facts and developments reported on in the integrated annual report, there have been no material changes in the financial or trading position of the Metair group since the date of signature of the integrated annual report and the posting date hereof.

PERCENTAGE OF VOTING RIGHTS REQUIRED FOR RESOLUTIONS

Special resolutions
The percentage of voting rights that will be required for the adoption of each special resolution is at least 75% of the voting rights exercised on the resolution by shareholders present or represented by proxy at the meeting in order to be adopted.

Ordinary resolutions
The percentage of voting rights that will be required for the adoption of each ordinary resolution is 50% plus one of the voting rights exercised on the resolution by shareholders present or represented by proxy at the meeting in order to be adopted, except for ordinary resolution number 6, which, in terms of paragraph 5.52 (e) of the JSE Listings Requirements requires a 75% majority of the votes cast.

Notice to shareholders

continued

NOTICE RECORD DATE, VOTING RECORD DATE AND FORMS OF PROXY

This notice of the company's annual general meeting has been sent to its shareholders who were recorded as such in the company's securities register on Friday, 14 March 2014, 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, 25 April 2014, 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 Wednesday, 16 April 2014.

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

Duly completed proxy forms must be received by the company at its registered office or by the Transfer Secretaries (Computershare Investor Services (Pty) Ltd, Ground Floor, 70 Marshall Street, Johannesburg, 2001 or at PO Box 61051, Marshalltown, 2107) by no later than Wednesday, 30 April 2014 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

SM Vermaak
Company secretary
Johannesburg
24 March 2014

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.

Form of proxy

Annual general meeting of shareholders

METAIR INVESTMENTS LIMITED
(Incorporated in the Republic of South Africa)
(Registration Number 1948/031013/06)
JSE share code: MTA ISIN: ZAE 000090692
('Metair' or '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 Monday, 5 May 2014 at AstroTech Conference Centre, Cnr. 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
Adoption of financial statements	☐	☐	☐
1. Re-election of Mr JB Best as a director	☐	☐	☐
2. Re-election of Mr SG Pretorius as a director	☐	☐	☐
3. Re-election of Mr DR Wilson as a director	☐	☐	☐
4. Re-appointment of auditors	☐	☐	☐
5. Appointment of group audit and risk 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	☐	☐	☐
Special business:			
Ordinary resolution number 6: Placing of unissued shares under the control of the directors	☐	☐	☐
Ordinary resolution number 7: 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	☐	☐	☐

Signed at ______________________ on ______________________ 2014.

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 or at PO Box 61051, Marshalltown, 2107) by no later than Wednesday, 30 April 2014 at 14:00.

Please read the notes on the reverse side hereof.

Form of proxy

NOTES

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

Please insert an 'x' in the relevant spaces according to how you wish your votes to be cast. However, if you wish to cast your votes in respect of a lesser number of shares than you own in the company, insert the number of ordinary shares held in respect of which you desire to vote. Failure to comply with the above will be deemed to authorise the proxy to vote or to abstain from voting at the annual general meeting as he/she deems fit in respect of all the 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 Wednesday, 30 April 2014.

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
2193

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

Telephone: +27 11 646 3011

Fax: +27 11 646 3102

Email: sanet@metair.co.za

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