2014 INTEGRATED ANNUAL REPORT

RAYLITE
MIB
Metair International Battery
OLDHAM
CHLORIDE
EXIDE BATTERIES
Ate
ROMBAT
Member of Metair Group
Povver AKÜ
COOL GEAR
MUTLU
Çelik akü
Battery Centre
THE BATTERY SPECIALISTS
HALK
DUNAIR
SUPERIOR CAR AIR CONDITIONING
GOLDEN
FIRST NATIONAL battery
DENSO

Metair manufactures and distributes automotive components for original equipment manufacturers and aftermarket, while batteries are also manufactured and distributed for use in non-automotive sectors. The group's 6 607 permanent employees work at operations in South Africa, Romania and Turkey, and export Metair's products to more than 46 countries. The group is now the third largest battery manufacturer supplying Europe, Middle East, Africa and Russia.

Each year, Metair's Integrated Annual Report presents the information in the report against the backdrop of a theme that is encapsulated in the IAR cover and visual representation throughout the report.

The theme chosen for 2014 is that of brand excellence, focusing on the group's brands, brand value and customer's brand loyalty.

EXCELLENCE THROUGH TOP BRANDS

The cover of our 2014 Integrated Annual Report shows a brand wall of Metair's main consumer-facing products. While our automotive components are integrated into vehicles that carry the original equipment manufacturer's marque, our aftermarket products, particularly our batteries, carry our own branding. Our RARE* marketing programme drives our brand building, supports our focus on customer satisfaction and provides the opportunity to raise the profile of the group's products in the large automotive aftermarket.

The brands on our cover are presented as VIN (vehicle identification number) plates – the unique identifiers carried by every vehicle. Each VIN combines a sequence of digits that confirm the vehicle's manufacturer, the vehicle's general characteristics, model, year and place of manufacture. VIN numbers also include check digits to verify that the vehicle is genuine. In the same way, our brands identify our company's unique product and service offerings, and underscore their high quality.

METAIR GROUP IS THE THIRD-LARGEST PLAYER IN THE **EMEA** BATTERY MARKET.

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ABOUT THIS REPORT

Metair reports to stakeholders through various channels throughout the year and annually through the Integrated Annual Report. The 2014 Integrated Annual Report presents an overview of Metair's activities for the period 1 January to 31 December 2014, although information up to the date of this report has been included where relevant. It aims to provide all stakeholders with an understanding of the group's strategy and how this positions the group to negotiate the most significant risks it faces and realise the opportunities it has identified. It also details our performance for the year and how the group's strategy positions it to create value in the long term.

In line with the group's integrated approach to doing business, the report discusses both the group's material financial issues and the environmental, social and governance issues that could have a significant impact on the long-term success of the group or its stakeholders. Mutlu Akü is included in the 2014 results for the full year. In 2013, their results were only included for three weeks. Apart from this consideration, there have been no significant changes to our business that affect the comparability of our reporting against the 2013 report. There have been no material restatements of information provided in previous reports.

The group consists of a number of subsidiaries, associates, management services companies and property companies that operate autonomously. While financial information is included for all subsidiaries and associates in accordance with International Financial Reporting Standards, reference should be made to the relevant sections of this report to ascertain which of the operations are included in the non-financial sustainability information disclosed. The transformation information on page 49 includes all South African subsidiaries and their material holdings, but excludes Rombat and Mutlu Akü. Hesto is reported on in the annual financial statements as an associate, but included fully in the non-financial reporting.

In preparing this report, we have been guided by the recommendations of the International Integrated Reporting Council's (IIRC) Integrated Reporting <IR> Framework as it applies to our business. Sustainability information is presented in alignment with the Global Reporting Initiative (GRI) G4 reporting guidelines. We report in accordance with the Core option and our GRI Index is available on our website at www.metair.co.za. A copy of our sustainability Data Transparency Index report is also available on our website.

The report of Integrated Reporting and Assurance Services, who provided external assurance on the sustainability information included in this integrated 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 and risk 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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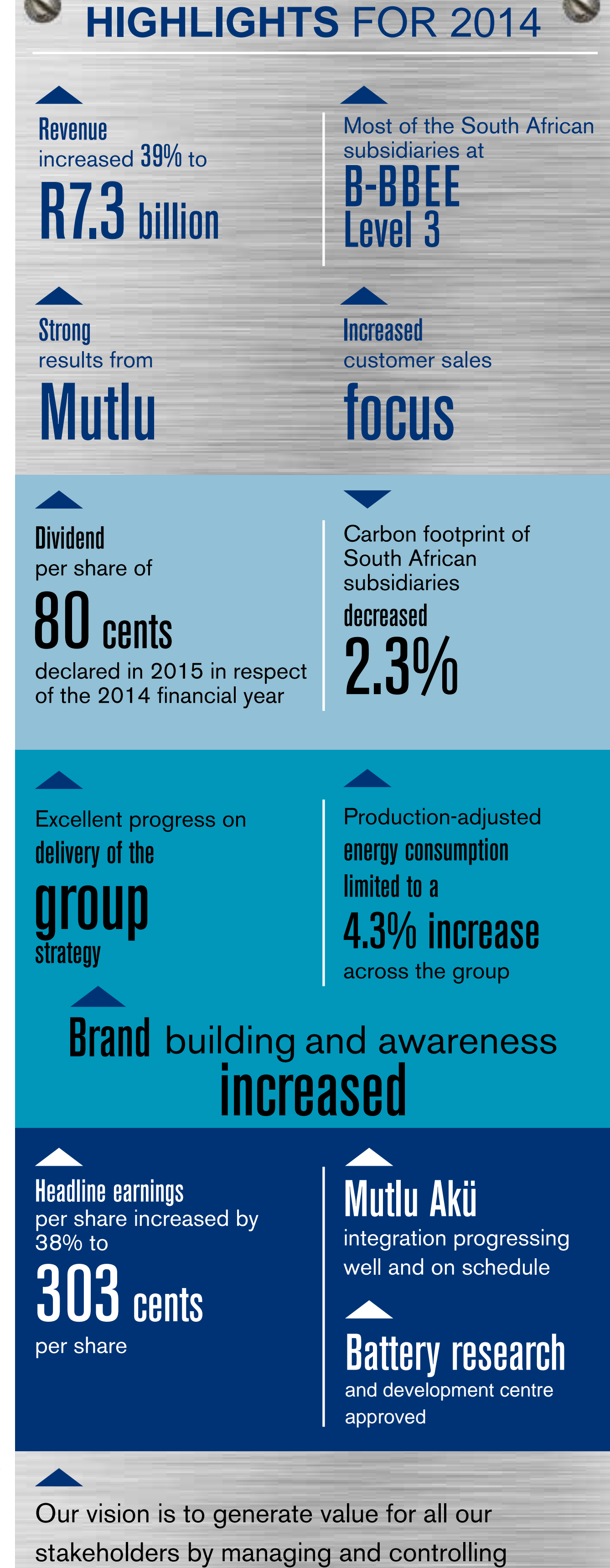
Fax: +27 11 646 3102
Email: sanet@metair.co.za



WHO WE ARE

Metair Investments Ltd (Metair) is a publicly-owned company, headquartered in Johannesburg and listed on the Johannesburg Stock Exchange. The group manages an international portfolio of companies that manufacture and distribute products predominantly for the automotive industry and exports to approximately 46 countries.

Mutlu Akü is a public company listed on the Borsa Istanbul. At the end of 2014, Metair owned 98.5% of Mutlu Akü and the remaining shareholders were squeezed out early in 2015 and the company became a wholly-owned subsidiary of Metair.

The group's operations manufacture and assemble products serving three broad markets:

ORIGINAL EQUIPMENT (OE)

Original equipment components are used in the assembly of new vehicles by original equipment manufacturers (OEMs). The group produces and supplies components to all major OEMs in South Africa and to OEMs in Europe, Romania, Turkey and Russia through subsidiaries in Romania (Rombat) and Turkey (Mutlu Akü).

Key areas served: Romania, Russia, South Africa and Turkey.

AFTERMARKET

Spare parts and other products are used in the automotive aftermarket and include batteries, brake pads, shock absorbers, lights, radiators and air conditioners. The group also produces generic aftermarket products for use in the increasing number of imported vehicles. The group exports to approximately 46 destinations from its three countries of operation.

Key areas served: Africa, Europe, Middle East, Russia and Turkey.

NON-AUTOMOTIVE

Products mostly relate to telecoms, utility, mining, retail and materials/products handling sectors.

Key areas served: sub-Saharan Africa and Turkey.

The group's properties are owned and managed by the respective operating subsidiaries in South Africa, Romania and Turkey.

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	Mutlu Akü	100.0%*	Batteries, solar systems, backup systems, standby systems, charging systems	✓		Ford Otosan, Anadolu Isuzu, Otokar, Karsan
1st battery	First National Battery	100.0%	Batteries, solar systems, backup systems, standby systems, charging systems, Battery Centre franchise	✓		Isuzu
ROMBAT	Rombat	99.4%	Batteries, solar systems, backup systems, standby systems, charging systems	✓		
SUPREME	Supreme Spring	100.0%	Coil springs, leaf springs, stabilisers, torsion bars	✓		
Ate	ATE	100.0%	Brake pads, brake discs, brake shoes, hydraulics and other braking components	✓		
LUMOTECH LT	Lumotech	100.0%	Headlights, tail lights, reflectors, plastic injection mouldings, commercial lighting e.g. streetlights & warehouse lights	✓		
TENNECO	Tenneco Automotive	25.1%	Shock absorbers, struts, track control arm		✓	
HESTO	Hesto Harnesses	74.9%	Wiring harnesses, instrument cluster/ combination meter		✓	
Valeo	Valeo SA	49.0%	Front end modules		✓	
SMITHS	Smiths Plastics	100.0%	Plastic injection moulding		✓	
AUTOMOULD	Automould	100.0%	Plastic injection moulding		✓	
SMITHS	Smiths Manufacturing	75.0%	Climate control systems, airconditioning systems, air cleaners, radiators, wiper systems, electronic control units, alternators and starters	✓	✓	
unitrade	Unitrade	100.0%	Automotive cable, automotive wire	✓		

* As at the date of this report

OUR BUSINESS MODEL

INPUTS

FINANCIAL CAPITAL

MONEY

- Capital restructuring in 2014
- R754 million reinvested in the group

MANUFACTURED CAPITAL

MACHINE

- Investments to increase capacity and efficiency
- Steel and alloys used in manufacturing products
- Plant and equipment

HUMAN CAPITAL

MAN

- 6 607 skilled permanent employees in three countries of operation

INTELLECTUAL CAPITAL

METHOD

- Skilled and experienced employees
- Technical expertise shared across operations

SOCIAL AND RELATIONSHIP CAPITAL

CUSTODIANSHIP

- Stakeholder-inclusive business model
- Close operational relationships with customers
- Partner model in certain operating businesses

NATURAL CAPITAL

MATERIAL

- Electricity, water and air
- Lead and other base metals

METAIR MANUFACTURING OPERATIONS

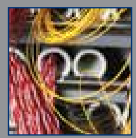
7.6 MILLION
AUTOMOTIVE BATTERIES PRODUCED

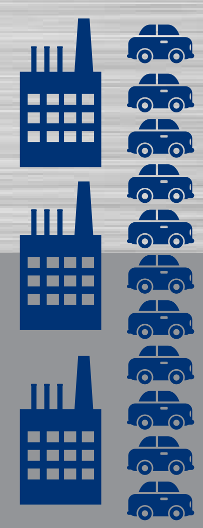
OVER
1.5 MILLION
CARS SUPPLIED WITH COMPONENTS

148 THOUSAND
NON-AUTOMOTIVE BATTERIES PRODUCED

OUTPUTS

ORIGINAL EQUIPMENT MANUFACTURERS

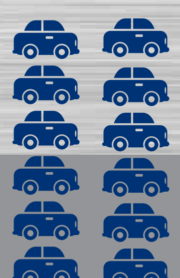




- R2.6 billion in value created for stakeholders
- R1.4 billion in remuneration distributed to employees
- Dividend of 80 cents per share declared

- Capital expenditure of R250 million
- Technical R&D centre at Mutlu Akü approved

SPARE PARTS FOR AUTO AFTERMARKET



- Group LTIFR rises to 1.84
- Absenteeism improves to 3.0%
- Staff attrition increases to 19.3%

- R13.6 million invested in skills development
- Technical teams visit operations to share best practice

NON-AUTOMOTIVE MARKETS

- R16.3 million invested in CSI projects
- Group cumulative B-BBEE score improves 34 points
- Eight of nine South African operations at Level 3

- 530 386 kilolitres of water consumed
- Increase in production-adjusted electricity consumption limited to 4.3%

OUR STRATEGY

Metair does business by design and our strategy has evolved as the group has developed. Our success has been built on Manufacturing Excellence – the 'ME' in Metair. Manufacturing excellence is essential to meet the exacting quality and reliability required of our products as well as to ensure that we can generate sustainable economic returns in the highly competitive markets in which we operate.

The company began in 1948 and started to supply automotive components to a single OEM in South Africa in 1964. In 2014, Metair is a truly international company, with multiple OEM customers, a broad range of aftermarket and non-automotive products, operations in three countries and ambitions to grow into five continents in the next four years.

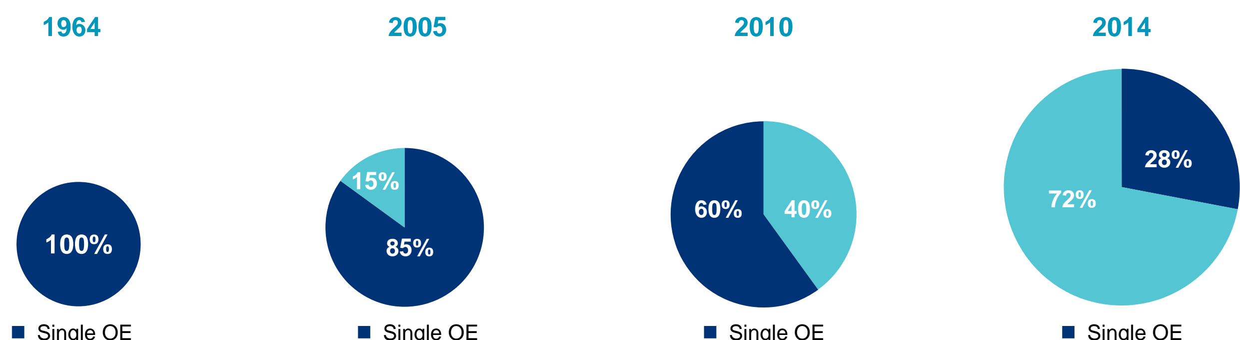
SEVEN KEY STRATEGIC FOCUS POINTS FOR 2015

1. Continue to target balance in the business

Balance is a critical concept in our strategy. Since 2006, we have concentrated on broadening our customer base, our product range and our international presence to balance our revenue source between OE and aftermarket, with an added intention to increase the proportion of earnings from batteries in both markets.

Developing this balance has been an important part of ensuring the financial sustainability of the organisation by diversifying revenue streams across customers, geographies and products. It also applies to the balance between the need to generate acceptable financial returns for our stakeholders with our environmental and social responsibilities. Material balance in the components we produce is closely scrutinised to ensure these meet the stringent European and Japanese quality and environmental requirements. Running a profitable business requires that we balance OE pricing demands with the realities of high rates of inflation in input costs.

Our acquisitions in Romania and Turkey have brought increased geographic balance to the business. South Africa represents the historical roots of the company, has a strong OEM presence and provides access into the rest of the African continent. Romania is a low cost manufacturing destination that offers proximity to OEMs and aftermarket opportunities both within the country and in Western



and Eastern Europe. Turkey is the number one heavy vehicle and bus manufacturer in Europe with an aftermarket of around 18 million cars and light commercial vehicles. It also gives the group access to markets in North Africa, Europe, Eastern Europe and the Middle East.

With the integration of Rombat and Mutlu Akü we have achieved our '3 x 50%' vision set in place in 2010 at a group level. This set us on the course to increase the proportion of aftermarket business to 50% to balance it with the OEM business, at the same time growing our battery business to 50% of revenue across both aftermarket and OE businesses. Our ongoing aim is to achieve the '3 x 50' balance within the South African businesses as well as at a group level.

2. Nurture the Original Equipment (OE) business and expand the Original Equipment Manufacturer (OEM) customer base

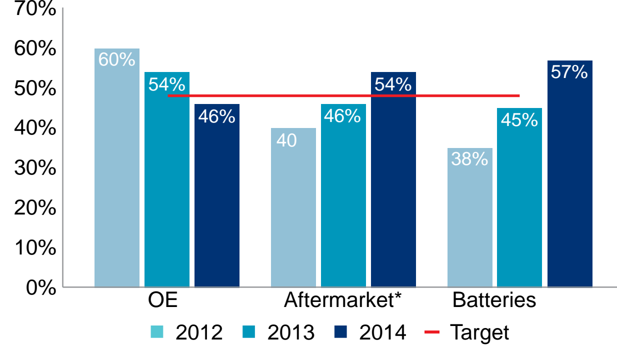
While our strategy has focused on reducing our overall reliance on the OE business, OEMs remain extremely important customers. The OE business maintains the legacy business of the company and helps to hone our focus on quality, delivery and cost-competitiveness. Technical exchanges enhance our manufacturing expertise. 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 Automotive Production and Development Programme (APDP) that came into effect in 2013 appears to be working effectively and brings structural integrity and stability to market. This should support the future of the automotive industry in South Africa until after 2020, provided that the ongoing labour challenges in the country can be addressed.

The APDP was intended to lift automotive production in South Africa to 1.2 million vehicles a year by 2020 from current levels of between 500 000 to 600 000 a year. We believe this target will be extremely difficult to achieve and our forecasts do not anticipate a significant increase in production volumes from current levels.

Our goal is to secure replacement business with our current OEM customers at economic rates. Nurturing the OE business requires us to be where the vehicles are manufactured. Through our presence in Romania and Turkey we can grow our existing OE relationships into much larger new markets. Almost 20 million vehicles were produced in Europe in 2013 – nearly a quarter of global production.

PERFORMANCE AGAINST OUR '3 X 50' STRATEGY



** Includes aftermarket, non-automotive and exports*

The Automotive Production and Development Programme

The Automotive Production and Development Programme (APDP) replaced the Motor Industry Development Programme on 1 January 2013. The APDP supports OEMs and automotive component manufacturers and gives policy certainty for the South African automotive industry to 2020.

The programme consists of a combination of:

- import duties on vehicle imports and component imports;
- rebates on vehicle assembly;
- rebates in the form of production incentives; and
- cash incentives through the automotive investment scheme.

During 2014, the government initiated a review of the APDP. Minor amendments arising from the review could be effective during 2016, while more significant changes are likely to be phased in over time. We anticipate that the changes from the review will promote additional localisation and employment.

3. Focus intently on cost

OE business is won or lost primarily on cost competitiveness. South African component manufacturers are measured against global cost benchmarks and we consequently manage production efficiencies extremely closely to ensure we can win business at a reasonable economic return. Cost efficiency is also extremely important in the aftermarket business, where increasing local and imported competition continue to pressurise margins.

Cost management becomes extremely challenging when the manufacturing environment is destabilised by labour disruptions and interrupted electricity supply.

4. Secure and grow the aftermarket product range

Our aftermarket business provides spare parts and other products required to keep existing vehicles on the road throughout their life. The replacement cycle starts between two and four years after a vehicle is manufactured and generates repeat revenue from the manufactured car parc – the total vehicle population on the road. The aftermarket not only offers a potential market many times larger than the new vehicle market served by our OE segment, it also tends to be non-discretionary – while customers may postpone the purchase of a new vehicle, they can't postpone replacing the battery or brake pads on their existing vehicle.

The aftermarket also provides access to the imported vehicle market through generic parts. Growing the aftermarket business requires us to be where the vehicles are sold, rather than where they are made. Rombat and Mutlu Akü nearly triple the group's potential aftermarket customer base and provide access to the broader European market where total vehicles in use exceed 350 million.

The products we supply to the aftermarket also provide us an opportunity to build our brands. This has driven a focus on complementing our Manufacturing Excellence with Marketing Excellence through our RARE marketing programme, launched in February 2014. The programme provides a focused and dedicated brand awareness and marketing strategy that runs across all subsidiaries to secure the number one brand position in each of

OUR STRATEGY
CONTINUED

our respective domestic markets. Automotive industry veteran and marketing expert Brand Pretorius was appointed to the board in 2014 to drive the development of marketing excellence in the group.

5. Grow our Africa footprint

Africa represents an attractive market with its large population, solid economic growth forecasts and relatively low levels of current motorisation. Our components are used in cars that are exported by our OEM customers into the rest of Africa. However, with the growth in the African automotive market, countries are starting to protect their auto manufacturers. Sales volumes into Africa were reset in 2014 as a result of import duty regulations in Nigeria and Algeria.

Where OEMs set up production facilities in other African countries as a result of these regulatory changes, there is an opportunity for us to supply into those markets or partner with a local component manufacturer.

As the pool of vehicles in Africa grows the aftermarket opportunity will increase. This will be supported by the trend of second hand vehicles from developed markets, with their shorter ownership periods, making their way to developing markets such as countries in Africa. As newer vehicles make their way into the African vehicle parc, replacement Start/Stop batteries are likely to be required in increasing quantities.

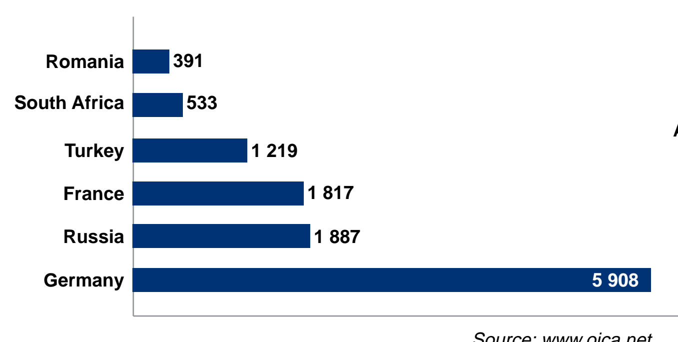
6. Focus on transfer of battery technologies to facilitate

In 2010, First National Battery released its award-winning AGM battery for use in top-end Start/Stop systems. The Rombat and Mutlu Akü acquisitions introduced expertise in producing EFB batteries and exposed the group to further improvements in AGM technology. By combining the expertise in both technologies in the group, Metair is able to offer Start/Stop batteries to both top-end and entry-level Start/Stop systems.

7. To establish the principle of being an exemplary custodian within every employee that underpins the group's core social and ethical values

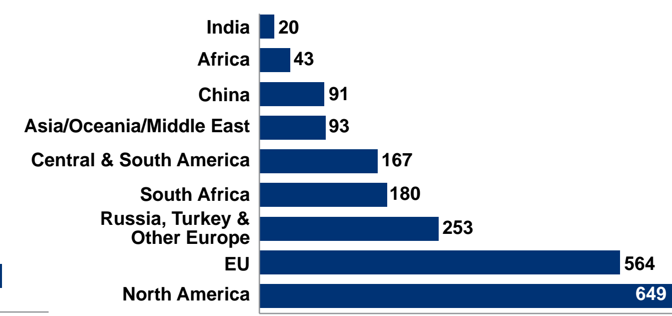
The principle of custodianship defines our approach to building a sustainable business and is enshrined in the group social and ethics framework. As the group continues to expand, it is essential that the group's core social and ethical values are clearly communicated to every employee and integrated into our daily actions.

VEHICLE PRODUCTION 2014 (THOUSANDS)



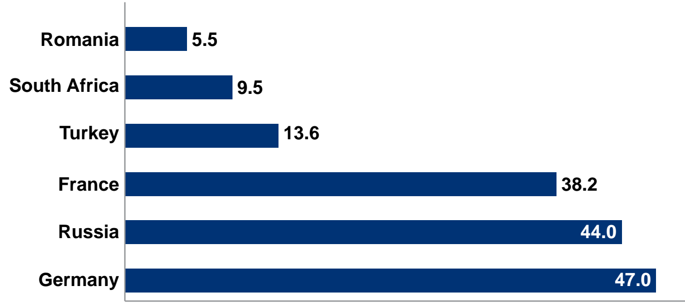
Source: www.oica.net

MOTORISATION (2013) (VEHICLES PER 1 000 POPULATION)



Source: www.oica.net

VEHICLES IN USE 2013 (MILLION)



Source: www.oica.net

BATTERY TECHNOLOGIES

Dry cell batteries, or alkaline batteries, include those used in household electronics such as torches and TV remote controls. They are primary batteries and cannot be recharged due to the chemical nature of the materials used inside the battery, hence making them not suitable for use in cars.

Traditional **lead acid batteries** are known as 'flooded' batteries since they use the chemical reaction between 'wet' acid and the battery's lead plates to generate electricity. While these batteries are suitable for most cars, they cannot handle the increased demands of modern Start/Stop systems in cars.

Enhanced flooded batteries (EFB) improve on the traditional lead acid battery and can deliver the performance necessary for Start/Stop systems due to their improved durability. These batteries have improved charge acceptance and a longer life than traditional car batteries and are suitable for all cars on the road. EFB technology provides a cost-effective solution for Start/Stop systems but does not have the rapid charging characteristics required for regenerative braking systems employed in modern upmarket cars.

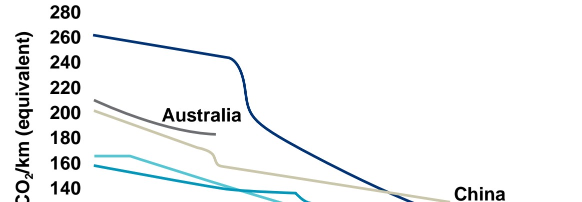
Absorbed glass mat (AGM) batteries are classified as a valve regulated lead acid (VRLA) battery. These batteries immobilise the acid in the battery using fibreglass separators between the battery plates and provide the superior performance required in higher-specification Start/Stop systems. AGM batteries are suitable for regenerative braking systems, have more power and longer lives than other types of batteries.

START/STOP BATTERIES

Increasing fuel efficiency is being driven by the need for OEMs to reduce automotive CO_2 emissions as emission regulations continue to tighten. Europe has the most stringent CO_2 emission regulations, requiring OEMs to produce vehicles emitting no more than of 130 grams of CO_2 per kilometre by 2015, equivalent to a fuel consumption of about 5.2 litres/100km. From 2020, the target shifts to 95 gCO_2/km (3.8 litres/100km).

Start/Stop systems using EFB and AGM lead acid batteries offer improved fuel efficiency at a relatively low cost and require minimal re-engineering of vehicle components compared to hybrid and electrical vehicles. The lead battery-powered 12-volt system has been the standard motor vehicle electrical system for many years. Redesigning and creating automotive components for the higher-voltage alternative battery systems used for full hybrid and electrical vehicles – such as nickel-metal hydride and lithium-ion batteries – is likely to take many years and increase vehicle cost significantly. Hybrid and full electrical vehicles seem set to continue to rely on auxiliary lead-based batteries to power comfort features, redundancy and safety features in the medium term.

AUTOMOTIVE CO_2 EMISSION REGULATIONS



Source: International Council on Clean Transportation

Hybrid vehicles comprised 1.4% of new car sales in the EU in 2013, while plug-in hybrid and battery-electric vehicles made up less than 0.5% of vehicle registrations. The figures are even lower for most other countries implying that lead-acid batteries will dominate the global vehicle parc for the foreseeable future.

Metair's world-class proprietary Start/Stop battery technology and manufacturing capability positions us strategically to act as a global industry consolidator, creating significant value through technology transfer and increased relevance to OEMs.

FINANCIAL HIGHLIGHTS

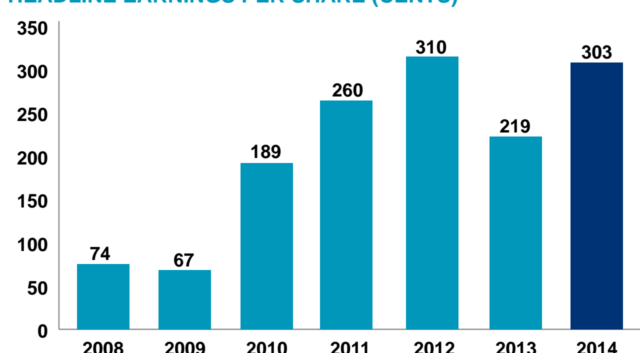
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER

		Restated		Based on results with Hesto consolidated			
	2014 R'000	2013 R'000	2012 R'000	2011 R'000	2010 R'000	2009 R'000	2008 R'000
Revenue	**7 278 815**	5 227 426	4 603 150	4 294 152	3 753 236	3 342 053	4 180 398
Profit before taxation	**803 150**	495 071	641 479	602 000	424 546	118 219	74 777
Impairment charges/ (reversals)			1 045	7 900	(19 687)	47 082	122 590
Interest paid	**118 935**	27 888	26 457	7 858	11 764	30 146	43 725
Preference dividend**	**29 609**				2 311	7 214	7 660
Profit/(loss) attributable to ordinary shareholders	**601 460**	341 376	440 543	408 365	277 682	52 210	(13 080)
Total equity	**4 238 631**	3 788 752	2 052 730	1 701 408	1 369 919	1 184 021	1 113 664
Interest-bearing debt	**1 739 845**	1 202 772	251 202	52 085	54 336	76 515	99 251
Cumulative redeemable preference shares						75 000	100 000
Property, plant and equipment	**2 855 286**	2 844 929	1 191 499	762 752	699 190	657 892	714 001
Current assets	**3 540 982**	3 150 242	1 831 434	1 640 808	1 321 899	1 238 232	1 290 793
Total assets	**7 934 651**	7 473 305	3 293 869	2 482 126	2 088 196	2 000 717	2 133 401
Number of shares in issue	**198 986**	198 986	152 532	152 532	152 532	152 532	152 532
Weighted average number of shares in issue	**195 434**	149 271	142 030	141 217	140 363	142 352	141 707
Net asset value per share (cents)*	**2 102**	1 895	1 353	1 119	890	776	729
Basic earnings per share (cents)	**308**	229	310	289	198	37	-9
Headline earnings per share (cents)	**303**	219	310	260	189	67	74
Dividend per share (cents) declared and paid	**70**	95	72	65	75		40
Dividend cover (times) (calculated on headline earnings on prior year)	**3.1**	3.3	3.6	2.9	0.9		3.1
Net profit as a % of average total ordinary shareholders' funds (ROE)	**15.8**	12.3	25.6	29.4	23.8	5.5	0.3
Total ordinary shareholders' funds as a % of total assets	**53.4**	50.7	62.3	68.5	65.6	59.2	52.2
Interest cover (times)	**7**	17	22	75	30	4	2
Staff complement	**5 651**	5 870	4 835	5 951	5 552	5 339	7 188

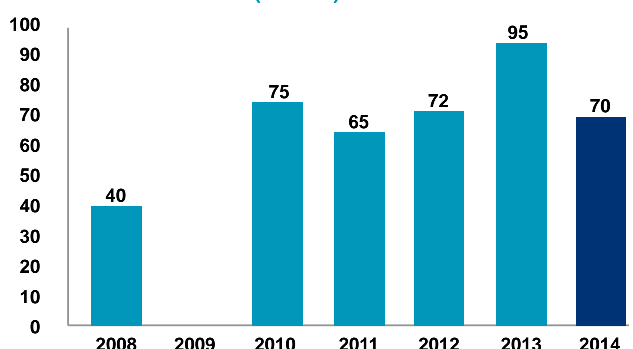
* *Calculated on ordinary shareholders equity and number of shares in issue excluding treasury shares.*
Note 2007 – 2011 is based on results with Hesto consolidated

*** Included in interest paid/expense*

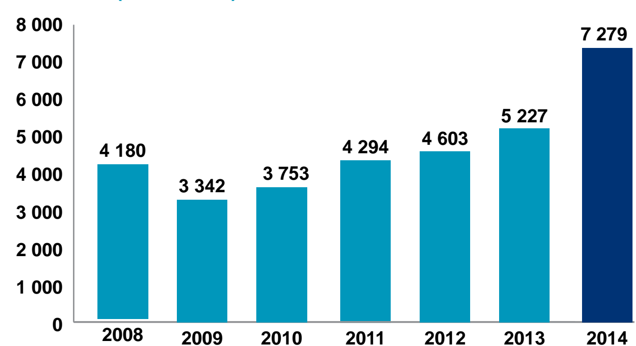
HEADLINE EARNINGS PER SHARE (CENTS)



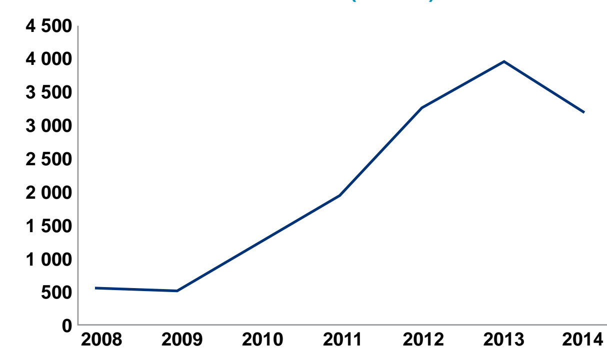
DIVIDENDS PER SHARE (CENTS)

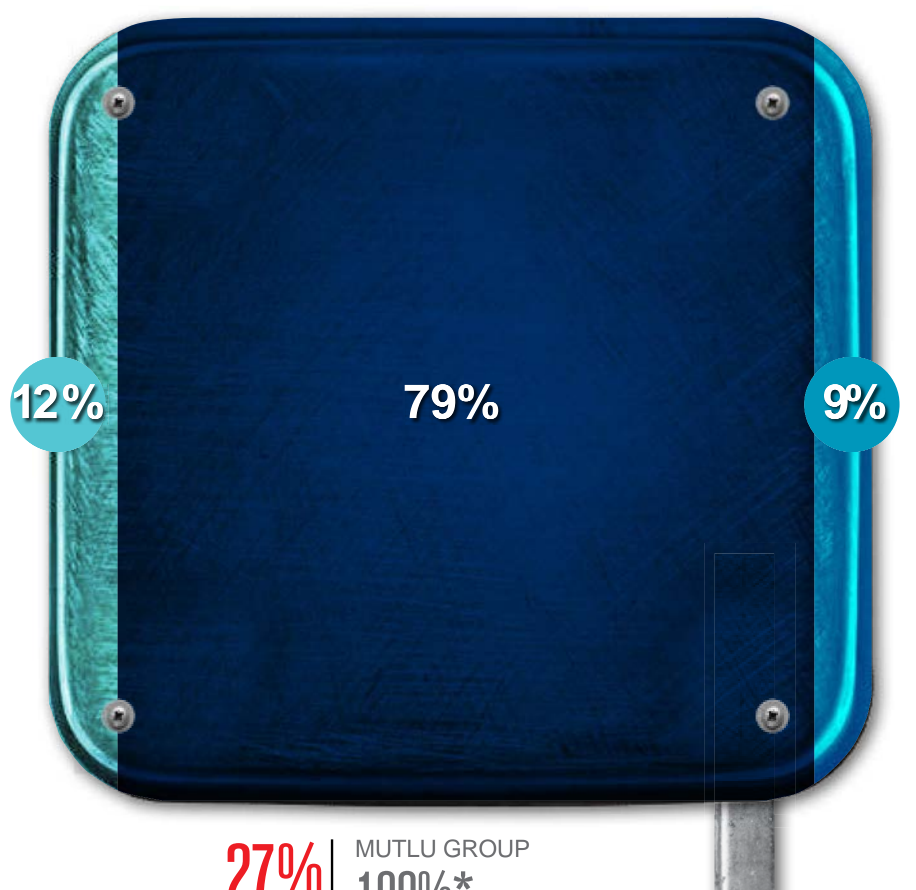


REVENUE (R MILLION)



SHARE PRICE AT 31 DECEMBER (CENTS)





27% | MUTLU GROUP 100%*

WHAT WE DO

MATERIAL OPERATIONS AND MARKET SEGMENTS

19% | FIRST NATIONAL BATTERY 100%

KEY

- REVENUE CONTRIBUTION (% of segmental revenue before property rental and reconciling items)
- METAIR HOLDING
- ORIGINAL EQUIPMENT
- AFTERMARKET
- NON-AUTOMOTIVE

THE SHADING ON THE VIN PLATES SHOWS THE RELATIVE REVENUE CONTRIBUTION, PRODUCT SPLIT AND METAIR'S HOLDING.

* As at the date of this report

15%
SMITHS MANUFACTURING
75%
84%
16%
15%
84%
1%
11%
ROMBAT
99.4%
99%
1%
95%
3%
2%
10%
HESTO
74.9%
6%
SMITHS PLASTICS
100%
94%
6%
83%
17%
88%
12%
100%
5%
SUPREME SPRING
100%
4%
LUMOTECH
100%
2%
UNITRADE
100%
1%
ATE
100%

AS WE CONTINUE TO GROW, IT IS CRITICAL THAT WE MEASURE THE NEED TO CAPITALISE ON FURTHER OPPORTUNITIES AGAINST THE IMPORTANCE OF FULLY REALISING THE SYNERGIES THAT JUSTIFIED OUR RECENT ACQUISITIONS, WHILE NOT NEGLECTING OUR LEGACY BUSINESSES.

When I stepped into the role of chairman of Metair in 2007, it was very different to the company it is today. At the time, 85% of our business came from a single original equipment manufacturer (OEM) customer. In the seven years since, the business has grown its turnover from R3.0 billion to R7.3 billion, now supplies all of the OEMs in the South African market, broadened and deepened our aftermarket offering, made two strategic acquisitions in key international markets, developed and launched award-winning products and even introduced a range of products to meet the needs of our increasingly environmentally aware customers. And all of this was achieved while negotiating the biggest financial crisis of the last 100 years.

If I had to sum up our strategy in one word, that word would be ‘balance’. In the past seven years we have rebalanced our OE business to bring in other OEMs. We have also balanced our overall business between OE and aftermarket and evolved our product mix so that 50% of our business comes from the sale of batteries.

I would argue that the Start/Stop systems served by our flagship car batteries themselves represent a practical balance – a point of equilibrium between the need to find a technology to reduce vehicle emissions quickly and cost-effectively, and the need to identify and develop the next generation of technologies over the coming 10 to 20 years that will reduce emissions even further.

Even within this category of products there is balance. The VRLA AGM Start/Stop batteries developed by First National Battery more than meet the demands of high-end Start/Stop systems. The Enhanced Flooded Battery range perfected at our Turkish subsidiary Mutlu Akü suits the needs of the lower-spec systems that currently dominate the Start/Stop market.

As we continue to grow, it is critical that we measure the need to capitalise on further opportunities against the importance of fully realising the synergies that justified our recent acquisitions, while not neglecting our legacy businesses. In this regard, I believe the appointment of Ken Lello as chief operating officer is an important development that brings more balance to the roles allocated across the management team.

Developing balance has been essential to ensure the sustainability of the business and applies equally to the broader concepts of sustainability too. Profitability considerations are balanced with the need to ensure that our employees are fairly remunerated for their hard work. We seek to offset the impacts of our operations on the communities around us with a commitment to assisting with the development of infrastructure within these communities, to help members to realise their full potential. We endeavour to balance the need to generate an acceptable financial return with the need to be responsible custodians of our natural capital.

This idea of custodianship is the principle we aspire to in the way we conduct ourselves as a company and as individuals. Custodianship to us means that we take great care of the things within our area of responsibility and that we understand that we are part of a bigger whole in which we play a critical role. We have explicitly added the concept of custodianship to our strategy pillars to reflect the importance we believe a strong ethical base plays in responsible business.

During the past year, the board has played an important role in ensuring corporate governance and sustainability of the business, and will continue to offer oversight to ensure we practice the principles of openness, integrity and accountability in achieving high standards of business integrity and ethics across all our activities.

The role of the board is critical to governance and the success of any organisation, and thus requires the appropriate balance of skills and experience among its members to fulfil its mandate. Our performance, our level of involvement, our approach to good governance and ethics, our experience and skills, and our preparedness in meetings – all affect our ability to add value to the business and ensure the success of the organisation. We need to continuously review our performance to ensure that we grow and improve our input and do not operate in a vacuum.

In the past year, the boards of various companies have come under immense scrutiny – having been questioned on their role in leading and managing a business; whether they are sufficiently independent of management; their composition; their decision-making; committee charters; and the incorporation of strategy, risk, performance and sustainability into the decision making philosophy among various other issues. It has necessitated us to pause and reflect and review our own board, our systems and processes, and our exposure to risk, and we will continue to assess these closely in the future.

I also want to highlight the principle that governance, strategy and sustainability are inseparable – this is one of the fundamental tenets of King III. It requires us to ensure that we continue to balance corporate citizenship, sustainability and stakeholder inclusivity in our decisions, so that we identify and manage both risks and opportunities.

The board is committed to sound corporate governance and best practices in this regard as advocated by the King III Code on Corporate Governance, and will continue to receive the consideration of both the board and its committees, as well as the management team during the year ahead.

I want to thank the board and the various sub-committees for their ongoing guidance, commitment and valuable insights to the business of Metair.

I would like to thank Ms Aziza Galiel for her contribution to the company in her years on the board. She was a valued member of our audit and risk committee and chaired the social and ethics committee. We will miss the principled perspectives she brought to our deliberations.

Mr Brian Jacobs stepped down as finance director after six years in the position. I thank him for his dedication and the value he brought to the company, and wish him well in his future endeavours.

I have already welcomed our new finance director, Mr Sjoerd Douwenga, to the board in person, but take this opportunity to repeat that welcome in these pages.

A business is only as good as the people that work in it. Our ongoing success is entirely dependent on the diligence and commitment of our employees. I would like to thank all of the group's people, around the world, for their hard work in negotiating the bumpy road we have travelled in the last year, and conclude by thanking our managing director, Theo Loock, and his management team for their determination and drive in executing the strategy that has developed Metair into the company it is today.

As is evident from the cover and tone of this report, the next stage of our journey requires us to raise the profile of our brands and entrench our commitment to developing marketing excellence. Metair's success to date has been built on our commitment to manufacturing excellence, which has enabled us to excel in a highly competitive industry. The components we manufacture work anonymously in the cars built by our OEM customers. As a result, Metair's excellent reputation for high-quality, reliable and durable products is largely unknown outside the OE industry. Our growing presence in the aftermarket gives us the opportunity to let our brands find their voice and communicate this message to a much larger market.

With the group now established as an international company, let us aim to generate value in a sustainable manner for all our shareholders, by developing Metair into a truly global company.

OME Pooe
Chairman

WITH TWO MAJOR ACQUISITIONS IN FOREIGN JURISDICTIONS OVER THE LAST THREE YEARS, METAIR HAS PROVEN OUR ACQUISITION EXECUTION CAPABILITIES.

Metair is a business built around manufacturing excellence, so everything we do is done by design, rather than as a result of opportunism or chance. Our vision, our values and our strategic blueprint determine our actions and our guiding principle of custodianship means that we integrate social, governance and environmental priorities alongside the financial.

BUSINESS IN REDESIGN

The two significant international acquisitions we made in the last three years triggered the start of a redesign phase. With the Mutlu Akü acquisition we achieved our goal of balancing the contribution from original equipment (OE) and non-OE business, and between battery and non-battery business. The success of the early stages of integration of our acquisitions sets a high standard and we are now focused on realising the cost savings, technology transfers and synergies that were the rationale for the transactions.

EXCELLENT RESULTS IN A CHALLENGING ECONOMIC ENVIRONMENT

The group produced an excellent set of results in another challenging operating year. Revenue grew 39% to R7.3 billion and EBITDA rose to R1.2 billion from R729 million (excluding transaction costs) in 2013. Operating profit margins increased by 2.9% to 11.4%. Headline earnings rose to R593 million and headline earnings per share increased 38% to 303 cents per share.

Despite the impact of additional interest and depreciation charges associated with the Mutlu acquisition, operating profit and profit before tax improved by R384 million and R308 million respectively.

Given the redesign cycle that Metair is going through, the group strives to ensure that it has an efficient capital structure without introducing increased levels of financial risk. As a result, our capital structure remains conservatively leveraged and reflects a debt/equity ratio of 30%. The group has borrowings from third parties of R1.7 billion and these have been used mainly for the acquisition of Mutlu Akü. The group is in compliance with all of its lenders' covenants and, as at 31 December 2014, had unutilised facilities of approximately R3.5 billion.

MUTLU AKÜ INTEGRATION AND ACQUISITION

Metair is very pleased with the improved financial performance of Mutlu Akü on a standalone basis, which increased EBITDA (excluding foreign exchange gains and losses) by 17% compared to the previous year, primarily through the intense focus on manufacturing efficiencies and operational expense control.

With the fast-changing geopolitical environment, our efforts were directed at the elements under our control while declining market demand in Turkey, neighbouring countries and Russia were closely monitored and where possible contained.

Although the combination of OEM model changes and the geopolitical climate brought about a year-on-year volume decline of 7%, Mutlu Akü proved to be resilient as the operating performance improved significantly to R300 million from R249 million in the previous full-year period.

The resilience of Mutlu Akü proved to be on par with expectations as it still managed to improve its financial performance under these challenging trading conditions.

The potential for the Mutlu Akü acquisition to dilute earnings was always critical for Metair as half of the acquisition value of R2.9 billion was supported by a vendor placement of 46.5 million shares.

The debt financing increased the group's net debt/equity ratio to 30% and added an interest charge of R87 million. The depreciation charge increased by R29 million as a result of the Purchase Price Allocation (PPA) and the combination of these factors set a relatively high earnings accretion target.

Metair is very grateful and pleased that on a standalone Mutlu group basis, the first full year's performance of Mutlu group proved to be accretive on the 46.5 million shares issued as set out below.

Mutlu group profit after tax	R275 million
Less	
Mutlu group acquisition interest	R87 million
Mutlu group PPA depreciation	R29 million
Net Attributable Profit	R159 million
Acquisition shares issued	46.454 million
EPS from Mutlu group placed shares (cents)	342

This is higher than the average EPS for the group.

STRONG GROWTH IN START/STOP BATTERIES

Start/Stop systems continue to cement their position as the most viable current technology available to meet tightening emissions targets in the short and medium term. According to Eurobat, in the three years to 2013, Start/Stop batteries sold in the EU increased from 3.8 million to 11.3 million and now comprise roughly 20% of all batteries sold in the region. Frost and Sullivan expect the market for Start/Stop batteries to grow at 20% a year, requiring 57 million batteries by 2020. Metair's established presence in the Start/Stop market, through our Absorbed Glass Matt (AGM) and Enhanced Flooded Battery (EFB) Start/Stop batteries, positions us extremely well to meet the projected growth.

We have been very pleased with the high levels of technical expertise and innovation we found in Mutlu Akü and are now centralising the group's research and development centre at our Turkish operation. At the time of the acquisition, Mutlu Akü was supplying three OEM customers with EFB batteries and they added a contract to supply Renault during the year. Rombat was also awarded a contract to supply Renault with EFB batteries in 2015. Cross-pollinating Mutlu Akü's expertise in EFB technology into the rest of the group helped fast track First National Battery (FNB) to supply EFB batteries into the South African OE market.

UPTAKE OF EXCESS BATTERY CAPACITY

With two major acquisitions in foreign jurisdictions over the last three years, Metair has proven our acquisition execution capabilities. The initial acquisition integration and excellent first year financial performance have been set as standard. The challenge remains in the medium- to long-term delivery of these acquisitions on the strategic objective set for them.

In both the Mutlu Akü and Rombat acquisitions, one of the strategic objectives revolved around the transfer of technologies to enable the utilisation of identified spare capacity.

As Rombat's acquisition was the first acquisition, executed in March of 2012, it has now reached the critical phase of selling the spare capacity.

Our battery manufacturing facilities have a total manufacturing capacity of around 10.9 million batteries per year – 2.4 million at FNB in South Africa, 2.8 million at Rombat in Romania and 5.7 million at Mutlu Akü in Turkey. Accessing spare battery manufacturing capacity in strategic countries was one of the key reasons for the acquisitions, and at the start of 2014 we had approximately 2.5 million of spare capacity across the three operations.

The increased take-up of AGM batteries in South Africa and Romania has decreased the excess capacity somewhat, as AGM batteries are larger and have tighter specifications than traditional lead acid batteries and EFBs. We estimate the spare capacity available in the group currently to be around 2.25 million. Our intent is to sell this capacity in the medium term.

The fact that we were unable to secure a large OEM Start/Stop battery supply contract at the start of 2014 was extremely disappointing. While we met all the interim technical criteria, it finally came down to pricing and supply logistics. The proposed raw material price balance skewed the risk/reward calculation on

the pricing to a degree that any further improvements would have made the contract unviable. We are making excellent progress on combining raw material procurement across the group's international operations. As we deepen our presence in the broader European markets and unlock further synergies, I have no doubt we will be strongly competitive in future enquiries.

The excess battery capacity will be taken up in a number of ways:

- Organic growth in the markets we currently serve, particularly Turkey, will absorb some of the capacity. Turkey currently produces around 1.1 million vehicles a year and is targeting an increase to 2.6 million vehicles in 2016. This increase will absorb around a third of the excess capacity, assuming we retain our current market share in the Turkish market.
- Adding further OE customers in Europe, Eastern Europe, North Africa and the Middle East by leveraging our existing strong relationships with OEs in South Africa, Turkey and Romania. This approach has already shown positive progress in a number of negotiations.
- The first Start/Stop vehicles sold in Europe are approaching the time when their batteries will need to be replaced. The group has entered into an international brand distribution agreement to supply Start/Stop batteries across a large portion of the central European vehicle aftermarket.

REFINANCE AND GROUP RESTRUCTURE TO SUPPORT OUR GROWTH

We were very pleased with the tremendous support we received from shareholders during the Mutlu Akü acquisition. In the second half of 2014 we refinanced the short-term bridging debt facilities raised for the acquisition through the issue of preference shares. Again, we received strong support for the redesign and strategic direction of Metair from our bankers and managed to secure the preference shares at a rate of 69% of prime. The refinance required a group restructuring to facilitate a streamlined dividend flow through our funding structure. As part of the refinance, we also raised a R750 million revolving credit facility for working capital and capital expenditure requirements.

LABOUR INSTABILITY AND ELECTRICITY SUPPLY DISRUPTIONS WEAKEN SOUTH AFRICA'S STRATEGIC POSITION IN THE INDUSTRY

The labour challenges in South Africa continued in 2014 with a four-week strike in the Steel/Metal and Engineering sector, which impacted on the OEM sector. Our excellent relationships with our workforce prevented strikes at our operations; however, OEMs were disrupted for two weeks. We find it concerning that labour and business appear to have such divergent views when the future prosperity of each is so deeply dependent on the other.

Industrial action in the automotive industry affects us in a number of ways. In the short term, strikes are extremely disruptive, leading to loss of sales and profit, stressing labour relations and putting pressure on our relationships with our clients.

In the medium-term, they may be positive as our OE customers recoup lost volumes. But these catch-back programmes involve overtime and weekend work that erode profitability and increase workload. Labour disruptions and other disruptions such as electricity supply disruptions cause instability in the manufacturing process, affect our ability to structure our operations appropriately and undermine financial sustainability.

The group increased its electricity standby capacity during the period to prevent any loss of production due to interruptions to continuous manufacturing processes that could paralyse our facilities for long periods.

These contingency plans can only be implemented in the fabrication environment in which Metair operates but unfortunately will be more difficult to replicate in their upstream beneficiation processes for our raw material suppliers.

We were therefore fortunate that no major production losses were experienced due to the instability of the electrical supply chain in South Africa.

Electricity supply outages that result in the interruption of a continuous manufacturing process for a prolonged period at a major base-material supplier in the automotive industry is a challenge that needs to be urgently addressed on a macroeconomic basis in South Africa.

The longer-term effects of these labour and electricity supply interruptions are less obvious. One impact is that OEMs may reconsider South Africa as a manufacturing destination. OEMs are reportedly evaluating other countries in Africa as possible manufacturing destinations and some have called a halt to studies into further increasing production on current models in the country. BMW chose not to launch their second platform production in South Africa.

The extended strike in the platinum mining industry also had an unexpected long-term consequence through its effects on our strategic empowerment shareholder, Royal Bafokeng Holdings. We are disappointed to lose RBH as a shareholder as they have a long-term focus and have supported Metair's vision and strategy. This is particularly important due to the capital commitments necessary in our current phase of redesign.

ORIGINAL EQUIPMENT

Vehicle production in South Africa increased 4% in 2014 to 533 120. NAAMSA forecasts 593 000 vehicles for 2015 and 645 000 in 2016. Despite the solid support from the Automotive Production and Development Programme, we believe that the ceiling for South African production has prematurely hardened around these levels – well short of the ambitious 1.2 million vehicles a year announced when the programme was first proposed.

The South African OE business performed well despite the labour disruptions that affected our customers. Our OE businesses in

Turkey and Romania traded at an acceptable level against the backdrop of model changes and rising inflation in Turkey, and in the context of the geopolitical challenges in the region, including sanctions against Russia and that country's conflict with the Ukraine.

Turnover for the original equipment segment (as disclosed in the segmental review) increased 15% to R3.7 billion, contributing 46% to group revenue and 28% to operating profit.

AFTERMARKET

Competition in the aftermarket continues to intensify. The South African operations have seen increased competition from cheap imports from China and Korea. Volumes were suppressed in Romania and Turkey due to the unusually warm northern hemisphere winter and geopolitical instability in our export destinations. The fire at FNB during the year interrupted production and cost us market share, which we are slowly gaining back. Our strategy remains to focus on quality and raise the profile of our brands.

While the labour disputes in the mining industry were resolved in the first half of 2014, our non-automotive segment is seeing very little activity from the sector.

The aftermarket segment achieved a 66% increase in turnover to R3.7 billion, which represents 45% of group turnover. Margins improved to 15.2% (2013: 12.9%) as a result of the strong contribution from Mutlu Akü and the group's focus on overall efficiency.

HUMAN CAPITAL

We implemented a number of HR projects in 2014 that aimed to ensure that we appropriately reward and retain the skills we have in the group. We commissioned a grading exercise to objectively benchmark every job in the group against international peers. For the ninth year in a row, increases for salaried workers remained 2% to 4% below the rates of increase in wages for hourly employees, to ensure that the largest cohort of our employees experience the biggest benefit. The unintended consequence of this approach is that basic wages at some of our operators are now 50% or more higher than the bargaining council rates at which new competitors enter the market.

It is instructive that the higher efficiencies and lower labour costs in our other countries of production mean that we can import batteries from our overseas facilities and land them in South Africa at below our local production costs.

We also increased the number of subsidiary directors on our long-term incentive scheme in order to ensure that we continue to develop and retain the skills and competencies needed to execute our ambitious strategy and more closely align the interests of management with those of the group's shareholders.

CONTINUED COMMITMENT TO TRANSFORMATION

The improved B-BBEE scores of our South African operations demonstrate the group's ongoing commitment to transformation. At year end, eight of our nine South African operations were at Level 3 and one achieved Level 4. These scores will drop when the revised codes are gazetted, but we have implemented action plans to counter this and anticipate that all operations should be able to achieve Level 4.

Each operation in the group invests time and money into their local communities through socio-economic development projects. Many of these projects focus on developing school infrastructure, resources and capacity to improve educational outcomes. This will ultimately contribute to the pool of technical skills that will be required to support South African manufacturing in the future.

At a group level, our investment in the Khaya Community Centre in Lehae near Johannesburg is a great example of the kind of sustainable project we like to support. The centre makes a difference in the lives of hundreds of people a day and involves a range of stakeholders working together for a common cause.

THE ENVIRONMENT

Our increased geographic footprint has brought with it an increased environmental footprint, evident in the increases in our key environmental indicators – our carbon footprint, electricity consumption and water consumption. However, on a comparable basis – stripping out Mutlu Akü from the 2014 numbers – each of these indicators showed a decline year-on-year. Our constant focus on improving efficiencies in our manufacturing processes has the effect of reducing our consumption of electricity and water as well as limiting our greenhouse gas emissions.

LOOKING AHEAD

The redesign of Metair will continue in the year ahead as we adjust to the challenges and opportunities that have been identified and set out in the integrated report. Acquisitions executed during the redesign process, although both aggressive and defensive in design, were always weighted on the aggressive side.

We will continue to seek acquisitions that leverage the group's technology, expertise and balance sheet.

During 2015 and 2016 our OE customers will be undergoing a number of model changes. Although challenging in the short term this represents an opportunity in the medium to long term. We are extremely pleased that we have secured our participation in these planned model changes, especially at one of our major customers in South Africa. The nature of our OE business is that it requires higher levels of capital investment in periods of model changes combined with temporary reductions in production volumes. The opportunity lies in the successful launch of these new models with volume growth potential depending on the market penetration of the new models in the long run.

In the year ahead, we will continue to unlock the synergies in our acquisitions, keep our focus on manufacturing excellence in all of our operations, grow our brands in the aftermarket and focus on selling the spare capacity in our batteries business.

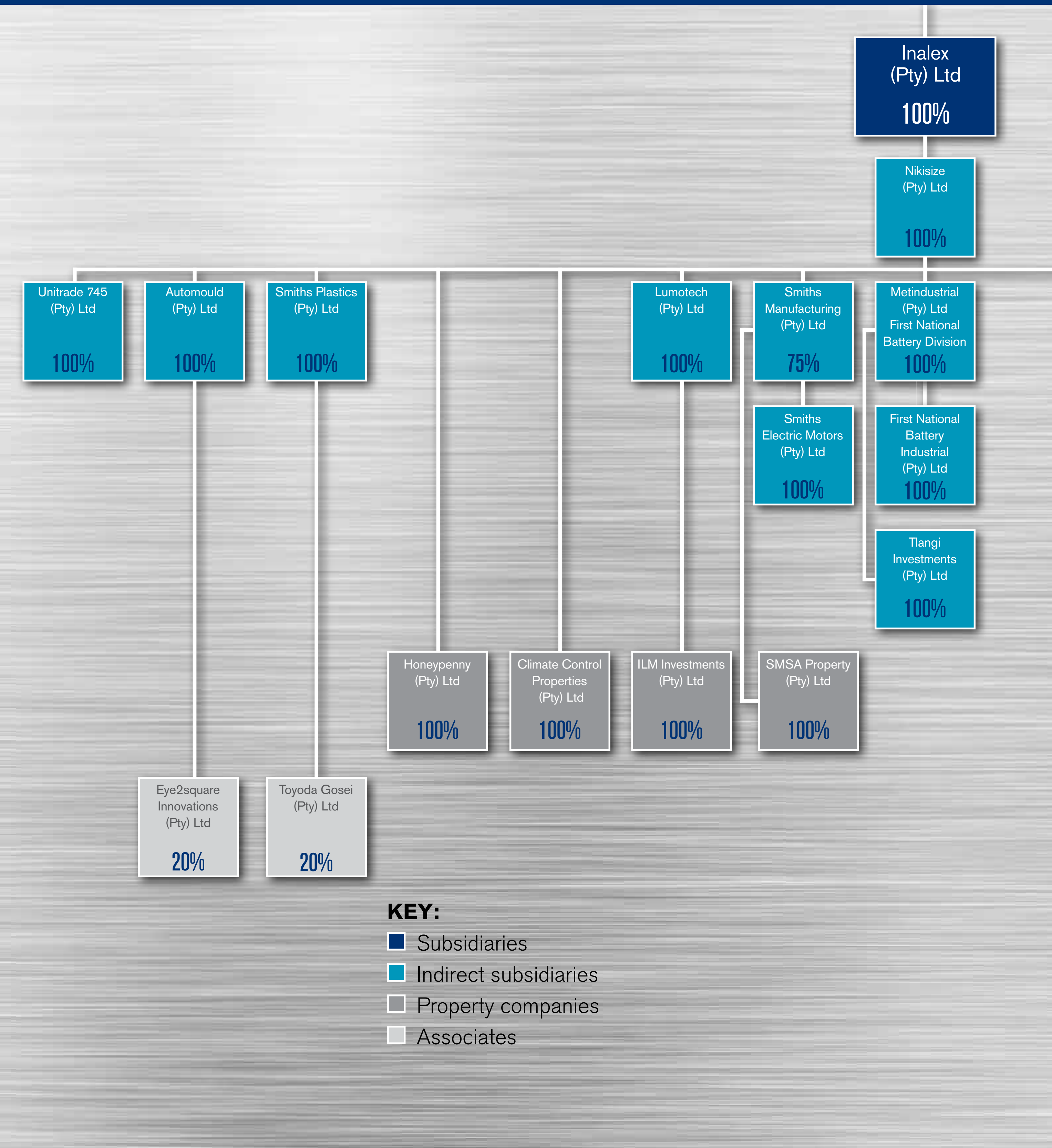
Metair's performance in the year ahead is dependent upon, inter alia, the successful execution of our strategy, OE volumes, geopolitical conditions, a peaceful labour environment, continuous supply of electricity, efficiency improvements, internal inflation recoveries and the exchange rate. Subject to such factors, we expect 2015's financial performance to be satisfactory but more challenging than 2014.

We continue to evaluate opportunities internationally and closer to home on the African continent, but as with our approach to the other areas of our business, we will only move on the opportunities that make financial sense, match our broader values and align with our strategy.

In closing, I would like to thank our customers for their business, my executive team for their support, the board for their guidance and counsel, our employees for their hard work and all stakeholders for their interaction and participation.

CT Loock
Managing director

GROUP STRUCTURE



Metair Share Trust
100%

Alfred Teves Brake Systems (Pty) Ltd
100%

NETHERLANDS
Metair International Holdings Cooperatief U.A
100%

Metair Management Services (Pty) Ltd
100%

Business Venture Investments (Pty) Ltd
100%

Alfred Teves Brake Systems Division
100%

Supreme Spring Division
100%

TURKEY
Metair Akü Holding Anonim Şirketi
100%

ROMANIA
Rombat SA
99.426%

Hesto Harnesses (Pty) Ltd
74.9%

Tenneco Automotive Holdings (Pty) Ltd
25.1%

Valeo Systems South Africa (Pty). Ltd
49%

Vizirama 112 (Pty) Ltd
33%

Mutlu Holding Anonim Şirketi
100%

Mutlu Akü ve Malzemeleri Sanayii Anonim Şirketi
98.5%

Metropol Motorlu Tasitlar Kiralama Anonim Şirketi
100%

Mutlu Plastik ve Ambalaji Sanayi Anonim Şirketi
100%

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.

METINDUSTRIAL

First National Battery division

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

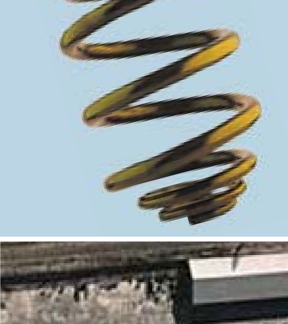
ALFRED TEVES BRAKE SYSTEMS

including Supreme Spring

100% holding

Products:
Brake pads
Brake discs
Brake shoes
Hydraulics
Other braking components
Coil springs
Leaf springs
Stabilisers
Torsion bars

Location:
Nigel, Boksburg



VALEO SYSTEMS SOUTH AFRICA

49% holding

Products:
Front-end modules

Location:
Uitenhage

GROUP STRUCTURE
(CONTINUED)

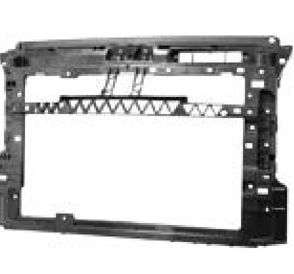
MATERIAL METAIR HOLDINGS – SOUTH AFRICAN OPERATIONS

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

GROUP STRUCTURE
(CONTINUED)

MATERIAL METAIR HOLDINGS – SOUTH AFRICAN OPERATIONS

SMITHS PLASTICS AND AUTOMOULD

100% holding

Products:
Plastic injection mouldings

Location:
Pinetown, Durban

UNITRADE
100% holding
Products:
Automotive cable
Automotive wire
Location:
Stanger
nitrade
HESTO
74.9% holding
Products:
Wiring harnesses
Location:
Stanger
HESTO
HESTO

MATERIAL METAIR HOLDINGS – INTERNATIONAL OPERATIONS

ROMBAT

99.4% holding

Products:
Batteries
Battery distribution networks

Location:
Bistritsa and Copsa Mica, Romania

MUTLU AKÜ

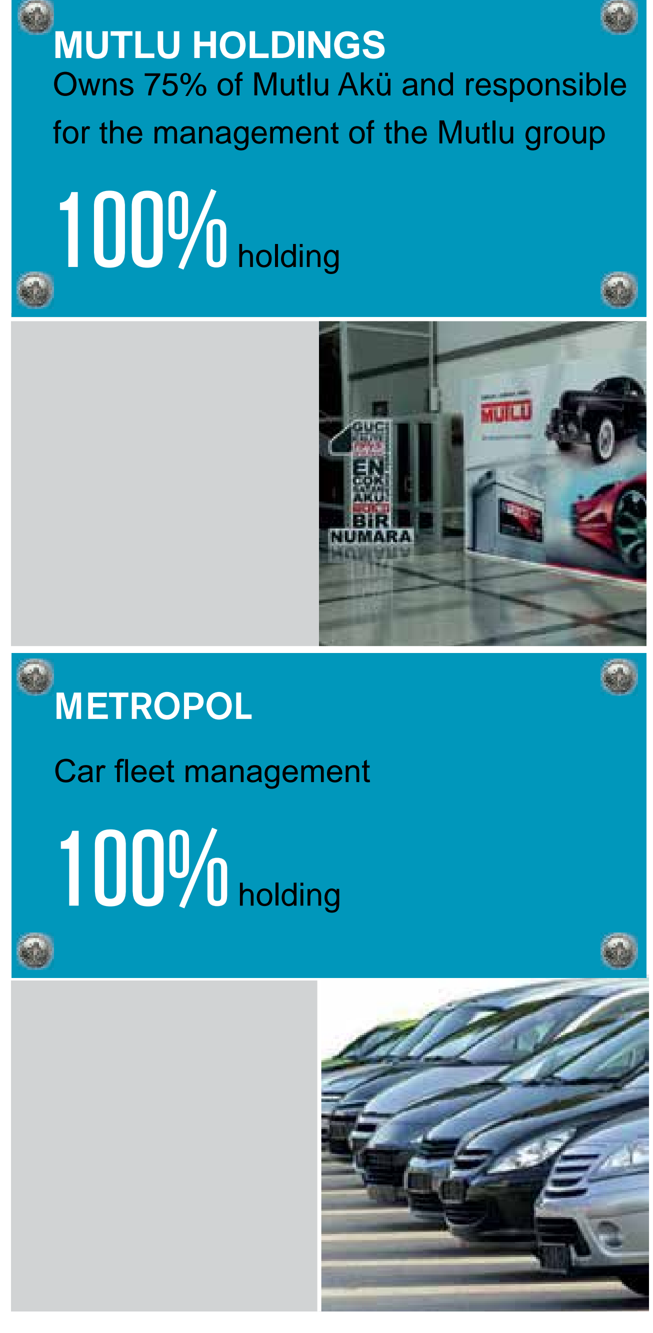
Listed company on the Borsa Istanbul, battery production facility

100.0%* holding

Products:
Automotive and industrial batteries

Location:
Istanbul and Gediz, Turkey

* As at the date of this report



MUTLU HOLDINGS

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

100% holding

METROPOL

Car fleet management

100% holding

MUTLU PLASTIK

Production of plastic battery boxes

100% holding

Products:
Plastic parts of batteries, covers and lids

MATERIAL ISSUES

Our material issues are those challenges and opportunities that have the most potential to significantly affect the group's long-term sustainability, or impact our stakeholders.

These issues arise from our risk assessment process. Monitoring and oversight of risk management in the group is the responsibility of the audit and risk committee. Each operation drafts a register of key risks that is consolidated at group level to create a group risk register. These risks include both financial and non-financial considerations.

Group risks are then assessed against other criteria to establish their materiality to the group. These criteria include:

- input derived from our engagements with our key stakeholders, which is useful to identify additional issues that may not have arisen in the internal risk assessment process;
- developments in relevant legislation and regulation;
- review of local and international media reports on the automotive and other target industries; and
- peer reports and industry benchmarks.

The resulting list of material issues is then assessed against our combined assurance model to ensure that each issue is subject to an appropriate level of assurance.

The table below lists the group's material issues, the stakeholders these affect, how we manage them, where in this report we discuss them and the aspects of our combined assurance model that support them.

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 • Unreliable energy supply • Raw material supply • Product quality	Metair competes in a global industry against competitors in low-cost manufacturing destinations. Quality and cost-efficiency are important differentiators. The aftermarket sector is characterised by increasing competition from low cost imported components supported by foreign government export incentives. Recurring labour unrest undermines South Africa's status as a preferred manufacturing destination. An unstable manufacturing environment undermines cost-efficient production and product quality which may increase product recalls.	1. Nurture and expand OEM business 2. Focus intently on costs	All stakeholders	Board and executive committee 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, ISD/TS 16949, ISO 14001, ISO 50001 etc.).*					

Issues	Relevance	Strategy component	Stakeholder	Governance structure	Report section
Material issue: Macroeconomic factors					
• Slow economic recovery in Europe • Currency volatility • Continuity of supply • Socio-economic stability in key markets	International developments affect Metair's customers and the economic environments in which they operate. Currency volatility creates uncertainty in budgeting and margins realised. Interruptions to operations due to natural disasters, explosions, conflagrations or IT and other electronic system failure results in loss of production and loss of market share in highly competitive markets.	1. Target balance in the business 2. Nurture and expand OEM business 3. Focus intently on costs 4. Secure and grow aftermarket product range	All stakeholders	Board and executive committee develops and executes strategies to respond to international developments and business interruptions.	Managing director's report Group risk management
Combined assurance: *Policies and procedures, internal controls, risk management function and regular management reviews.*					
Material issue: Balanced business					
• Balance across customers, industries, geographies and between customer requirements and the need to earn a sustainable economic return • Successful integration of acquisitions	Metair's strategy is to minimise risk through diversification, by proactively managing customer relationships and best-practice manufacturing processes. Execution of group strategy requires the successful integration of our international acquisitions, the uptake of the additional capacity acquired and the realisation of the medium-term synergies identified.	1. Target balance in the business 2. Nurture and expand OEM business 4. Secure and grow aftermarket product range 6. Focus on transfer of battery technologies to facilitate AGM and EFB growth	• All shareholders • Analysts • Customers (existing and potential) • Government • Employees and trade unions	Board and executive committee monitors balance and develops and executes strategies to balance the business.	Managing director's report Our strategy Operational review Environment
Combined assurance: *Operational reviews, risk management function, internal audit and 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 5. Grow our Africa footprint	• Customers (existing and potential) • Suppliers and trading partners • Government • Employees and trade unions • Regulatory bodies • Industry bodies (NAACAM, NAAMSA) • Media	Board and executive committee manages 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					
• Finding suitable long-term empowerment shareholders to replace RBH • Representative management, shareholding and workforce • Corporate social investment	Metair needs long-term shareholders that understand and support our strategy, including the capital investment required to realise it. 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. Transformation human resource functions execute strategies.	Managing director's report Transformation Human capital
Combined assurance: *Regular management review, policies and procedures, external verification of B-BBEE information and 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. Human capital	1. Target balance in the business 2. Nurture and expand OEM business 3. Focus intently on costs 7. Custodianship	• 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.*					

Issues	Relevance	Strategy component	Stakeholder	Governance structure	Report section
Material issue: The environment					
• Energy consumption • Carbon footprint • Waste management • Water • Environmentally friendly products • Environmental impacts	Metair's alignment with the principle of custodianship aims to ensure that we actively manage our impact on the environment.	1. Target balance in the business 2. Nurture and expand OEM business 3. Focus intently on costs 7. Custodianship	• 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 and external assurance of sustainability information.*					

PROGRESS IN 2014

The table below measures our performance in 2014 against the 10 key performance indicators we set in last year's report.

	Key Performance Indicators (KPIs) 2014	Performance in 2014
1.	Execute acquisition and integration of Mutlu Akü and Rombat.	Integration of Rombat is complete. Mutlu Akü minorities takeout in progress and integration progressing well.
2.	Develop group Start/Stop business plan and develop international OE customer base.	Group Start/Stop business plan developed. Mutlu Akü and Rombat awarded contracts to supply Renault with Start/Stop batteries. Entered into an international brand distribution agreement for supply of Start/Stop starter batteries. We are in ongoing negotiations to develop further international OE customers.
3.	Develop group marketing excellence and brand strategy.	Executive marketing appointment made. RARE marketing programme launched in February 2014 and rolled out across the group.
4.	Reorganise Metair management and investment structure.	COO appointed and investment structure reorganisation completed.
5.	Pursue Africa strategy – 10% of turnover to come from Africa.	In progress. We continue to assess suitable opportunities in Africa.
6.	Develop an OE economic recovery strategy.	OE economic recovery strategy developed.
7.	Pursue Metair strategic path.	3 x 50% strategy achieved with Mutlu Akü acquisition.
8.	Ensure continuous performance of South African businesses.	The group's South African businesses continued to perform well in 2014 despite challenging circumstances.
9.	Nurture and retain key people.	Completed an international job grading and remuneration benchmarking exercise.
10.	Effect minority shareholder takeout at Mutlu Akü.	Due to a legislative change, the final Mutlu Akü minorities will be triggered early in 2015.

We also set ourselves goals in other areas of the business and our progress in 2014 is shown in the table below.

Goals for 2014	Performance in 2014	Goals for 2015
All group companies to achieve progress towards OHSAS 18001* accreditation for occupational health and safety by 2016.	Four group companies have OHSAS 18001 accreditation and the rest are progressing well towards accreditation.	All companies that have not achieved OHSAS 18001 accreditation to achieve it in 2016.
Continue to develop appropriate industrial usage indicators for carbon footprint, electricity consumption, waste management and water usage.	In progress. We continue to refine the systems for collection of industrial usage indicators to establish a benchmark.	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.	Zero fatalities and 145 lost-time injuries. LTIFR‡ increased to 1.84.**	Zero fatalities and reduce LTIFR to 1.
The group absenteeism and staff attrition rate average below 4% (excluding contractors).	Absenteeism improves to 3.0%, staff attrition for permanent staff averaged 19.3%.	Group absenteeism rate to average below 3% (excluding contractors).
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.	The group's aggregated B-BBEE score improved 34 points on improved recognition for our preferential procurement and enterprise development initiatives.	Maintaining and improving our level 3 target.
Maintain and improve group training spend of R9 million.	Training spend increased to R13.6 million, of which 79.4% was spent on historically disadvantaged South Africans.	Maintain group training spend at a minimum of R10 million.
Maintain and improve on 138 learnerships in the group.	There were 215 learnerships in the group in 2014.	Maintain or improve on 138 learnerships in the group and engage in post graduate learning opportunities in battery technology.

** Occupational Health and Safety Standard.*

*** During 2014 we refined our safety statistics to focus on lost-time injuries, We no longer report disabling injuries.*

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

AWARDS

Company	Awarded in 2014
First National Batteries	General Motors South Africa – Supplier Quality Excellence Award 2014
ATE	NAPA Supplier of the Year Finalist – 2014 Emerald Award
Hesto	Toyota Motor Corporation – Global Contribution Awards (Regional Award Winner)
	Toyota South Africa Motors – Superior Award for Stable Production
	South African Automotive Benchmark Club – Manufacturing Excellence Award for 2014
Mutlu Akü	Toyota Motor Europe – Certificate of recognition in the area of supply
	Automechanika Moscow – Best Stand
	Ranked number 281 in Top 500 companies in Turkey by *Fortune*
Smiths Manufacturing	Toyota South Africa Motors – Supplier Award for achievement in Stable Production – 2013
	Toyota South Africa Motors – Supplier Award for achievement in Cost Management – 2013
Metair Investments	Sunday Times Top 100 Companies awards – Ranked Third in 2014
	IRAS Sustainability Data Transparency Index awards – Highest SDTI score in General Industry 2014
	Sake USB Financial Reporting Awards – Second place in 2014

DIRECTORS AND OFFICERS OF THE COMPANY

Company secretary
SM Vermaak

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

Registered office
10 Anerly Road, Parktown,
Johannesburg 2193

Registration number
1948/031013/06

OME Pooe (56)

Independent non-executive chairman
B Proc
Management Development Programme
Certificate in Advanced Corporate and Securities Law

Mr Pooe is Royal Bafokeng Platinum Ltd's (RBPlat) Corporate Affairs executive. Prior to joining RBPlat he was Public Affairs executive for Royal Bafokeng Holdings (Pty) Ltd (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 Ltd 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. As a result of Royal Bafokeng Holdings scaling back their interest in Metair, the Metair board believe that Mr Pooe is now considered independent. He was appointed as an independent non-executive chairman of the board with effect from 10 December 2014. He is current president of the National Association of Automotive Components and Allied Manufacturers.

S Douwenga (35)

Finance director
B Comm (Hons) CA (SA)

Mr Douwenga qualified as a Chartered Accountant after completing his articles with PwC and then spent approximately eight years in PwC's deals division where he gained extensive experience in acquisitions across various sectors within South Africa, Africa and recently in Romania and Turkey for Metair. Mr Douwenga first started working with Metair in 2011 when Metair acquired Rombat, and was appointment as business development director at First National Battery during 2013. In 2014 he was appointed group financial director. He was Metair's project leader on the execution of the Mutlu acquisition and has been appointed as a board member in each entity of the Mutlu Group.

CT Loock (50)

Managing director
B Eng (Industrial)

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 Ltd-owned Trident Steel.

A Joffe (46)

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

Mr Joffe is a chartered accountant. He has been with CoroCapital Ltd 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 Soanes (78)*

Independent non-executive director
National Certificate of Engineering

Mr Soanes was managing director of Armstrong Hydraulics (Pty) Ltd 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 Broadley (82)
Independent
non-executive director
Advanced Technical
Certificate (Engineering)

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. He was appointed as acting chairman of the social and ethics committee in November 2014.

DR Wilson (44)
Independent non-executive
director
CA (SA)

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 and previously represented Royal Bafokeng Holdings (Pty) Ltd. As a result of Royal Bafokeng Holdings scaling back their interest in Metair, the Metair board believe that Mr Wilson is now considered independent. He was appointed as an independent non-executive director of the board with effect from 10 December 2014. He was appointed as a member of the Metair board audit and risk committee in December 2014.

JG Best (66)
Independent
non-executive director
AICMA ACIS MBA

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 Bauba Platinum Ltd (JSE-listed) and is a member of its remuneration committee. 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. He is also the chairman of the Metair board audit and risk committee.

SG Pretorius (67)
Independent
non-executive director
M Comm (Business
Economics)

Mr Pretorius holds an M Com 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 Ltd. 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 and serves on the board of the READ Educational Trust, Africum Limited and Afrinet Limited. He is also the vice-chairman of Business Against Crime South Africa. Mr Pretorius serves as non-executive director on the boards of Tongaat Hulett, Reunert, Tata Africa Holdings, and Italtile Ltd. In January 2014, Mr Pretorius was appointed as an independent non-executive director to the Metair board.

SM Vermaak (49)
Company secretary
B Comm (Fin M) AIRMSA

Mrs Vermaak joined the company in August 1998 and was appointed as company secretary in March 2001 and group finance manager in July 2003. She completed her B Comm Financial Management degree (cum laude) in 2005 on a part time basis and has more than 14 years' experience in the listed company environment.

* British

FINANCIAL REVIEW

	2014 Rmillion	2013 Rmillion	% Change
Revenue	**7 279**	5 227	39%
Gross profit	**1 583**	1 049	51%
EBITDA	**1 158**	651	78%
Profit before taxation	**803**	495	62%
Profit attributable to ordinary shareholders	**601**	341	76%
Total equity	**4 239**	3 789	12%
Interest-bearing debt excluding cash and overdrafts	**1 740**	1 203	45%
Property, plant and equipment	**2 855**	2 845	0%
Current assets	**3 541**	3 150	12%
Total assets	**7 935**	7 473	6%
Net asset value per share (cents)*	**2 102**	1 895	11%
Basic earnings per share (cents)	**308**	229	35%
Headline earnings per share (cents)	**303**	219	38%

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

GROUP OPERATING PERFORMANCE

Group revenue increased 39% to R7 279 million (2013: R5 227 million) mainly due to the inclusion of Mutlu for the full reporting period. Operating profit margin increased to 11.4% (2013: 8.5%) as the increased proportion of higher-margin aftermarket revenue offset the numerous challenges in the operating environment. These challenges include increased competition in the South African battery market due to low cost foreign imports in the aftermarket segment, pressure on manufacturing margins in the OE segment due to labour disruptions and consequent manufacturing instability, as well as the impact of ongoing geo-political instability in Russia, Ukraine and the Middle East.

Group operating profit of R829 million represents an 86% increase on 2013 (R446 million), largely attributable to Mutlu Akü's (standalone) contribution to operating profit which amounted to R300 million (2013: R58 million). This was supported by an improved aftermarket performance in South Africa which offset the effect of the four week industry strike, the impact of tighter margins in the OE segments as well as additional depreciation associated with the Mutlu Akü transaction. The 2013 figures also included transaction costs of R78 million for the Mutlu Akü acquisition which were not repeated this year.

The effective taxation rate for the year was 21% (2013: 24%), based on a taxation charge of R171 million. This comprised R173 million of current taxation less R2 million of deferred taxation. The group's taxation rate is reduced by the lower rates of taxation in Romania (16%) and Turkey (20%) and was also positively impacted by the raising of previously unrecognised deferred tax assets as part of the group restructure.

The group was restructured in order to refinance the bridging facility put in place for the acquisition of Mutlu Akü. The restructuring introduced two new funding entities between Metair Investments Ltd and the subsidiary companies. This enabled the issue of R1 400 million preference shares at 69% of prime and introduced a five-year R750 million revolving credit facility which will be available for working capital and capital expenditure requirements.

As a result of the increased gearing in the company net financing expenses increased to R96 million (2013: R12 million).

Headline earnings increased 81% to R593 million. Headline earnings adjusts for profits (or losses) on the disposal of property, plant and equipment, including insurance recoveries. This translated to an increase in headline earnings per share of 38% to 303 cents per share (2013: 219 cents) despite the dilutionary effect of the additional 46.4m shares issued to acquire Mutlu Akü and the interest charge arising from the acquisition debt of R1.4 billion.

MUTLU AKÜ

The financial performance of Mutlu Akü improved due to an intense focus on improving manufacturing efficiencies, financial discipline and operating expense controls. High inflation in the region, a slowdown in the Turkish economy as well as a relatively warm 2014 resulted in reduced aftermarket demand in Turkey and neighbouring countries. In addition, exports to Russia decreased due to the weak Rouble and geopolitical instability. This was closely monitored and contained where possible.

OE volumes in Turkey were negatively affected by model changes at Ford in the first half of the year. But despite these factors, Mutlu Akü still delivered a very pleasing operating performance.

GROUP FINANCIAL POSITION

Group net asset value per share increased from 1 895 cents per share to 2 102 cents per share. Working capital investment increased by R249 million on 2013 due to lower than planned aftermarket sales volumes in December 2014.This was mainly a result of a warm northern hemisphere December combined with the impact of the devaluation in the Russian Rouble which caused delays in the placing of orders.

Cash generated from operations increased by 44% to R847 million (2013: R588 million) reflecting the increased profitability which was offset by the additional investment in working capital. This resulted in cash and cash equivalents increasing to R472 million from R408 million in 2013. Net debt (borrowings less cash and cash

equivalents) increased to R1.3 billion at year-end. The R472 million increase from 2013 was largely due to additional funding used to buy out minorities of Mutlu Akü during the mandatory tender offer process.

Our capital structure remains conservatively leveraged and reflects a debt/equity ratio of 30%. The group is in compliance with all of its lenders' covenants and, as at 31 December 2014, had unutilised facilities of approximately R3.5 billion.

Note 16 in the financial statements provides detailed information on the group's borrowing facilities. The group has sufficient short term borrowing facilities, including overdraft facilities, which are annually renewable.

CAPITAL EXPENDITURE AND CAPITAL COMMITMENTS

Capital expenditure totalled R250 million in 2014 (2013: R135 million). R117 million of this amount was spent on expansion capital and R133 million on maintenance. Our policy is to invest for future growth while ensuring optimal utilisation of the group's resources.

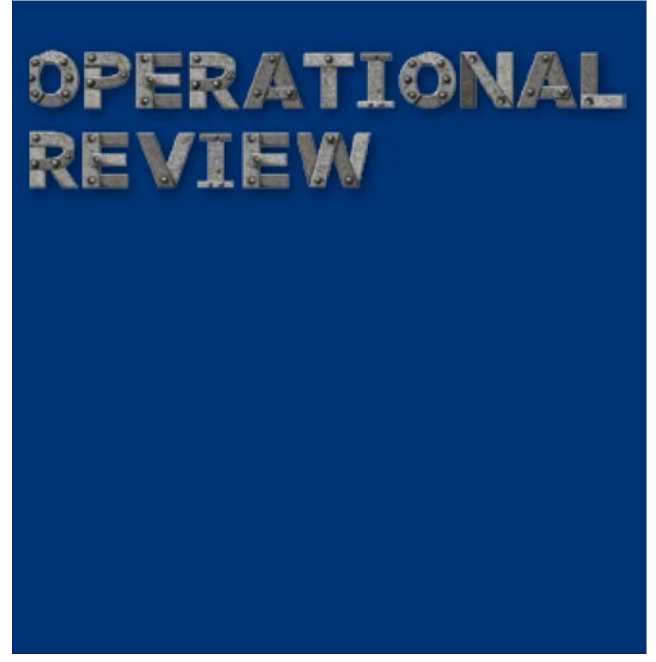
Capital expenditure for 2015 will focus on:

- 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.

The allocation of capital for 2015 is detailed in the table that follows.

(R'000)	Maintenance	Expansion/ competitive and efficiency improvement	Total
OE	40.3	135.7	176.0
Aftermarket	169.4	111.4	280.8
Property	2.3	2.6	4.9
Total	**212.0**	**249.7**	**461.7**

We continue to focus on cost-saving initiatives, cash management and working capital management. Identifying cost-saving measures is a key performance measurement for all group companies.



***Important note:** The turnover and profit figures quoted in this section include Hesto, consistent with the presentation in the segmental review on page 111. 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) and aftermarket segments contributed 46% and 45% respectively to group turnover in 2014, while the non-auto segment contributed 9%. The increase in contribution from the aftermarket segment was supported by the inclusion of Mutlu Akü for a full year (2013: three weeks).

Turnover from the OE segment grew 15% to R3 746 million and combined turnover from the aftermarket and non-auto segments grew 59% to R4 353 million.

At an operating profit level, the OE segment contributed R240 million and the combined aftermarket, non-auto and property businesses contributed R706 million, an increase of 79% on 2013.

Margins improved in the aftermarket and non-auto segments, but declined in the OE segment due to the continued disruptions caused by strikes that affected production efficiency ratios.

ORIGINAL EQUIPMENT

South African vehicle production increased 4% to 533 000 in 2014 (2013: 514 000). Exports increased 0.1% to 274 000 and total vehicle sales declined 0.9% to 615 000. NAAMSA's forecast for South African production in 2015 is 593 000 vehicles, an increase of 11% on 2014 production.

Vehicle production in Romania decreased to 391 000 vehicles (2013: 411 000) and Turkey produced 1.22 million vehicles (2013: 1.17 million).

Turnover in the OE business (including exports) increased 15% to R3 746 million (2013:R3 249 million). Margins declined to 6.4% in 2014 (2013: 6.7%) due to the continued disruptive production environment, volumes which were negatively affected by a number of model changes as well as by the imposition of higher import duties in Nigeria and Algeria which reduced exports into Africa. The labour disruptions at certain component manufacturers which affected OEMs in July 2014 were limited to two weeks by effective contingency planning.

Mutlu Akü was included for a full year in the results for the first time (2013: three weeks) which supported the significant increase in turnover and operating profit for the segment.

AFTERMARKET

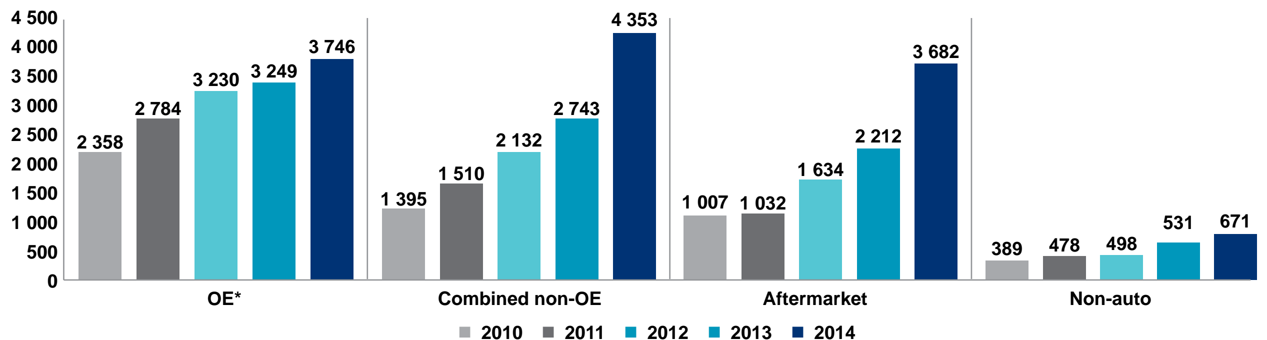
The aftermarket segment (including exports) increased turnover 66% to R3 682 million (2013: R2 212 million). Operating profit increased 96% to R560 million. These significant increases were due to both a solid underlying performance and the inclusion of Mutlu Akü for a full year.

Margins increased to 15.2% as a result of the strong Mutlu Akü performance as well as improved input cost procurement and volume growth in our non-Turkish operations. Warranty claims declined in 2014 as the steps taken last year to address warranty issues worked effectively.

NON-AUTOMOTIVE

Revenue (including exports) increased 26% to R671 million (2013: R531 million). Profit increased to R52 million (2013: R20 million) mainly due to Mutlu Akü's inclusion. Despite the resolution of the strikes in the mining sector, activity in the mining industry remains extremely subdued.

TURNOVER (R MILLION)



** Includes Hesto*

EXPORTS

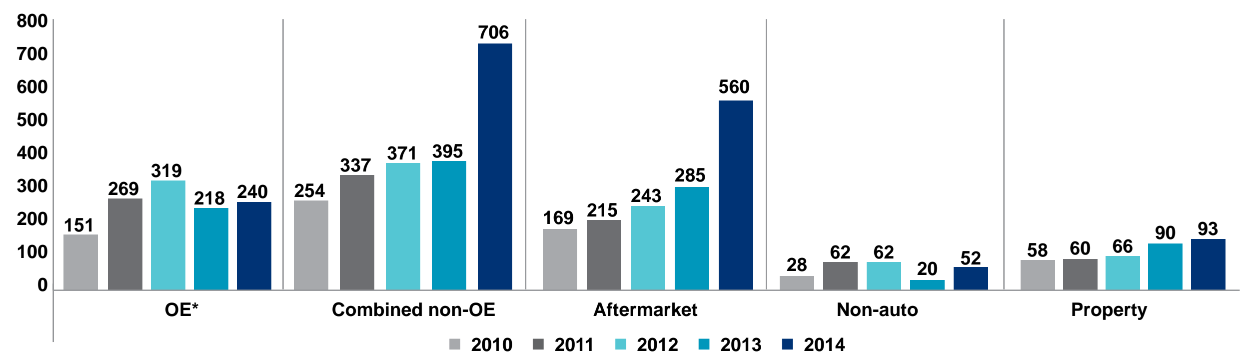
Exports increased 64% to R1 514 million (2013: R922 million), supported by the inclusion of Mutlu Akü for a full year for the first time. Metair exports aftermarket, OE and non-auto products to Europe from South Africa, Romania and Turkey.

Profit from exports improved 161% to R154 million (2013: R59 million), while profit margin improved to 10.1% due to the increased business conducted in Russia through Mutlu Akü.

PROPERTY

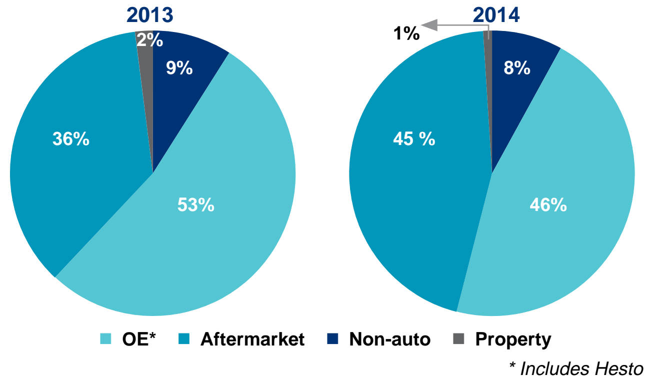
The group has built a significant property portfolio in South Africa, Turkey and Romania through its ownership of its strategic manufacturing properties. Internal property rental is market-related based on properties used. Gross rental allocation increased to R95 million in 2014 (2013: R91 million) and net rentals increased 4% to R93 million (2013: R90 million) due to inflationary increases.

PROFIT BEFORE INTEREST AND TAXATION (R MILLION)



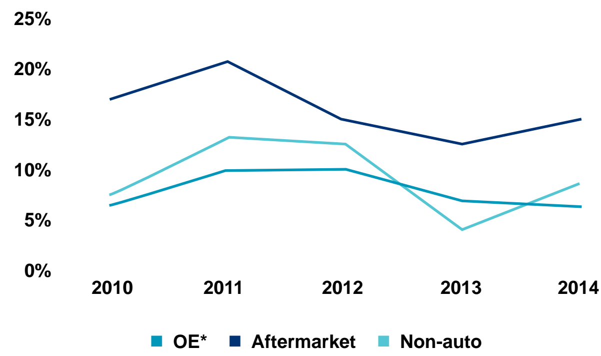
** Includes Hesto*

REVENUE CONTRIBUTION (%)



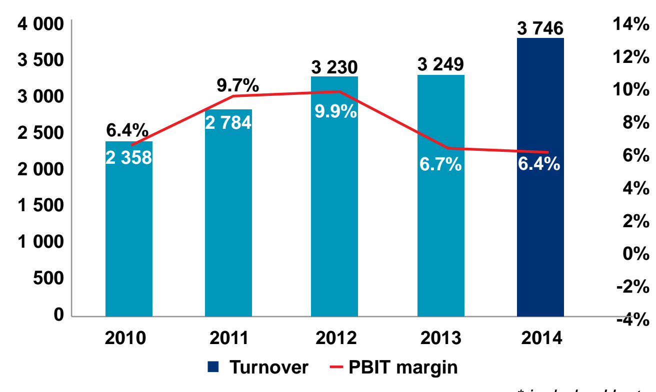
** Includes Hesto*

PROFIT BEFORE INTEREST AND TAXATION MARGIN (%)



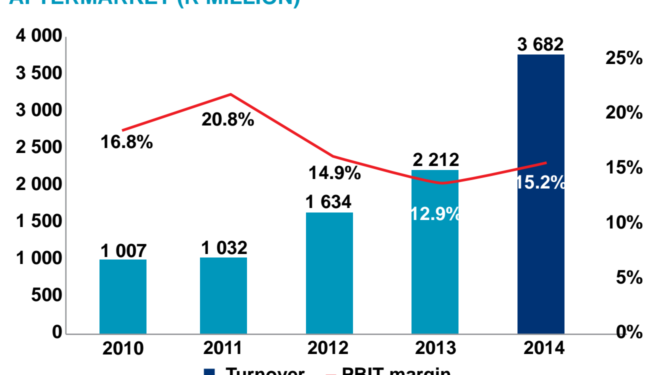
** includes Hesto*

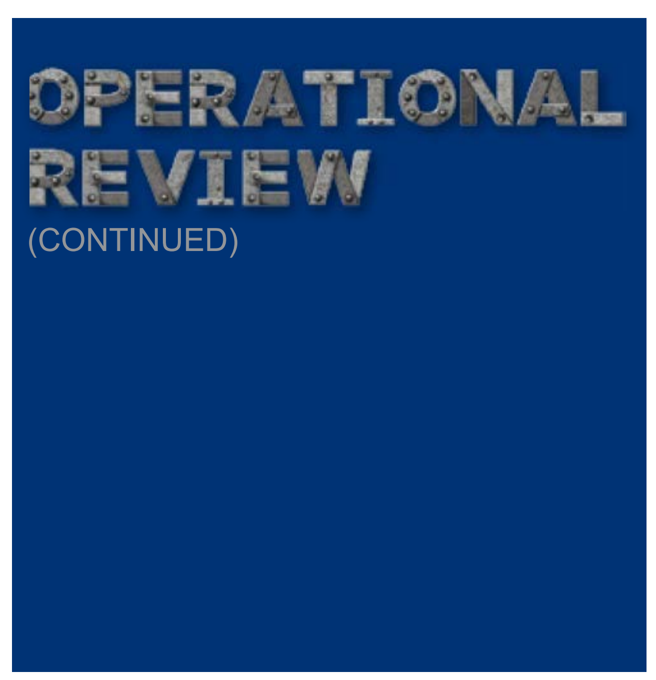
ORIGINAL EQUIPMENT* (R MILLION)



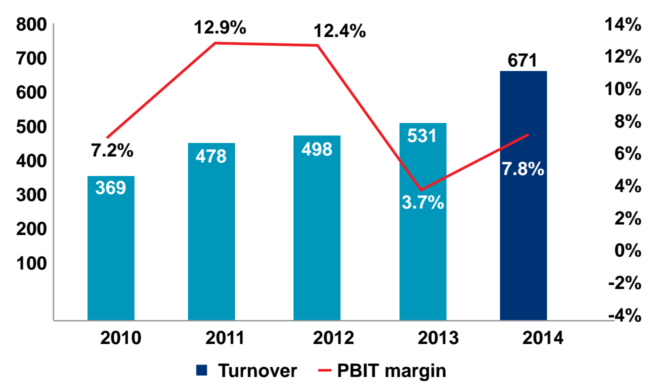
** includes Hesto*

AFTERMARKET (R MILLION)

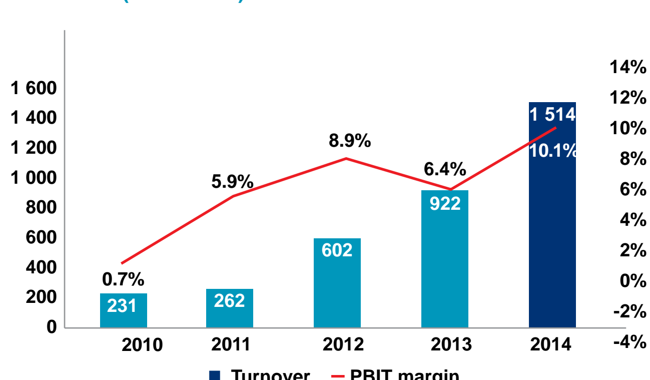




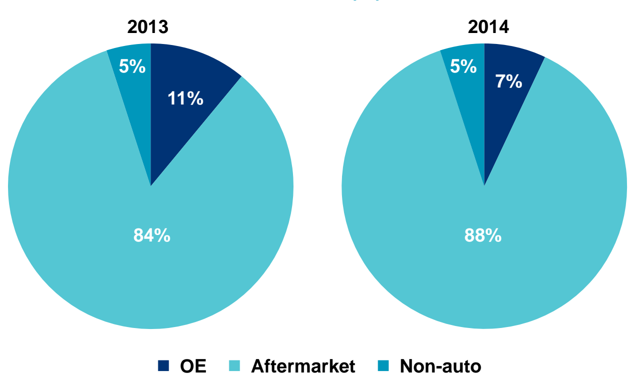
NON-AUTOMOTIVE (R MILLION)



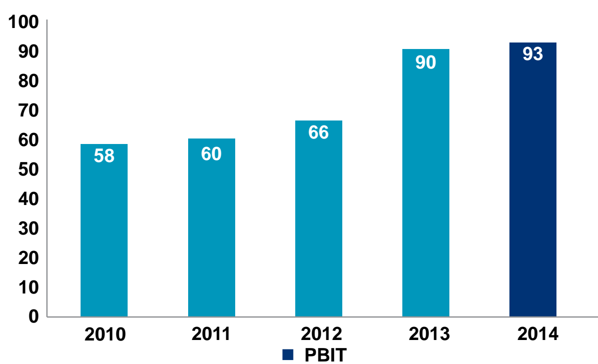
EXPORTS (R MILLION)



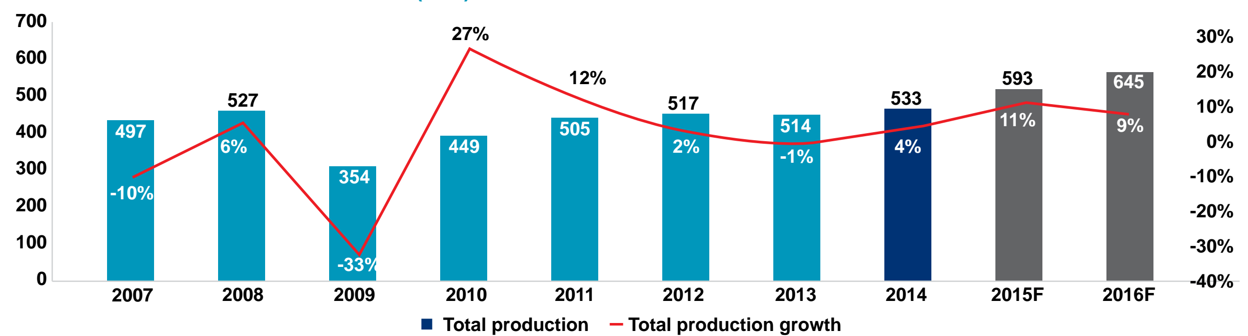
EXPORT REVENUE BY SEGMENT (%)



PROPERTY – NET RENTAL (R MILLION)



SOUTH AFRICAN VEHICLE PRODUCTION ('000) AND GROWTH



Source: Naamsa

We strive to be exemplary custodians of the capitals available to us and are committed to conducting business in a sustainable way.

Our approach to sustainability is defined in our core value of custodianship: we are custodians of the capitals available to us – natural, human, financial, intellectual, social and relationship, and manufactured. As custodians, we manage these capitals in a responsible way for the benefit of our stakeholders. In considering our impacts on the environment and the communities around us, we apply the precautionary principle in line with our commitment to good custodianship.

A narrow focus on only certain of the capitals while neglecting the others will result in business failure. For example, focusing only on generating financial returns without considering our environmental impact would damage our social and relationship capital with customers, communities and government. This would lead to declining financial returns, the withdrawal of operating licences and ultimately our social licence to operate. On the other hand, a focus on maximising value creation for management and employees – our human capital – risks misallocation of capital and unsatisfactory financial returns which would alienate shareholders and providers of finance, and compromise the financial sustainability of the group.

HOW WE MANAGE SUSTAINABILITY

Sustainability is the ultimate responsibility of the board, which has delegated this function to the social and ethics committee. The CEO is a member of the social and ethics committee. The group's social and ethics framework defines and guides our approach to integrating sustainability into our strategy and operations.

Sustainability is managed at our operations through the relevant operational functions, such as human resources and safety, health and environment (SHE) in terms of group policies and principles.

Our sustainability initiatives draw on the guidance of relevant legislation and frameworks including:

- King III;
- the JSE Listings Requirements;
- the UN Global Compact;
- the Global Reporting Initiative's G4 guidelines (GRI G4); and
- the International Integrated Reporting Council's (IIRC) Integrated Reporting <IR> Framework.

We continue to refine the collection of our non-financial data and engaged external consultants to set up data reporting templates to facilitate regular reporting by subsidiaries in a consistent and comparable way. The business intelligence and performance management system currently being implemented in the group will be expanded to include non-financial information in the next phase of the project.

The external assurance process conducted on the non-financial sustainability information contained in this report included site visits to various operations and an assessment of data collection techniques and controls.

We recognise the legitimate interests and concerns of our key stakeholders.

In line with our custodianship philosophy, we engage with our key stakeholders to understand their legitimate interests and concerns and seek to address these where relevant. The interests and concerns of a particular group of stakeholders are balanced against those of other stakeholders and against the long-term interests of the company.

We define our stakeholders as those who are impacted by our business, or who impact our business, and who play a role in our ability to deliver on our strategic objectives.

The board has delegated responsibility for managing stakeholder relationships to the management team. Key stakeholders are identified in the course of the engagements that take place regularly in the running of the business.

Our engagements are guided by the group stakeholder engagement policy and the code of conduct guides management and employees in their dealings with stakeholders to ensure their equitable treatment.

The process of integrating Mutlu Akü into the Metair group involved extensive engagements with a range of stakeholders during the year, including suppliers, employees, distributors, customers, community representatives and government officials. No specific engagements were conducted specifically as part of the preparation of this report.

The table that follows lists Metair's key stakeholder groupings.

Stakeholder	How we engage	Stakeholder concerns	How we address these
All 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 Management aims to be appropriately accessible within operational constraints
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 External verification of B-BBEE status
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

Stakeholder	How we engage	Stakeholder concerns	How we address these
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 Remuneration benchmarking
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 • Member of the South African Battery Manufacturers Association • Member of NAACAM	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

Metair aims to build a financially sustainable business by ensuring an adequate return for shareholders while also creating value for its other stakeholders. This financial imperative is balanced with our role as responsible custodians of our natural environment and the communities around us.

The founding principle of any business is to generate an economic return above the cost of capital invested to start it. A company that cannot trade profitably will soon go out of business, to the detriment of its shareholders, employees, customers and suppliers. Our commitment to sustainable business requires that in our pursuit of sustainable economic returns, we manage our environmental and social impacts at the same time.

In the last five years, Metair has created over R8.8 billion in cumulative total value, growing value-added at a compound annual growth rate of 15.9%. In excess of R6.5 billion has been paid out to employees, government, providers of capital and other stakeholders in this period.

COST COMPETITIVENESS

Both our OE and aftermarket businesses operate in highly competitive markets. OEM pricing requires that the price of our products compares favourably with low cost manufacturing destinations where many inputs, including labour cost, labour efficiency and energy cost, are far more favourable than in South Africa.

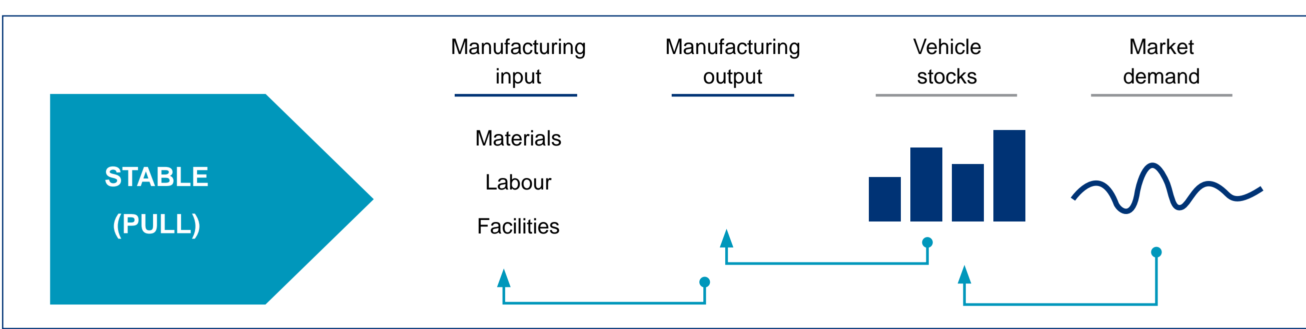
Where South Africa becomes less cost competitive, or when continuing labour and socio-political challenges raise concerns, OEMs may move future production to other low cost manufacturing destinations such as Thailand, or countries such as India and China that not only offer competitive cost bases, but also have large markets for new vehicles.

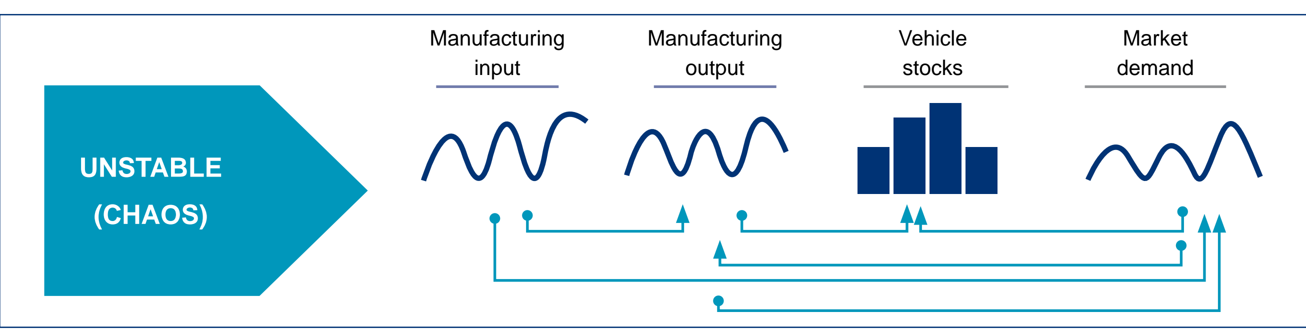
The aftermarket segments in which our products compete have become increasingly competitive, due to low cost imports from China and Korea. The tight margins that come from these high levels of competition make the manufacturing excellence that is one of Metair's core focus areas essential to ensure we can generate a financial return. However, efficient production is only possible when the manufacturing environment is relatively stable.

IMPACT OF AN UNSTABLE MANUFACTURING ENVIRONMENT

In a stable market, consumers determine market demand and OEMs manage production to ensure vehicle stocks are sufficient to meet this demand. OEMs and component manufacturers have defined output requirements and can plan accordingly. This includes ensuring sufficient supplies of materials, appropriate labour levels and adequate production capacity. OEMs and component manufacturers have better sight of structural changes in demand volume and can anticipate and adjust their strategies to meet these.

In an unstable operating environment, with labour disruptions and unpredictable availability of key inputs like materials and electricity,





manufacturing output becomes unpredictable and vehicle stocks cannot be matched to market demand. It becomes extremely difficult for manufacturers to plan, which has a serious impact on industry margins, affecting the financial performance of the industry and ultimately its long-term sustainability.

The APDP brings stability to OEMs until 2020, which offsets to some degree the negatives of the ongoing instability in the manufacturing sector. However, we believe that this instability will limit the sustainable volumes the South African automotive industry will be able to produce to well below the target underlying the APDP.

CURRENCY VOLATILITY

A volatile currency also makes planning challenging. A strong Rand increases the relative cost of production in South Africa compared to production in a country with a weaker currency. While a weaker Rand makes South African products more competitive in a global sourcing environment, it also makes Dollar denominated inputs more expensive and pressures margins.

CONTINUITY OF SUPPLY AND PRODUCTION

Cost competitive production requires a reliable supply of high-quality raw materials. With OEM costings so tight, even when we meet all the technical requirements, we may be unable to submit cost-competitive quotes if we are unable to secure adequate supplies of quality material at a realistic price. This is particularly true of the lead required in battery manufacture, where in certain instances we have been competitive on a regional basis, but not on a global basis.

We increased electricity standby capacity at our production facilities so that continuous manufacturing processes would not be affected by power supply interruptions. We are concerned that upstream suppliers may not have similar contingency plans in place, which could interrupt raw material supplies.

Production can potentially be interrupted by natural disasters, explosions, fires or IT and other electronic system failures. In the highly competitive markets in which we operate, market share can be quickly lost when production is interrupted. Our operations have controls in place as well as recovery plans to minimise the impact of such disasters should they occur. Despite these controls, there were two fires at group operations during the year – one at FNB and one at Supreme Spring. Both fires were rapidly contained and production was restored quickly. Batteries were imported from our international operations to make up FNB's production shortfall.

The group's supply chain includes suppliers of raw materials such as steel and lead, and suppliers of tooling and parts. While many of our suppliers are located in the countries in which we have manufacturing facilities, some are located in other countries, including China, Japan, the US and Europe.

FAIR COMPETITION

Metair's RARE Marketing Excellence programme is designed to raise the profile of the group's brands in the aftermarket and to combat pressure from new market entrants in the aftermarket. In addition, the dumping of Korean government-subsidised batteries into South Africa is the subject of an investigation by the International Trade Administration Commission of South Africa (ITAC). An application for an import duty of 30% is currently awaiting final approval by ITAC

PRODUCT QUALITY

It is essential that we continue to produce products of an extremely high quality. This is directly linked to our commitment to manufacturing excellence across all facilities. All of our operations are externally certified in the quality management systems relevant to their business, including ISO 9001 and ISO/TS 16949. Warranty claims showed an ongoing decline in 2014.

CARBON TAX

South Africa's proposed carbon tax has been initially set at R120/tCO_2, although the final impact could be higher if Eskom passes through their portion of the tax to consumers. We are in favour of any initiative that encourages responsible use of natural resources and reduces carbon emissions. However, we believe that any such initiative needs to be implemented responsibly to avoid further eroding South Africa's manufacturing cost competitiveness.

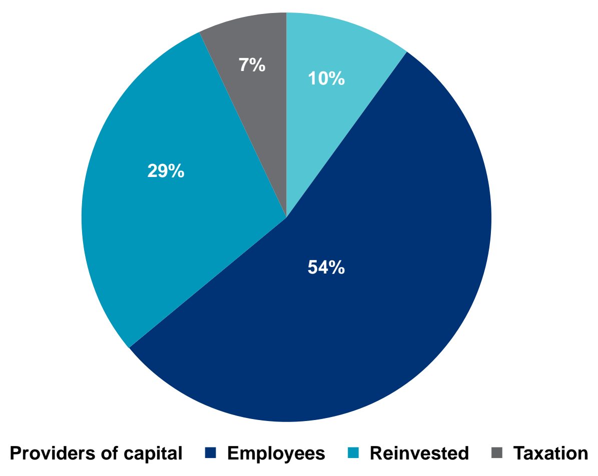
VALUE-ADDED STATEMENT

	2014 %	2013 %	GROUP 2014 R'000	2013 R'000	2012 Restated R'000
WEALTH CREATED					
Revenue			7 278 815	5 227 426	4 603 150
Less: Net cost of products and services			(4 820 683)	(3 648 523)	(3 031 482)
Value added			2 458 132	1 578 903	1 571 668
Add: Income from investments			92 704	77 345	98 127
Wealth created			2 550 836	1 656 248	1 669 795
WEALTH DISTRIBUTION	**2014 %**	**2013 %**			
Employees					
Salaries, wages and other benefits (note 1)	54	60	1 369 926	990 028	889 261
Providers of capital	10	10	255 757	166 937	128 341
Interest on borrowings	5	2	118 935	27 888	26 457
Dividends to shareholders	5	7	136 822	139 049	101 884
Government taxation (note 3)	7	7	170 845	121 172	166 903
Retained in the group	29	23	754 308	378 111	485 291
To provide for the maintenance of capital	10	9	258 825	143 261	112 599
To provide for expansion	19	14	495 483	234 850	372 692
	100	100	2 550 836	1 656 248	1 669 795
1) Salaries, wages and other benefits			1 369 926	990 028	889 261
Wages and salaries			1 164 284	860 124	771 924
Share based payment expenses			15 348	9 747	8 574
Termination benefits			10 162		
Social security costs			113 088	60 058	52 839
Pension costs – defined contribution plans			58 451	57 417	53 227
Defined benefit plans			5 633		
Post-employment medical benefits			2 960	2 682	2 697
2) Value added ratios					
Total number of employees at year end			5 651	5 870	4 835
Hourly			3 385	3 837	3 018
Monthly			2 266	2 033	1 817
Revenue per employee			1 288	891	952
Value added per employee			435	269	325
Wealth created per employee			451	282	345
3) Monetary exchanges with governments					
SA normal Tax / Income tax			170 845	121 172	166 903
South Africa			100 572	96 518	
Romania			6 993	10 510	
Turkey			63 280	14 144	

The value-added statement calculates the value created by the company and its employees. This value is then distributed to stakeholders or reinvested in the business as shown in the 'Wealth Distribution' section of the statement.

54% of the wealth created was distributed to employees in the form of remuneration and benefits and 7% to government in the form of taxes and 10% to providers of capital. R754 million (29%) was retained in the group and of this, 19% was set aside for future expansion.

DISTRIBUTION OF VALUE-ADDED (%)



Providers of capital ■ Employees ■ Reinvested ■ Taxation

Metair is committed to the principles of transformation and broad-based black economic empowerment (B-BBEE).

The stability of the future business landscape in South Africa depends on increased financial inclusion of previously disadvantaged race groups and a more demographically representative business environment. Failure to embrace transformation at a company level risks being sidelined by customers, suppliers, government and communities.

Transformation is also a key consideration with South African OEM customers, who require a minimum Level 4 status when evaluating sourcing decisions.

The group's transformation is monitored and managed by the employment equity and transformation committees, which report to the board. During 2014, the transformation policy and the group equal opportunity policy were approved by the board.

We measure our progress using the Department of Trade and Industry Codes of Good Practice (dti CoGP). Executive variable remuneration is linked to achieving the group's B-BBEE targets.

Each major South African subsidiary (excluding associates) undergoes an annual B-BBEE certification process and the points are totalled for each company to give an aggregate score for the group. The group targeted all companies to reach Level 4 status by 2014 and achieved this in 2013, a year ahead of plan.

At the end of December 2014, eight of the nine operating companies achieved Level 3 contributor status, with the remaining company achieving Level 4 status. The group's combined B-BBEE scorecard is reproduced in Appendix II on page 80.

The group's cumulative B-BBEE score improved 34 points to 693.92 (2013: 659.99) due to improvements in the enterprise development and preferential procurement categories.

We expect our contributor status to drop when the revised B-BBEE Codes are gazetted in the first half of 2015. However, despite the threshold for Level 4 moving from 60 points under the old codes to 80 points, we believe all of our operations will achieve Level 4.

OWNERSHIP

Royal Bafokeng Holdings (RBH) disposed of some of their shareholdings to the PIC in October 2014 and held a direct stake of 2.99% in Metair as at the end of December 2014. The disposed shares are still recognised in the ownership calculation using the sale/loss of share principle. RBH maintained their 12.52% voting rights within the Royal Bafokeng Metair Trust (RBMT). Taking into account the issue of new Metair shares, a reduction in treasure stock and a slight change in the demographics in the empowerment shareholder, Metair achieved 20.97 points for the 2014 ownership assessment, which flows down to subsidiary levels.

The table below shows the results of an independent analysis of Metair's ownership at 31 December 2014.

	Economic interest	Voting rights
B-BBEE shareholders	33.41%	42.70%
Female B-BBEE shareholders	15.25%	16.05%
Designated group B-BBEE shareholders	9.66%	

MANAGEMENT CONTROL

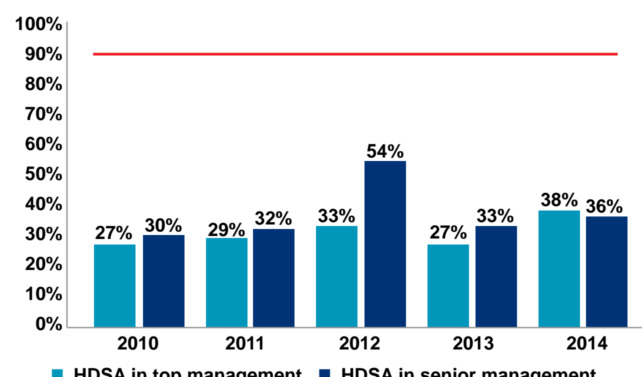
Metair operates in a highly technical industry which makes it challenging to transform the management control categories in the short term. Management candidates tend to have engineering or other technical qualifications or have developed their skills through long practical experience and training. These skills and experience are highly sought after in a global context, and even more so in South Africa when matched to an equity candidate, which makes long-term retention challenging. We believe that over time, our skills development and employment equity programmes will support transformation at the management level.

Historically disadvantaged South Africans (HDSAs) comprised 92% of the total permanent workforce (excluding Mutlu Akü and Rombat) at the end of 2014. HDSA in top management improved to 38% in 2014 (2013: 27%) and HDSA in senior management improved to 36% (2013: 33%). The group's aggregate B-BBEE score for management control improved 3.39 points on last year (35.82).

EMPLOYMENT EQUITY

As with the management control category, identifying, attracting and retaining qualified candidates to support our employment equity targets is challenging. Subsidiaries have five-year employment equity plans and group employment equity and transformation committees monitor and measure performance

HDSA IN WORKFORCE (EXCL ROMBAT AND MUTLU AKÜ



against these plans. Annual reports are submitted in accordance with the Employment Equity Act.

Our accelerated skills development programmes, learnerships and internal and external training programmes aim to develop the required skills in the correct demographic groups to support our employment equity plans.

The group's aggregate employment equity score was broadly unchanged on the 2013 score at 75.6 points (2013: 75.86).

SKILLS DEVELOPMENT

We invest heavily in skills development to develop and sustain the technical skills to support manufacturing excellence in our operations. Our aggregate skills development score increased 2.17 points on 2013 (85.60). Our investment in skills development increased 37% to R13.6 million in 2014 (2013: R9.9 million), representing 2.2% of group net profit after tax (NPAT) (2013: 2.4%).

PREFERENTIAL PROCUREMENT

Preferential procurement contributes to the development of black-owned businesses by directing procurement spend to businesses owned by HDSAs. Total group preferential procurement from HDSAs was R324 million in 2014 in the South African operations (2013: R572.5 million). The aggregate preferential procurement score improved 8.77 points on 2013 (135.28).

ENTERPRISE DEVELOPMENT

Enterprise development (ED) initiatives help to develop HDSAs in small businesses by providing opportunities and support. Support includes financial assistance and early payment of invoices to ease cash flow constraints.

FNB supports HDSA owners of Battery Centres by providing discounts and rebates, and ATE assists HDSA owners of Midas stores through the National Automobile Parts Association.

The group invested R28.6 million in enterprise development projects during 2014 (2013: R32.3 million) and the aggregate group ED score improved 20.28 points to 117.96.

SOCIO-ECONOMIC DEVELOPMENT

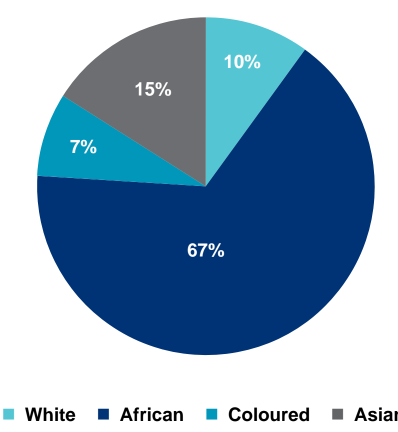
Metair spent R16.3 million on socio-economic development/ corporate social investment in 2014 (2013: R8.4 million). 56% of total CSI spend was allocated to education, 13% to skills development and 2% to basic needs and social development. The group's aggregate socio- economic development score increased 1.02 points on 2013 (41.34).

Each operating company in the group allocates 1% of net profit after tax to various initiatives in their host communities. Most of these projects focus on addressing pressing health issues, skills development and improving facilities and tuition at schools. This helps to develop and uplift community members as well as increasing the skills available in local communities. Investments in infrastructure development help to strengthen communities where many of our workers live.

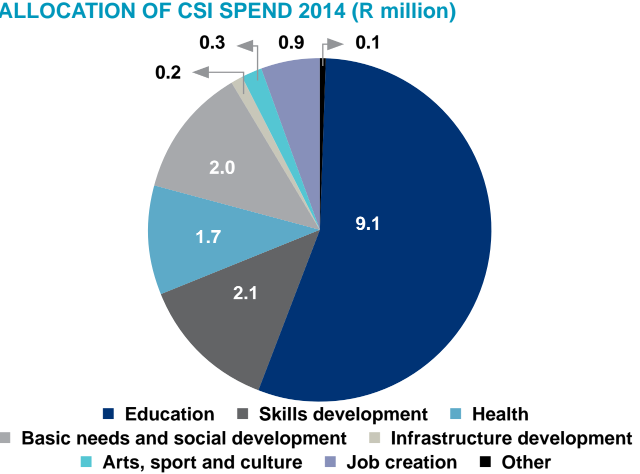
Metair operating companies supported a range of socio-economic development initiatives during the year including:

- FNB supports ITEC's Community Library Project, which sets up libraries at underprivileged schools in the Eastern Cape. FNB also sponsors three bursars in the programme.
- Hesto partnered with Samsung Electronics to provide a solar powered computer lab built in a 40-foot container. The smart school provides access to notebooks/tablets for students and community members from the company's primary labour sending area.
- Smiths Manufacturing invested in six local schools for students from disadvantaged groups to provide extra maths and science lessons, infrastructure development, classrooms, libraries, tertiary bursaries, orphan support and sport development.

STAFF COMPOSITION (SA ONLY)



ALLOCATION OF CSI SPEND 2014 (R million)



- Supreme Spring supported a local feeding scheme, a hospital and an orphanage.
- Unitrade supported a project to establish libraries in four local schools, supplying more than 5 000 books, shelving and computers.
- Mutlu Akü supported the Cemil Türker Elementary School through the provision of shoes, scholarships to three top students, painting, maintenance and repair of school facilities and construction of a library.
- Mutlu Akü also constructed a prayer room for workers at their plant and donated batteries for 67 wheelchairs and 22 police cars.
- Mutlu Akü donated US$ 500 000 to Tuzla Municipality for social responsibility projects which has been allocated to construct a new school with other donors and stakeholders.
- Rombat provides free utilisation of spare land for agricultural farming by rehabilitated ex-convicts in Bistritsa.
- Rombat donates daily meals to the Bucurie Foundation, which provides psychological counselling, daytime accommodation and community reintegration for young people between 18 and 26 years with disabilities.

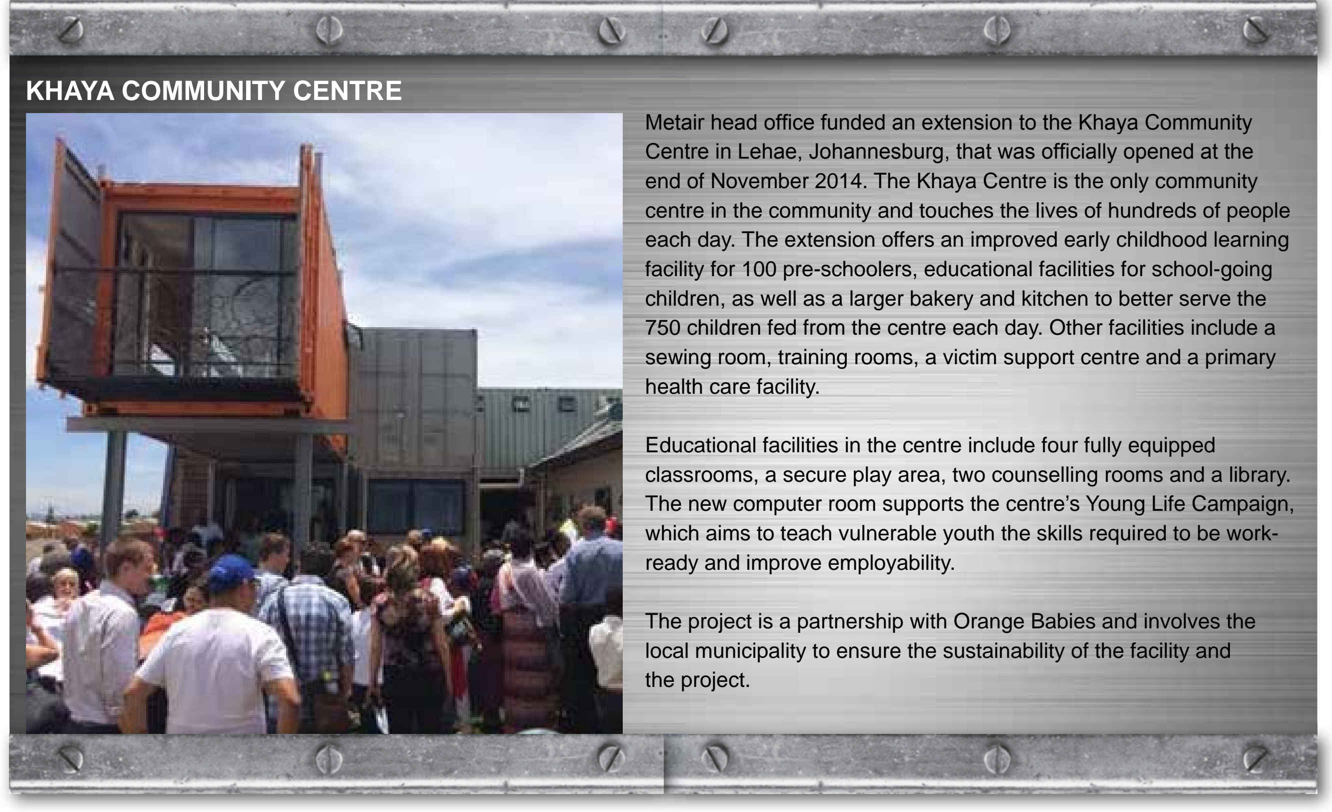
GROUP SOCIO-ECONOMIC DEVELOPMENT

In addition to the projects supported by the operating companies, 1% of group net profit after tax is allocated to community projects. These projects are carefully chosen to ensure that they meet a real need, reach a significant number of beneficiaries (preferably an entire community), operate in partnership with NGOs and government and demonstrate spend effectiveness. Our intention is that these projects should have a significant impact on as many people as possible on a daily basis and have a high chance of being sustainable through the involvement of a range of stakeholders.

Mutlu Akü opened Cemil Türker Elementary School in Akfırat in 1987 and continues to provide support to the school on an ongoing basis. The school has 12 classrooms and 430 students.

Rombat supports a programme that aims to reintegrate former convicts back into society by helping create new jobs for the community. In 2014, Rombat provided free use of three hectares of land to develop into a farming project.

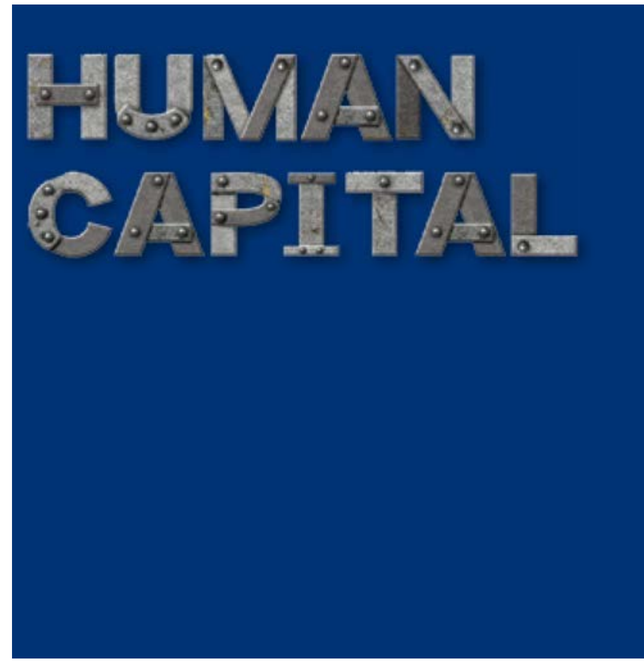
KHAYA COMMUNITY CENTRE



Metair head office funded an extension to the Khaya Community Centre in Lehae, Johannesburg, that was officially opened at the end of November 2014. The Khaya Centre is the only community centre in the community and touches the lives of hundreds of people each day. The extension offers an improved early childhood learning facility for 100 pre-schoolers, educational facilities for school-going children, as well as a larger bakery and kitchen to better serve the 750 children fed from the centre each day. Other facilities include a sewing room, training rooms, a victim support centre and a primary health care facility.

Educational facilities in the centre include four fully equipped classrooms, a secure play area, two counselling rooms and a library. The new computer room supports the centre's Young Life Campaign, which aims to teach vulnerable youth the skills required to be work-ready and improve employability.

The project is a partnership with Orange Babies and involves the local municipality to ensure the sustainability of the facility and the project.



Metair's 6 607 motivated and skilled permanent employees represent a key asset to the business. We are committed to investing in our human capital to ensure that we develop and retain the skills we need to execute our strategy, and ensure that we provide a safe working environment.

Our ability to sustain manufacturing excellence and thereby produce high quality products as cost effectively as possible is crucially dependent on the skills, diligence and commitment of our employees. Failure to maintain good labour relations leads to an unstable manufacturing environment and undermines our cost competitiveness.

To ensure we can continue to implement our long-term strategy we need to ensure that we invest to develop the skills we need, make sure we retain our skilled employees and develop a pipeline of future employees with the right technical skills. We also have a duty to ensure that the workplace environment is safe and that we provide the facilities to support employees to manage their health and wellness.

Note that the headcount figures reported in this section include Hesto employees as Metair is responsible for the day to day management of this associate.

Since Hesto is not a subsidiary in terms of IFRS 10, employees are excluded from the headcount figures reported in the value added statement on page 45.

Total headcount increased 19% to 7 851, as the total now includes 771 employees and contractors at Mutlu Akü. In 2014 81% of our employees work in our South African operations, 10% in Turkey and 9% in Romania. Contractors comprised 7.5% of the total staff complement in 2014 compared to 2.3% in 2013.

FNB and Hesto together employ nearly half of the group workforce, with Mutlu Akü, Smiths Manufacturing and Rombat each employing around 10%. Historically Disadvantaged South Africans (HDSA) represent 92% of the South African workforce (2013: 90%) and women comprise 31% (2013: 35%).

LABOUR RELATIONS

Across the group, 67% of employees belong to a union (2013: 79%). Union engagement takes place at national, provincial and company level through formalised recognition agreements.

Most South African operations fall under Chapter III of the motor industry bargaining council, while First National Battery is covered at plant level.

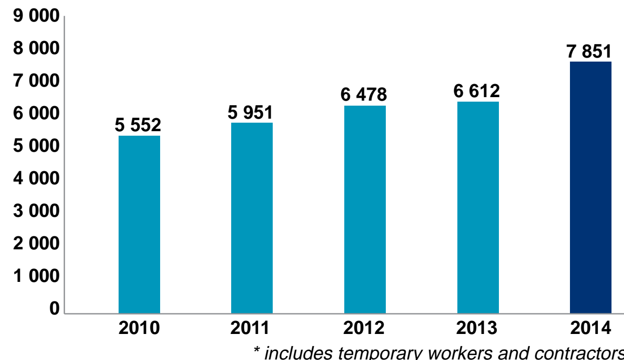
The OEM sector was impacted by strikes in the Steel/Metal and Engineering sector which affected the automotive industry for four weeks during 2014. Excellent contingency planning meant that most OEMs only halted production for two of those weeks. There were no strikes at any group company, although certain subsidiaries worked short-time to align with the production disruptions at our OEM customers.

Minimum notice periods regarding operational changes range from 48 hours to 12 weeks, with most subsidiaries having two- to four-week notice periods. Notice periods and provisions for consultation and negotiation are specified in collective agreements at eight of the 11 subsidiaries.

68 employees were retrenched in the first half of 2014 as the Section 189A labour restructuring exercise continued at Smiths Plastics. A further 23 employees at Smiths Plastics and 46 at Mutlu Akü took voluntary severance packages during the year.

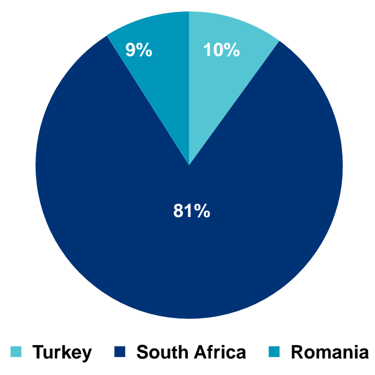
Companies in the group do not currently provide transition assistance programmes to facilitate continued employability and assist the management of career endings. Employee assistance programmes at certain subsidiaries provide counselling to employees and appoint financial consultants to offer investment advice on withdrawal of retirement benefits.

STAFF COMPLEMENT (INCL HESTO)*



** includes temporary workers and contractors*

STAFF BY REGION



ATTRACTION, RETENTION AND DEVELOPMENT

Metair relies on world class technical and engineering skills to drive manufacturing excellence in the group and meet the quality and cost-efficiency demands of our customers. We aim to be the employer of choice in our industry and consequently make significant investments in our skills development and training initiatives.

Retaining our skilled employees is challenging as their skills are much in demand in the global jobs market. We aim to retain talented employees through competitive remuneration packages, quality training programmes and practical learning opportunities. Where employees show the necessary commitment and potential, they may benefit from career opportunities and broader experience across the group and in our international operations.

Permanent staff turnover averaged 19.3% in 2014 (2013: 6.4%) with the increase largely due to the retrenchments in Smiths Plastics. Absenteeism decreased to 3.0% (2013: 3.4%), remaining below our target rate of 4.0%.

During 2014 a job grading exercise was done for all positions in the company. This allowed objective external benchmarking of job grades and remuneration and enabled identification of over- and under-remunerated employees. Salaries were adjusted where necessary to bring them into line with the benchmarks. This year marked the ninth year that the percentage increase in salaried pay lagged the increase in hourly wages. More information on the job grading exercise is available in the remuneration report on page 70.

SKILLS DEVELOPMENT

The group invested R13.6 million in skills development initiatives during 2014. This represents 2.6% of net profit after tax, compared to 2.4% in 2013. Training spend per employee increased to R2 058 from R1 527 in 2013. In total there were 16 834 training interventions during the year, including both internal and external training interventions.

Metair offers a range of practical learning programmes that provide opportunities for promising candidates and help us to build a skills pipeline for future potential employment. These include a 40-week production learnership programme, a 24-month apprenticeship programme, a 24-month candidate technician internship, a 24-month candidate engineers programme and a 24-month graduate in-training programme. Hesto is running an accelerated artisan training programme in collaboration with the Department of Labour and the Manufacturing, Engineering and Related Services SETA (MERSETA), and Hesto's training school achieved accreditation with MERSETA during the year.

Various operations also run adult basic education and training (ABET) courses.

There were 215 learnerships in the group in 2014, (2013: 198), exceeding our target of 198 for the year. The group also supported 100 promising bursary students studying in engineering, finance and technical fields (2013: 112).

HEALTH AND SAFETY

Health and safety is managed at operational level and our health and safety policies align our approach with the relevant legal frameworks, including the Occupational Health and Safety Act. Four of our thirteen operations are OHSAS 18001 accredited, the international health and safety standard. A fifth is awaiting audit and certification. We plan on all group companies being OHSAS 18001 accredited by 2016.

Each subsidiary has its own safety, health and environmental (SHE) policy which aligns with the group SHE policy, which is available on our website at www.metair.co.za/health_safety.asp.

We monitor health and safety incidents and near-misses, and we 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.

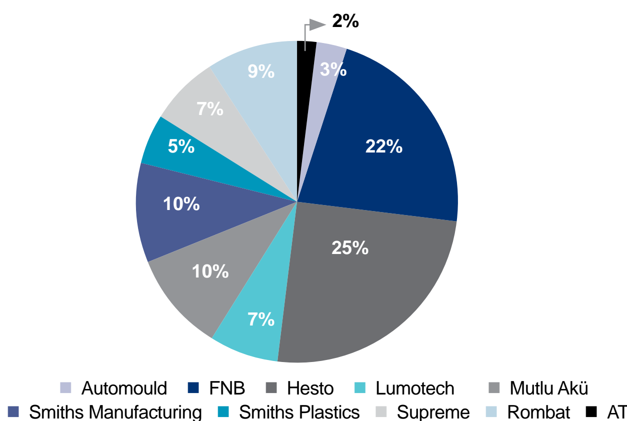
There were no fatalities in the group in 2014 and 145 lost-time injuries (2013: 66), which represents a lost-time injury frequency rate (LTIFR) of 1.84 per 200 000 person hours (2013: 1.12). Lost-time injuries are injuries where an employee is deemed unfit to return to work the next day.

HAZARDOUS SUBSTANCES

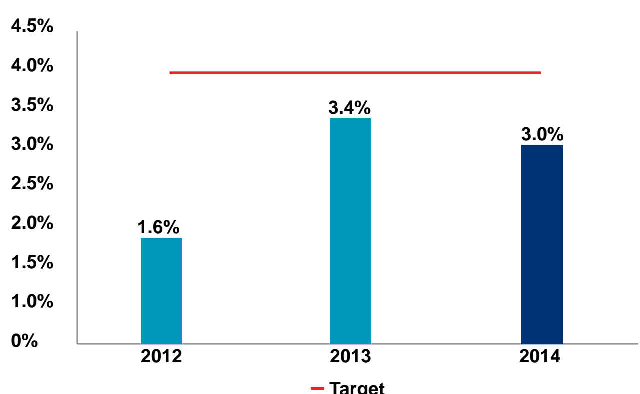
Where particular products involve working with potentially dangerous substances, standard health and safety procedures are applied around each such substance. We ensure that our procedures comply with both South African legislation and the standards governing our OE customers in other jurisdictions.

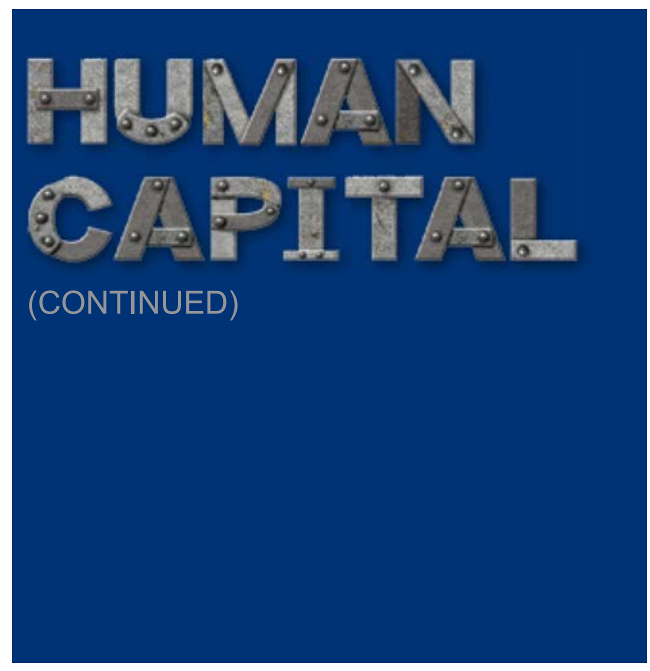
Lead is a banned substance under EU directive 2000/53/EC, which pushes producers to manufacture new vehicles without the hazardous substances it targets. Lead is used at our First National Battery, Mutlu Akü and Rombat battery manufacturing facilities. Baseline blood lead levels are tested when employees at these facilities join the company and regularly re-tested thereafter to measure ongoing exposure. Where blood lead levels rise above benchmark levels, employees receive counselling in the clinic, are restricted from working overtime and are removed from areas

STAFF BY OPERATION



ABSENTEEISM



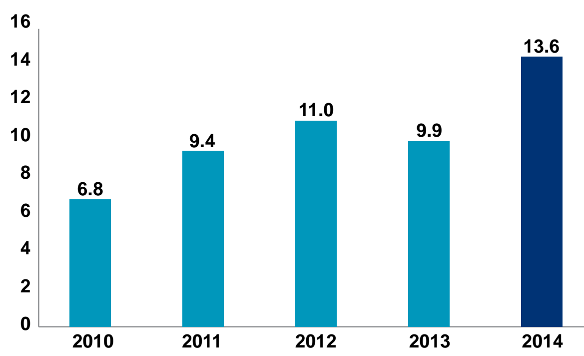


where there is a chance of further exposure until their blood lead levels return to within the acceptable limits.

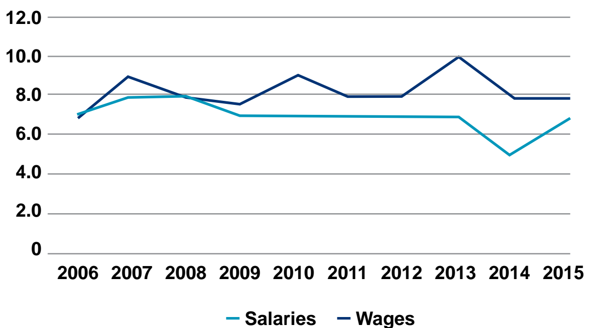
HIV/AIDS

Our major South African operations offer voluntary counselling and testing (VCT) for employees and contractors. Awareness-raising activities include competitions, promotions, banners, speeches on wellness days and World AIDS Awareness Day activities. Employees on the group's medical aid programmes can access AIDS management programmes.

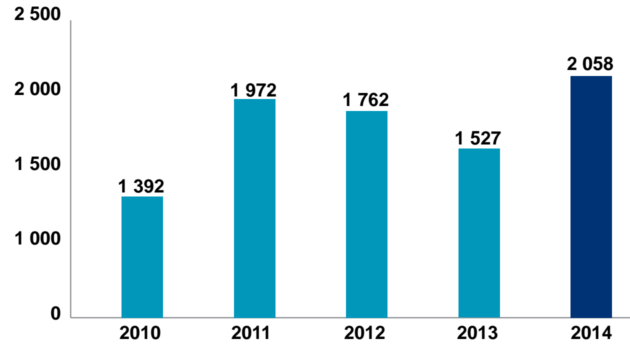
SKILLS DEVELOPMENT (R MILLION)



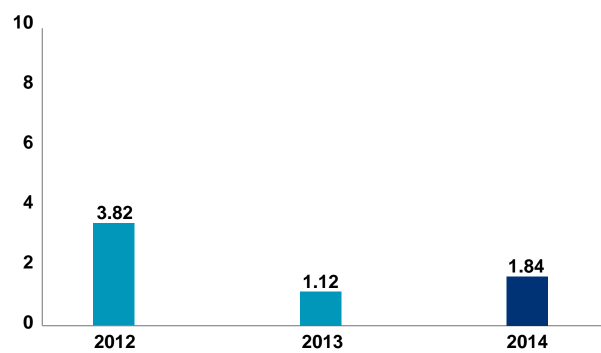
ANNUAL INCREASE %



TRAINING SPEND PER PERMANENT EMPLOYEE (R)



LTIFR



HIV/Aids prevalence rates at our South African operations are around 11%. In 2014 1 002 employees and contractors received counselling for HI/AIDS and 972 were tested (2013: 433).

HUMAN RIGHTS

Metair is 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. Incidents of discrimination within the company are taken extremely seriously and are subject to the normal disciplinary procedures, including dismissal.

We respect the rights of our employees and those of our suppliers to freedom of association. We support the elimination of child labour, forced and compulsory labour and select our suppliers carefully to ensure that they share these ideals. We apply the same principles to our international operations to ensure that the rights of employees are protected at all our operations.

PROGRESS IN 2014

Target for 2014		Progress in 2014
Zero disabling and lost-time incidents and each subsidiary has set a specific LTIFR target.	⇩	145 lost-time injuries. Group LTIFR was 1.84. Lost-time injuries and LTIFR deteriorated compared to 2013 and we did not reach our target of zero harm to employees.*
Absenteeism and staff attrition rate for the group should average below 4.0%.	⇧	Absenteeism improved to 3.0%, within our target of 4.0%. Staff turnover (excluding contractors) averaged 19.3% but was distorted by the ongoing retrenchment process at Smiths Plastics.
Regain and improve on our 2011 Employment Equity position.	⇧	Eight out of nine operations achieved Level 3 Contributor status and one achieved Level 4
Maintain or improve group training spend target of R9 million.	⇧	Training spend totalled R13.6 million.
Maintain or improve the target of 138 learnerships in the group.	⇧	215 learnerships.

** During 2014 we refined our safety statistics to focus on lost-time injuries. We no longer report disabling injuries.*

HUMAN CAPITAL TARGETS FOR 2015

- Zero fatalities and reduce LTIFR to 1.0 or below.
- Absenteeism and staff attrition rate for the group should average below 3.0%.
- Regain and improve on our 2012 employment equity position under the new B-BBEE codes.
- Maintain group training spend at a minimum of R10 million.
- Maintain or improve the target of 138 learnerships in the group and engage in post-graduate learning opportunities in battery technology.

We are committed to doing business responsibly and take care to actively manage the impacts of our operations on the environment around us.

Our main impacts on natural capital and the environment are through our carbon footprint, energy consumption, water consumption and waste management. Led by our value of custodianship, we actively manage our impact on the natural environment. This also helps us to build a positive reputation with customers, communities and regulators. Failure to manage our environmental impact risks reputational damage, fines and the loss of our social licence to operate.

We also manufacture certain products that help customers to reduce their energy consumption, carbon footprint and environmental impact.

Environmental management forms part of the safety, health and environment (SHE) function at operations. Environmental issues are monitored by the social and ethics committee, which reports to the board. The CEO is a member of the social and ethics committee. The group's operating subsidiaries are accredited under ISO 14001, the environmental management standard.

CLIMATE CHANGE

We are cognisant of the potential impact of climate change on society, on our industry and directly on our business.

We are committed to making a contribution to addressing the challenges posed by climate change.

Concerns about climate change provided the impetus for the stringent emissions regulations that affect the automotive industry, our OE customers and the vehicles they produce. OEMs are required to focus closely on their supply chain and the practices of their suppliers in terms of human rights, health and safety, environmental impact and (in South Africa) transformation.

The EU emission regulations provided an opportunity for Metair to reposition the AGM technology it had developed for mining light applications to supply car batteries for Start/Stop systems. These systems in turn cost-effectively reduce fuel consumption and the carbon footprint of the vehicles in which they are installed.

Direct impacts of climate change include the effects of extreme weather events on distribution chains, increased risk of tooling for new projects being lost while shipped due to severe storms and increased energy costs in cooling manufacturing processes.

We consider our energy consumption and carbon footprint to be sensitive information from a competitive point of view. We therefore do not report absolute energy consumption or carbon footprint information, but rather report the increase or decrease in these figures year-to-year. For the same reason, we do not make a CDP submission.

CARBON FOOTPRINT

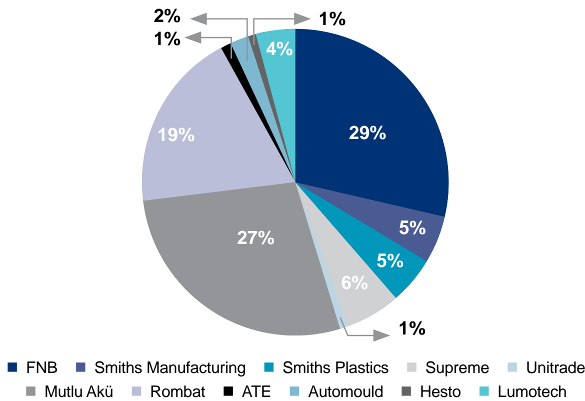
This year, our carbon footprint calculation was expanded to include Rombat and Mutlu Akü as well as the nine South African operations. As a result the group's total carbon footprint increased 85% on 2013. Excluding Rombat and Mutlu Akü, the carbon footprint attributable to the nine South African entities decreased 2.3%. The increases in scope one and two emissions were offset by a larger decline in scope three emissions, arising from more efficient use of raw materials.

Emissions embedded in raw materials accounted for 58% of the group's total carbon footprint and electricity for 27%. The three battery manufacturing operations – First National Battery, Rombat and Mutlu Akü – together contributed 75% of the group's carbon footprint.

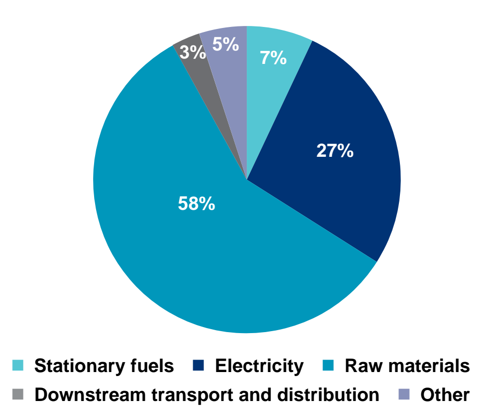
Battery manufacture consumes carbon dense materials and is very energy intensive. First National Battery has operations spread over a relatively wide area, so downstream logistical costs are higher too.

The consumption of raw materials, electricity and stationary fuels account for more than 90% of the group's total carbon footprint. The group's focus on constant improvement of manufacturing efficiencies supports our efforts to manage our carbon footprint by ensuring that we continually improve our efficiency of use of these expensive inputs.

2014 CARBON FOOTPRINT BY OPERATION



2014 CARBON FOOTPRINT BY SOURCE



The carbon footprint was calculated using the GHG Accounting Protocol (WRI, WBCSD) as a guideline, and the equity share approach to consolidate carbon emissions. For 2014 emissions calculations, DEFRA 2014 emission factors were used and for previous years, that year's relevant DEFRA factors were used. For 2014 the grid emission factor of 1.03 kg CO_2e per kWh was used (Eskom 2014). The calculation included CO_2, CH_4 and $N2_0$. Refrigerant gases included hydrofluorocarbons (HFCs) and hydrochlorofluorocarbons (HCFCs R22).

Scope one and two emissions for South African operations per person hour worked decreased 0.5% on 2013.

ENERGY CONSUMPTION

Energy consumed includes fuels, such as petrol and diesel, gases and electricity. Electricity is a key input in both our manufacturing facilities and our costings. With electricity prices in South Africa increasing well ahead of inflation, initiatives that improve energy efficiency have a direct financial impact. Our focus on manufacturing excellence results in initiatives to constantly improve production efficiencies, which translate into more efficient use of machines and electricity. These include the redesign of processes to improve efficiencies and maintaining a high awareness among employees about the need to minimise inefficiencies. Newer machinery introduced into production processes tends to be more energy efficient and improves overall process efficiencies.

Examples of efficiency improvements that also reduce electricity consumption include:

- the use of air scrubbers in furnaces to reduce energy consumption;
- using natural gas as an energy source rather than electricity;
- using oxygen fired lances in furnaces;
- installing variable drive cycles;
- adjusting running speed to output;
- running variable speed compressors rather than constant speed;
- installation of Inbatec formation units at FNB that reduce battery formation from 20 hours to nine hours, saving electricity and water;
- Supreme Spring changed their shift pattern for the torsion line to night shift only in the peak winter season. The move saved R206 000 and moved the maximum demand period from a peak time to an off peak time; and
- Mutlu Akü introduced a system that increased capacity 30%.

Total electricity use in the group increased 40%. Excluding Mutlu Akü, which was not included in last year's electricity consumption figure, group electricity consumption decreased 5%. Including Mutlu Akü in 2014, electricity consumption per person hour worked increased 5%. FNB, Mutlu Akü and Rombat together account for 74% of group electricity consumption.

It should be noted that the battery operations are reporting electricity purchased, rather than electricity consumed. This is because batteries are shipped from the factory fully charged, so around 40% of the electricity purchased by the operation is being sold in the battery, rather than used.

Metair's operations are planning to implement the ISO 50001 Energy Management System. One of Metair's associate companies – Tenneco – became the first company in the South African automotive component industry to obtain ISO 50001 accreditation during 2013.

The group aims to ensure an organisational focus on continual improvement in efficiencies. Improvements are measured in terms of actual electricity consumption per operation against the representative products they produce.

WASTE MANAGEMENT

Minimising waste from production is an important tool for improving production efficiency and sustaining manufacturing excellence. Each subsidiary sets stringent scrap reduction targets for primary and secondary materials. We track yield on lead recycling and plastic recycling percentage as measurement criteria for waste management.

Where we are unable to reuse or recycle waste, we dispose of it in a responsible manner and according to the relevant legislation. Hazardous waste is disposed of using registered disposal companies.

The group recycled 67% of its non-hazardous waste (4 470 tonnes) in 2014 (2013: 3 308 tonnes) mainly in the form of plastic, cardboard and metal. We also recycled 66 690 litres of used oil during the year.

The weight of waste paper reported is based on data provided by waste disposal contractors or estimated using our default rates.

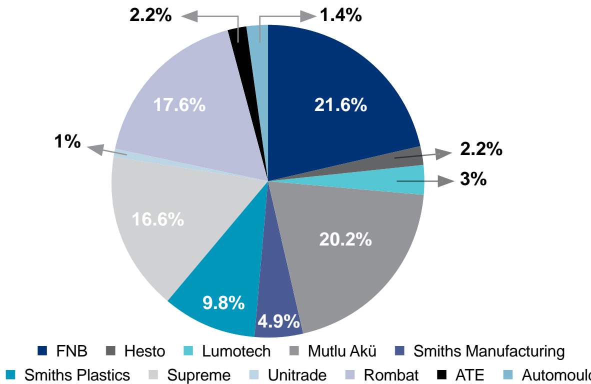
BATTERIES AND RECYCLING

Recycling batteries not only removes potentially harmful plastic, lead and acid from the environment, it makes financial sense. Our goal as a battery manufacturer is to take more lead out of the environment than we put into it and dispose of the other components of a battery in a responsible way. We incentivise customers to return old batteries when buying new ones and also go underground to collect discarded batteries in mines.

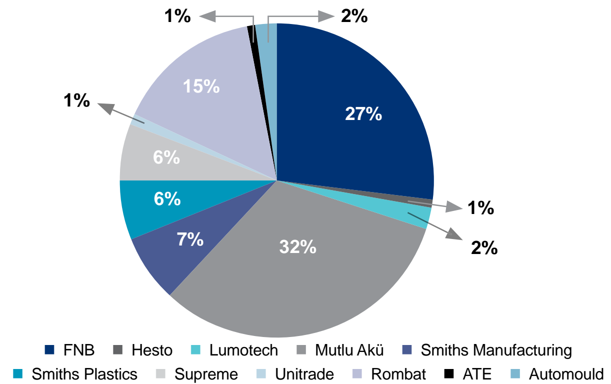
Car batteries are nearly 100% recyclable and First National Battery, Rombat and Mutlu Akü all have recycling plants. The battery acid is neutralised and processed through an effluent plant. Plastic from the casing is processed into pellets which go to make new battery casings. Battery plates, terminals and other extracted lead are refined and blended to produce high-quality lead alloys for new batteries.

Recycling lead uses around a third of the energy needed to produce virgin lead from ore, saving energy and reducing emissions.

WATER CONSUMPTION BY OPERATION



ELECTRICITY CONSUMPTION BY OPERATION



The group recycled nearly 60 000 tonnes of lead in 2014.

WATER CONSUMPTION

The group withdrew 530 386m^3 of water in 2014 from municipal sources, an increase of 13% on 2013 (468 285 m^3). Removing Mutlu Akü from the 2014 figure (since it was not included in 2013), shows that water consumption across the rest of the group declined 10%. Battery manufacturing uses a lot of water and the three battery operations together account for 61% of group consumption.

Group water consumption (including Mutlu Akü in 2014) per person hour worked decreased 15% to 33.6 litres (2013: 39.6).

The water consumption for the group is calculated from municipal meter readings, corroborated by readings from internal meters where these are installed.

There are various water saving initiatives in place at operations:

- FNB installed rainwater collection tanks at their Fort Jackson facility and at Buffalo View. Harvested rainwater is used in cooling towers, in battery washing machines and in toilets.
- Smiths manufacturing installed a water purification plant to recycle and recover 90% of the water projected to be used in a new water-intensive process.
- Supreme saved 3 875kl of water by automating the switching off of water when the paint lines are not running and fitting flow control metering valves on rinse tanks.
- Mutlu Akü automated the battery washing machine to reduce water use.

We did not make a water disclosure project submission in 2014 and will consider making a submission in future periods.

ENVIRONMENTALLY FRIENDLY PRODUCTS

The intellectual capital, culture of innovation and technical expertise in Metair's research and development and manufacturing resources position the group well to develop energy efficient and environmentally friendly products. In addition to the Start/Stop batteries, there are a range of other environmentally friendly products, including:

- Envirolights – high-efficiency streetlights, warehouse lights and commercial lights.
- Heat pumps – locally manufactured on-demand water heaters that require one third of the energy consumed by traditional water heaters.
- High-power lithium ion cap lamps that are smaller, lighter and last much longer.
- Durable M Solar batteries for solar powered installations.
- Spill-proof Gel VRLA batteries.

ENVIRONMENTAL IMPACTS

There were no spills or other environmental incidents at any of the group's subsidiaries during 2014. The environmental impact of our products is directly linked to the stringent environmental regulatory regimes in Europe and Japan. Initiatives such as the Global Automotive Stakeholder Group focus attention on the environmental impacts of substances in automotive parts. We carefully monitor the material makeup and characteristics of our products so that we adhere to these requirements and thereby mitigate the environmental impact of our products. Raw material inputs and processes are adjusted to ensure that we maintain compliance as environmental legislation continues to develop.

As our OE products end up as components in vehicles that may be manufactured in, or exported to other countries, we have limited ability to reclaim products or packaging from end users. End of vehicle life regulations, such as the end-of-life vehicles directive in the EU and similar legislation in Japan, US and other countries, are driving the reduction of waste arising from end-of-life vehicles.

Environmental protection expenditure totalled R16.8 million in 2014.

	R million
Waste disposal, emissions treatment and remediation costs	14.0
Prevention and environment management costs	2.8
Total	16.8

Target for 2014		Progress in 2014
Continue to refine processes to increase efficiency and reduce scrap		Initiatives are in place at all subsidiaries that focus on improving efficiency in our manufacturing processes including the reduction of scrap. Most subsidiaries reported a reduction in scrap produced during the year.
Keep the volume-adjusted increase in group electricity consumption below 15%		Despite the manufacturing inefficiencies arising from production disruptions, the volume-adjusted increase in group electricity consumption was limited to 4.3%.
Increase the proportion of waste recycled		The group recycled 67% of its non-hazardous waste in 2014.

ENVIRONMENTAL TARGETS FOR 2015

- Continue to refine processes to increase efficiency and reduce scrap.
- Keep the increase in group electricity consumption per person hour worked below 10%.
- Increase the proportion of waste recycled by 10%.
- Reduce municipal water consumption per person per hour worked by 10%.

ETHICAL LEADERSHIP AND CORPORATE CITIZENSHIP

The board provides effective leadership based on a foundation of high ethical standards. The group is committed to a policy of fair dealing and integrity in the conduct of its business. This commitment is based on a fundamental belief that business should be conducted honestly, fairly and legally. The group requires all employees to share its commitment to high moral and ethical standards as well as the adherence to all legal requirements. 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 2014. The group also has a whistle blowing programme including all subsidiaries whereby employees can report any unethical behaviour without fear of being victimised.

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 which incorporates corporate citizenship and ethical leadership policies. The group is involved in a number of corporate social investment projects, some which are reported in detail in the Transformation section on page 50.

The board established a social and ethics committee during 2012. 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. This analysis identifies areas for improvement or ways in which our governance practices could be enhanced. A copy of our King III Checklist appears on page 84.

We confirm that the group applied the governance principles contained in King III during the 2014 financial year and continues to strive 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 where applicable adheres 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 JSE Listings Requirements as well as those of 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 nine directors, of whom two are executive directors (the managing director and the finance director), one non-executive director and six independent non-executive directors (one being the chairman). No employees aside from the executive directors are deemed to be prescribed officers. The average age of directors is 58 years and the average length of service is 7.7 years. The chairman of the board is a historically disadvantaged South African.

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 of the board. With effect from 1 October 2013 Mr OME Pooe ceased to be a nominee of RBH. On 24 October 2014 RBH sold the majority of its interest in Metair held through the Royal Bafokeng Metair Trust and RBH has undertaken to relinquish control of the Royal Bafokeng Metair Trust. As a consequence the board determined on 12 December 2014 that Mr OME Pooe and Mr DR Wilson, an employee of RBH, now meet the requirements of an independent director and that the role of a lead independent director, currently filled by Mr JG Best, is no longer required. The board also decided that Mr Pooe, given his knowledge and experience of the company and as president of NAACAM, should continue as chairman and Mr DR Wilson who was appointed to the Metair board on 1 January 2014 as a non-executive director, be appointed to the audit and risk committee.

Mr BM Jacobs resigned from the Metair board on 25 March 2014 and was replaced by Mr S Douwenga on the same day. Ms A Galiel resigned from the board on 5 November 2014. Details of directors in office are provided on page 30.

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, policy decisions and control of the company, through, among other activities, the approval of budgets and the monitoring of group performance.

Board meeting attendance										
	19 Feb 2014	24 Mar 2014	16 Apr 2014	26 Jun 2014	7 Aug 2014	15 Aug 2014	27 Aug 2014	27 Oct 2014	27 Nov 2014	Board and committee attendance
OME Pooe	P	P	P	P	P	P	P	P	P	100%
CT Loock	P	P	P	P	P	P	P	P	P	100%
BM Jacobs*	P	P								100%***
S Douwenga	P‡	P	P	P	P	P	P	P	P	100%
RS Broadley	P	P	P	P	P	P	P	P	P	100%
A Joffe	P	P	P	P	P	P	P	P	P	100%
L Soanes	P	P	P	P	P	P	P	P	P	100%
A Galiel**	P	P	P	P	P	P	P	P		100%***
JG Best	P	P	P	P	P	P	P	P	P	100%
DR Wilson	P	P	P	P	P	P	P	P	P	100%
SG Pretorius	P	P	P	A	P	P	P	A	P	78%
Overall director board attendance										98%

P = Present A = Apologies

* *Mr BM Jacobs resigned on 25 March 2014 as financial director and was replaced by Mr S Douwenga.*

** *Ms A Galiel resigned as a board member on 5 November 2014.*

*** *Attendance percent calculated on board and committee attendance during the tenure of directorship.*

‡ *Attended as invitee*

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 2014. The chairman concluded that the board is functioning well and noted areas for minor improvement. This process is coordinated and repeated annually to assess board functionality and progress on areas requiring improvement. In addition once every three years a board evaluation is done by the board chairman or by an outside service provider on the individual board members and the board as a whole.

Board members are required to regularly declare any shareholding and any interest that they might have in transactions with the group. Mr L Soanes (independent non-executive director) disposed of 120 000 Metair shares on 18 December 2014 which resulted in his direct beneficial interest in Metair securities decreasing from 240 000 Metair shares to 120 000. A trust of whom Mr A Joffe (non-executive director) is a beneficiary acquired an indirect beneficial interest in Metair ordinary shares on 19 November 2014. As a result of this transaction, Mr Joffe's indirect beneficial interest in Metair securities increased by 73 185 shares. A disposal by CoroCapital (Pty) Ltd, of which Mr Joffe holds an indirect beneficial interest, of an equity interest in an entity which holds Metair shares, on 4 April 2014 has resulted in Mr Joffe's indirect beneficial interest in Metair shares decreasing by 691 613 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.

Board training is aimed to be done annually on topical subjects by external trainers. During 2014 the following external training programmes were done:

External trainer	Training topic
KAR Presentations	• Refresher course for JSE listed company directors and officers • JSE LR amendments
KPMG	• Social and ethics training to the board
IRAS	• Integrated reporting • Sustainability • Assurance • GRI G4

SUBSIDIARY AND DIVISIONAL BOARDS

In line with the decentralised nature of the group's operations, subsidiary and divisional boards manage the day-to-day affairs within their areas of responsibility, according 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 and risk committee chairman), Mr L Soanes and Mr DR Wilson. Ms A Galiel resigned on 5 November 2014 and was replaced by Mr DR Wilson on 10 December 2014.

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

The committee functions according to board-approved 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 and risk 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;
- external audit;
- information technology; and
- group risk management.

The group reviews its combined assurance model annually based on identified key risks and the committee confirmed that all areas are adequately covered by external audit, internal audit, management or 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.

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. PricewaterhouseCoopers Incorporated rotates partners every five years and has been the lead auditor of the company since 1998.

The committee also sets the policy for the provision of non-audit services and approves expenditure on these services where applicable.

Where an external party provides assurance over non-financial data and information disclosed in the integrated report, the audit and risk committee assess the qualifications and suitability of the external party and approves their appointment.

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 and risk 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 and the chairman reported to the board after each meeting.

The first meeting of 2015 was held in March.

Audit and risk committee meeting attendance

	24 Mar 2014	16 Apr 2014	15 Aug 2014	27 Aug 2014	3 Nov 2014
JG Best	P	P	P	P	P
A Galiel	P	P	P	P	P
L Soanes	P	P	P	P	P

P = Present A = Apologies

GROUP RISK MANAGEMENT

Risk management is the responsibility of the board with the reporting and monitoring function being delegated to the board audit and risk committee. An enterprise-wide risk management policy framework forms part of the audit and risk 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 on 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 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. Metair also links all the risks to its strategy which can be seen in the risk table.

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 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 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 has identified an overall group financial risk tolerance level as well as individual tolerance levels per risk and during the year completed a risk dashboard which indicates the inherent and residual risk exposure of each risk as well as a graph to indicate where the group consolidated tolerance level falls. One new strategic risk was identified which is ranked number two.

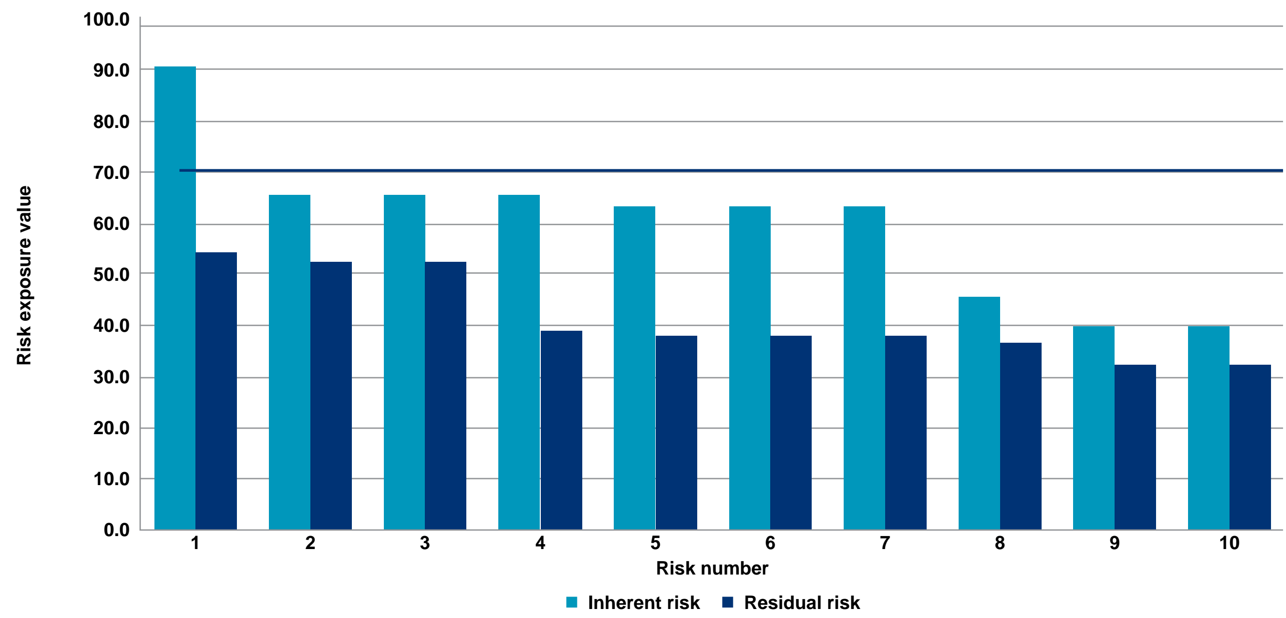
The table below sets out the top 10 risks of the Group.

Previous rank	Rank	Move	Risk name	Risk category	Residual vs inherent risk exposure		Link to strategy
					Low	High	
1, 4	1	⇧	Cost and quality competitiveness of group products measured against the supply from global industry leaders and emerging suppliers from low-cost countries like India, China and Korea	Strategic			1/2/3/4/6/7
New	2	⇧	Successful execution of the Metair redesign process linked to the integration and execution of acquisitions in foreign jurisdictions with challenging geopolitical environments	Strategic			1/2/4/5/6/7
3	3	⇨	Mismatch of employee and management expectations resulting in unrealistic demands exacerbated by interference both from government and unions	Strategic			2/3/7

Previous rank	Rank	Move	Risk name	Risk category	Residual vs inherent risk exposure		Link to strategy
					Low	High	
8	4	⇧	IT and other electronic systems reliability, effectiveness and relevance failure	Continuity of supply			1/2/3/4/7
2	5	⇩	Divergence in focus, views and objectives from collective and individual OEM's versus component manufacturers and suppliers	Strategic			2/3
5	6	⇩	SA sustainability as a world- competitive manufacturing environment	Financial			2/3/7
13	7	⇧	Gross margin erosion from under-recovery of economics (price increases not offset by productivity improvements) from OEM's	Financial			2/3/7
11	8	⇧	Policies aimed at managing and controlling currency volatility and alignment with customer requirements and views	Financial			2/3/4
6	9	⇩	Natural disasters, explosions and conflagrations	Continuity of supply			1/2/3/4/7
12	10	⇧	Product recall exposure	Financial			1/2/3/4/7

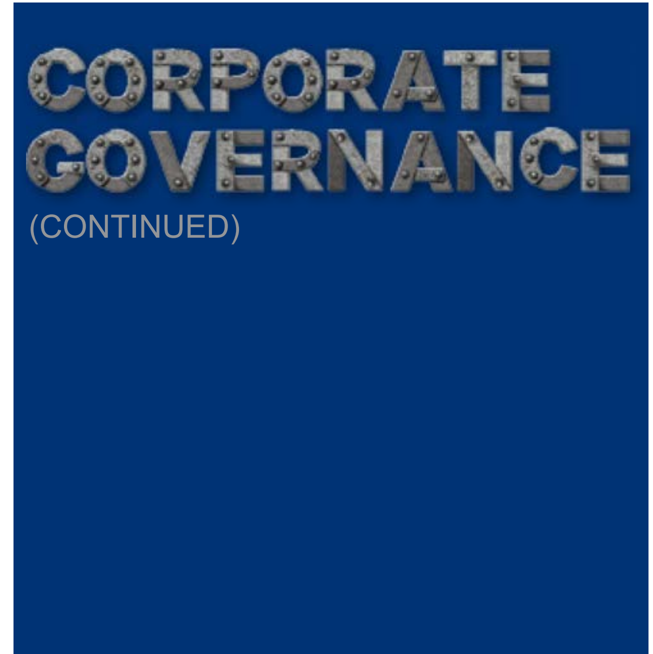
◆ Residual risk ◆ Inherent risk

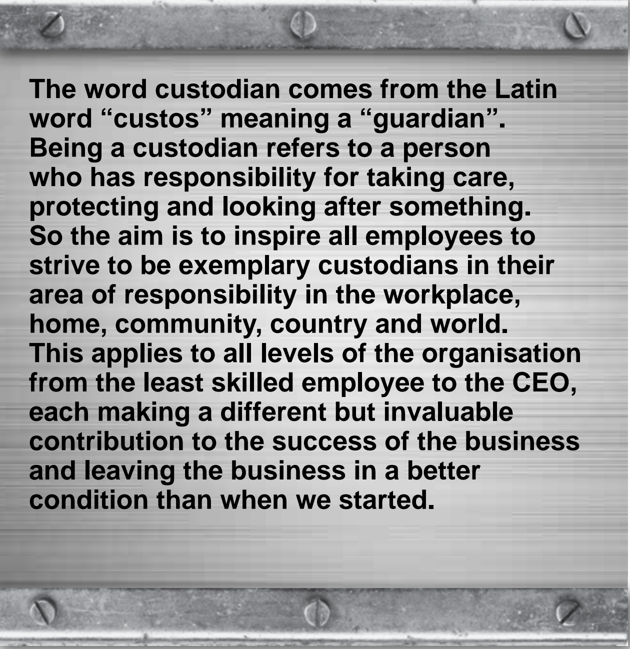
TOP 10 RISKS RELATIVE TO THE OVERALL RISK TOLERANCE LEVEL OF R70 MILLION



TOP 10 RISK INDICATORS RELATIVE TO INDIVIDUAL TOLERANCE LEVELS

Rank	Risk indicator	Individual risk tolerance levels
1	Market share ATE Market share Rombat – Local Market share Rombat – Key export (France) Market share FNB – Local Market share FNB – Key export (Europe/UK) Market share Mutlu Akü – Local Market share Mutlu Akü – Key export (Russia) Customer Satisfaction	1% downward movement 1% downward movement 1% downward movement 1% downward movement 1% downward movement 1% downward movement 1% downward movement To be implemented
2	HEPS performance	Actual against a target
3	Internal incident counter	Zero events
	External incident counter	Zero events
	(Protected and unprotected incidents that creates work stoppage)	Zero events
4	Annual IT disaster events	Zero events
5	Sensitivity counter	Zero
6	New business award counter	13
7	PBIT %	9%
8	Delayed price adjustments with customers (number of subsidiaries)	Zero events
9	Annualised cumulative event counter	Zero
10	Potential and actual recall campaigns	Zero





IT STEERING COMMITTEE

An IT steering committee was constituted in 2013. The committee's main focus area is to look at standardisation and common IT-related matters and policies throughout the group.

During 2014, Metair rolled out the Cognos accounting system that will be used across the group for financial reporting which will contribute greatly towards standardisation and ongoing compliance with IFRS. The successful implementation of this new system was the main focus of the committee in 2014.

The committee, which reports to the audit and risk committee, is in the process of reviewing its terms of reference, policies and procedures.

SOCIAL AND ETHICS COMMITTEE

The board established a social and ethics committee on 30 April 2012.

The committee comprises one independent non-executive director, namely Mr RS Broadley (acting chairman), two executive directors, namely Messrs CT Loock and Mr S Douwenga and the Metair chief operating officer, Mr KE Lello.

The committee's previous chairperson, Ms A Galiel resigned on 5 November 2014 and was replaced by Mr RS Broadley as acting chairman until a replacement is found for Ms Galiel. Mr Broadley was already a member of the social and ethics committee. Mr BM Jacobs resigned on 25 March 2014 and was replaced by Mr S Douwenga. A new member, Mr KE Lello was appointed to the committee on 4 December 2014.

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

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:
  - ethics
  - social and economic development, including the Employment Equity Act and the Broad-based Black Economic Empowerment Act
  - CSI projects
  - good corporate citizenship
  - environment, health and public safety (product 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.

Refer to the company's website – www.metair.co.za/Ethics.asp for the company's code of ethics.

During the year, ethics training was presented to the Metair board, all subsidiary finance directors as well as human resource management. This training will be rolled out to all employees by subsidiary management.

The company also subscribes to a Tip Offs Anonymous fraud line through Deloitte. This initiative has been extended to all subsidiaries in the group, including the offshore subsidiaries. Training in terms of this initiative has also been done during the year. Nine tip-off reports were generated during 2014. All tip-off reports received are investigated, resolved and where applicable action taken and thereafter reported back to Deloitte for feedback to the whistle blower.

The first meeting in 2015 was held in March.

Social and ethics committee meeting attendance		
	24 March 2014	27 November 2014
A Galiel*	P	
RS Broadley**	P	P
CT Loock	P	P
BM Jacobs***	P	
S Douwenga***		P

P = Present
* Ms A Galiel resigned as a committee chairperson on 5 November 2014.
** Mr RS Broadley was appointed as acting committee chairperson
*** Mr BM Jacobs resigned on 25 March 2014 and was replaced by Mr Douwenga

The chairperson reported to the board after each meeting that was held in 2014.

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

SOCIAL AND ETHICS PLAN AND PROCEDURE

The Metair board is responsible and accountable for directing and monitoring Metair's social and ethics management performance in a structured framework.

Arising from the committee's terms of reference, during the year the committee developed the social and ethics plan and procedure, which is designed to form the basis of the work of the committee, and the platform around which the social and ethics work plan is implemented within the business operations. A detailed work plan for 2014 was drawn up as a guideline to ensure that all set plans are carried out.

The core principle of the social and ethics framework is custodianship and the core values are unity, harmony, equality, respect for human dignity and doing what is right, fair, reasonable, lawful and just. Metair's strategy has also been expanded to include 'custodianship in the business and society' as one of its elements.

Being a custodian has the built-in notion that as individuals we play a role in a bigger long-term plan and that it is not the size of the role that matters but rather how well one performs their role.

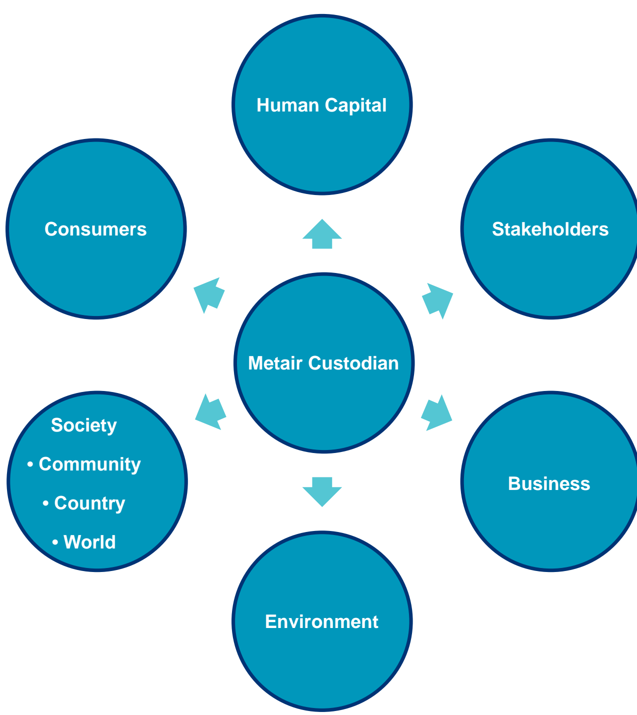
Custodianship encompasses the key elements of long-term sustainability and continuity. It elevates the focus beyond individual or personality interests, to build a sustainable legacy, while recognising the broad responsibilities we have as corporate citizens to our various stakeholders, and in so doing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

Metair's social and ethics framework is therefore designed around the concept of being an excellent guardian of the aspects shown in the graphic on the right.

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, which is the soft thread that runs through the business, intertwines with the hard threads

METAIR'S SOCIAL AND ETHICS FRAMEWORK



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' and 'Growing an international footprint' provide the specific focal points for the social and ethics framework.

Metair commissioned an independent competent persons' report to establish the effective B-BBEE shareholding in the company at the end of 2014. As a result of the disposal by RBH of its shareholding, Metair elected to use the inclusion principle together with the sale/loss of shares principle to conduct the ownership verification. In previous years, the exclusion principle was used. The competent persons' report established total BEE shareholding and voting rights of 33.57% and total female BEE shareholding of 15.31% with voting rights of 16.12%. Designated group BEE shareholders comprised 2.22% of the share register. The ownership score increased against the dti Codes of Good Practice to 20.97 points from 20.8 points in 2013.

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 2014), 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 49.

BROAD-BASED BLACK ECONOMIC EMPOWERMENT

Metair achieved a score of 20.97 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 49 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.

SPONSOR

One Capital Advisory (Pty) Ltd 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 84. At the date of the report the group applied all the principles of King III.

The audit and risk committee is constituted as a statutory committee of Metair Investments Ltd 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 2014 financial year.

NAMES AND QUALIFICATIONS OF COMMITTEE MEMBERS

JG Best (Chairman)	ACMA, ACIS, MBA
L Soanes	National Certificate of Engineering
DR Wilson	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 at www.metair.co.za/pdf/Audit%20%20Risk%20Committee%20Charter%202014.pdf.

INTERNAL AUDIT TERMS OF REFERENCE

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

COMPOSITION

The committee comprises of three independent non-executive directors of which one is the chairman. The governance of risk forms part of the audit and risk 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 and risk committee.

MEETINGS

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

STATUTORY DUTIES

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

- nominated and re-appointed PricewaterhouseCoopers Inc. (PwC) as external auditors and Mr G Hauptfleisch as the individual auditor, after confirmation of their independence;
- the committee confirmed that PwC and the designated auditor are approved by the JSE;
- the external auditor fees, as per note 3 of the annual financial statements, and their terms of engagement were approved;
- all non-audit services provided by PwC were reviewed and approved;
- meetings were held with PwC after the audit and risk 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 them to the board for approval; and
- all trading statements were reviewed by the audit and risk committee before recommending them to the board for approval.

RISK MANAGEMENT

The board has assigned oversight of the risk management function to the audit and risk 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 are in place.

INTERNAL FINANCIAL CONTROLS

For the purpose of determining the effectiveness of management systems and internal controls during the course of the year, the committee reviewed the internal and external audit scope, plans and the resultant findings to determine the effectiveness of management systems and internal controls. Assurance was received from management, internal and external audit and, based on this combined assurance, the committee is satisfied that the internal controls of the group are adequate and that there was no material breakdown in internal controls.

REGULATORY COMPLIANCE

The group complied with all relevant laws and regulations and considers adherence to non-binding rules, codes and standards. Compliance forms 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 and risk 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 S Douwenga, 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 Ltd and the group for the year ended 31 December 2014 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 and risk committee

JG Best
Audit and risk committee chairman
25 March 2015

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 Ltd 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 2014 financial year.

NAMES AND QUALIFICATIONS OF COMMITTEE MEMBERS

RS Broadley	Advanced Technical Certificate (Engineering)
CT Loock	B. Eng (Industrial)
S Douwenga	B. Comm B. Acc CA (SA)
K Lello	NHDip Mech Eng, MBA

TERMS OF REFERENCE

The committee has adopted formal terms of reference approved by the board. These terms of reference are reviewed on an annual basis and updated where necessary. During the past year, the committee has executed its duties in accordance with the terms of reference. The terms of reference can be found on the company's web site at www.metair.co.za/pdf/Social%20and%20Ethics%20 Committee%20Charter%202014.pdf.

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 (product 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 one independent non-executive director, namely Mr RS Broadley (acting chairman), two executive directors, namely Messrs CT Loock and S Douwenga and the Metair chief operating officer, Mr KE Lello.

MEETINGS

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

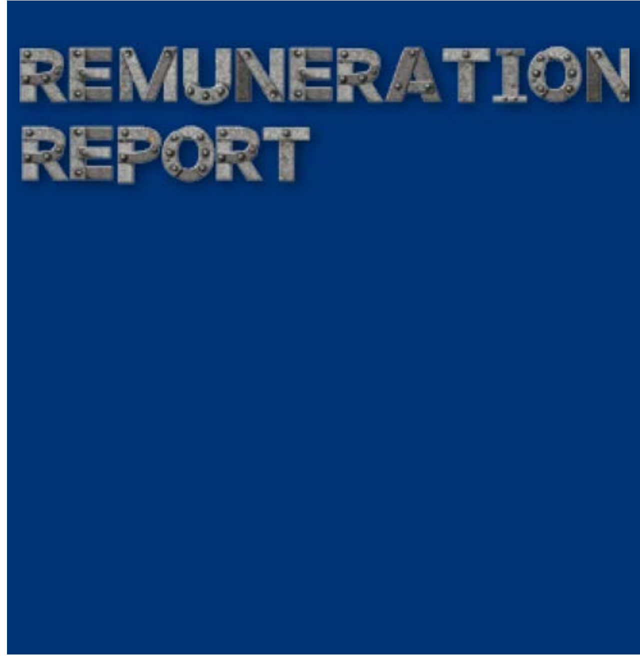
No material non-compliance with legislation or best practice, relating to the areas within the committee mandate, has been brought to the attention of the committee. Based on its monitoring activities to date, the committee has no reason to believe that such non-compliance has occurred.

The group incurred no material penalties, fines or convictions during the year.

On behalf of the social and ethics committee

RS Broadley
Social and ethics committee chairperson

25 March 2015



BOARD REMUNERATION AND NOMINATIONS COMMITTEE

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

The main purpose of the committee is to:

- assist the board in carrying out its responsibilities relating to all compensation, including share-based compensation, of the Metair group executives;
- establish and administer the agreed Metair group executive remuneration policy with the broad objectives of:
  - aligning executive remuneration with the group strategy;
  - aligning executive remuneration with group performance and shareholder interests;
  - setting remuneration standards which attract, retain and motivate a competent executive team; and
  - evaluating compensation of executives, including approval of salary, share-based and other incentive-based awards.
- review the trends and appropriateness of remuneration of directors of subsidiary companies; and
- act as a sub-committee for the board in terms of reviewing and recommending subsidiary director appointments.

In addition to the above, the committee has the following responsibilities relating to its nominations function:

- the committee shall make recommendations to the board on the appointment of new executive directors at subsidiary level, including making recommendations on the composition of the board generally and the balance between executive and non-executive directors appointed to the board. All appointments to the board will be handled by the Metair board directly;
- ensure the establishment of a formal process for the appointment of subsidiary directors, including:
  - identification of suitable members of the board;
  - performing reference and background checks of candidates prior to nomination; and
  - formalising the appointment of directors through an agreement between the company and the director;
- in respect of the subsidiary companies, the committee:
  - regularly reviews the board structure, size and composition and makes recommendations to the board with regards to any adjustments that are deemed necessary;
  - ensures that formal succession plans for the board, managing director and senior management appointments are developed and implemented and are responsible for identifying and nominating candidates for the approval of the board to fill vacancies as and when they arise;
  - oversees the development of a formal induction programme for new directors and ensures that inexperienced directors are developed through a mentorship programme as well as overseeing the development and implementation of continuing professional development programmes for directors;
  - makes recommendations to the board for the continued (or not) service of any director who has reached the age of 70; and
  - 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.

Two meetings were held during the year – in April and November 2014. The chairman reported to the board after each meeting.

Remuneration committee meeting attendance		
	16 Apr 2014	3 Nov 2014
RS Broadley	P	P
L Soanes	P	P
A Joffe	P	P
P = Present		

The next meetings are scheduled for May and November 2015.

JOB EVALUATION

During the year the company embarked on a job evaluation exercise grading all jobs throughout the group. The jobs were graded in terms of the Towers Watson Global Grading system, an internationally recognised system. A general staff pay-line with salary scales was compiled for the Metair South African operations, using global grades and market remuneration data from comparable jobs in the automotive industry. The pay-scales, reflected in Rand per annum, enable Metair to review the competitiveness of all general staff salaries, per company and group. Pay anomalies, i.e. actual pay outside the scales can be identified and rectified if necessary.

Hourly rated/weekly paid jobs are paid in terms of labour union agreements.

Remuneration for executive level jobs i.e. Global Grades 15 and upwards, is underpinned by Global Grades in combination with an EXSYS score which fine tunes the job size within each Global Grade for pay purposes. The market pay data is based on related job families with similar Global Grade/EXSYS scores.

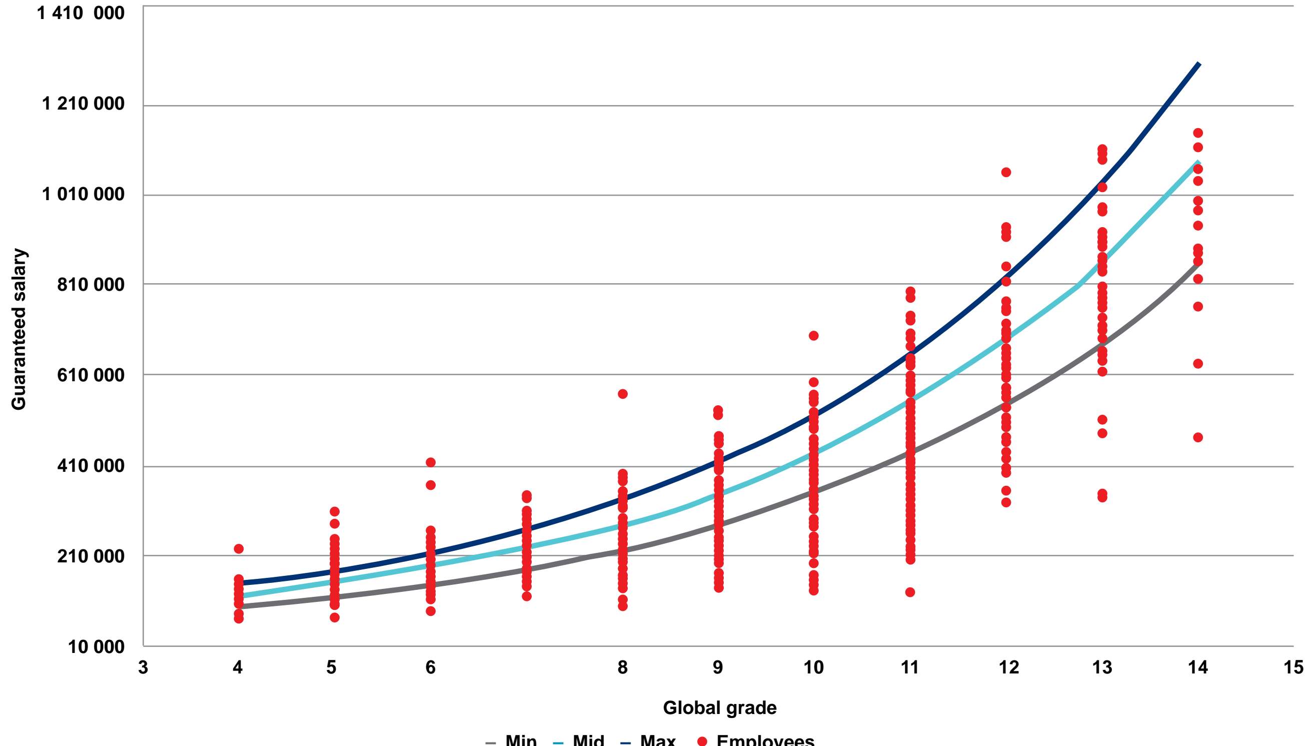
This job evaluation exercise will be kept up to date and will be used as the base for all increases going forward.

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. It 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.

ALL BUSINESS UNIT SALARIES VS PAY-SCALE



- 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]	20
	LTIP[5]	59
		179
Metair COO	Base pay	100
	STIP[2]	20
	LTIP[5]	53
		173
Metair FD	Base pay	100
	STIP[2]	20
	LTIP[5]	47
		167
MD of subsidiary	Base pay	100
	STIP[3]	24
	LTIP[5]	47
		171
Directors of subsidiary	Base pay	100
	STIP[4]	18
	LTIP[5]	28
		146

Notes:

1. *Can increase to 100% for exceptional performance*
2. *Can increase to 70% for exceptional performance*
3. *Can increase to 60% for exceptional performance*
4. *Can increase to 50% for exceptional performance*
5. *Depends on Metair share performance in terms of share appreciation and an exceptional ROE*

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

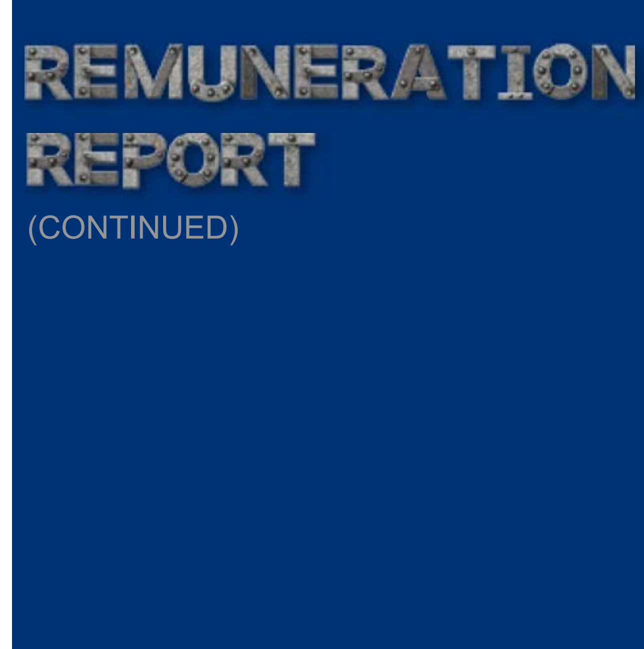
Base pay for executive management comprises an annual cash amount based on total cost to company.

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, return on assets and B-BBEE targets. An additional item has been added for subsidiary companies being economic recovery targets. This is paid out annually and is calculated as a percentage of basic salary depending on the management level.

At the group level specific overperformance targets based on HEPS included the following:

- Level 1 – 304 cps
- Level 2 – 324 cps



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

The table at the bottom of the page indicates the level of relative percentages per performance criteria for the short-term incentive programme per management classification and is based on total cost to company.

LONG-TERM INCENTIVE PLAN (LTIP)

The remuneration committee and shareholders approved The Metair Investments Ltd 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 be allocated purely on a discretional basis and will not be guaranteed.

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

- ROE at 16% = 0.5 times performance shares issued
- ROE at 20% = 1.0 times performance shares issued
- ROE at 20% – 24% will have a multiplier effect of one to three times of performance shares issued.

Refer to note 14 in the financial statements for details of all awards/allocations and vesting. In terms of approval for the 2014 remuneration policy, the following awards/allocations were made in 2014 and will be presented for approval at the annual general meeting:

Share appreciation rights		
	Allocation 1	Allocation 2
Metair	56 996	322 225*
Group executives	263 361	315 782
Total allocation	**320 357**	**638 007**
Allocation date	2 April 2014	26 November 2014
Allocation price	R42.77	R34.35
Vesting date	From 3 April 2017 in three equal portions annually	From 26 November 2017 in three equal portions annually

** A special allocation of 250 000 share appreciation rights was made to Mr S Douwenga for retention purposes. Vesting will be from 26 November 2017 at 20% over five years.*

Performance shares	
Metair	32 987
Group executives	179 692
Total allocation	**212 679**
Award date	2 April 2014
Vesting date	3 April 2017

All the other awards/allocations and vesting in note 14 relate to previously approved allocations.

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

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

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

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

STIP (%)

	Economic recovery	PBIT/PAT/HEPS		ROE/ROA		Transfor-mation	Total		Grand
Element	Budget	Budget	Target	Budget	Target	Target	Budget	Target	Total
Metair MD		20	50		20	10	20	80	100
Metair FD and COO		20	30		10	10	20	50	70
MDs	8	16	20		8	8	24	36	60
Directors	6	12	20		6	6	18	32	50
Exco	3	6	10		3	3	9	16	25

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 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	**Share appreciation rights (CTC)**	**Performance shares (CTC)**	**Expected Total (CTC)**
Metair MD	40	19	59
Metair COO	36	17	53
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	2 386	1 884	2 273
Performance bonuses	1 592	1 246	1 391
Pension and provident fund contributions	251	223	314
Company contributions	17	72	92
Gain on exercise of share options	6 008	5 936	4 532
Total	**10 254**	**9 361**	**8 602**

NON-EXECUTIVE MANAGEMENT REMUNERATION

Non-executive directors' fees remained unchanged for the year, but will be presented for re-approval by shareholders' at the next annual general meeting. Directors' fees thus proposed for 2015 are as follows:

Metair board chairman	R 340 000 per annum
Non-executive directors	R 215 000 per annum
Audit and risk committee chairman	R 36 000 per meeting
Audit and risk 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:	**2 January 2015**				
Issued share capital:	**198 985 886**				
		No. of shareholdings	**%**	**No. of shares**	**%**
SHAREHOLDER SPREAD					
	1 – 1 000 shares	1 208	42.69	577 924	0.29
	1 001 – 10 000 shares	1 078	38.09	3 870 731	1.95
	10 001 – 100 000 shares	357	12.61	11 753 662	5.91
	100 001 – 1 000 000 shares	156	5.51	53 335 260	26.80
	1 000 001 shares and over	31	1.10	129 448 309	65.05
Totals		**2 830**	**100.00**	**198 985 886**	**100.00**
DISTRIBUTION OF SHAREHOLDERS					
	Banks/brokers	47	1.66	32 153 750	16.16
	Close corporations	38	1.34	397 661	0.20
	Endowment funds	37	1.31	1 185 751	0.60
	Individuals	1 945	68.73	7 472 800	3.76
	Insurance companies	34	1.20	3 656 416	1.84
	Investment companies	3	0.11	2 159 027	1.09
	Medical schemes	12	0.42	545 362	0.27
	Mutual funds	172	6.08	69 005 231	34.68
	Nominees and trusts	277	9.79	28 201 429	14.17
	Other corporations	17	0.60	71 140	0.04
	Private companies	71	2.51	3 678 420	1.85
	Public companies	4	0.14	231 311	0.12
	Retirement funds	172	6.08	48 119 276	24.18
	Treasury stock	1	0.04	2 108 312	1.06
Totals		**2 830**	**100.00**	**198 985 886**	**100.00**
PUBLIC/NON-PUBLIC SHAREHOLDERS					
Non – Public Shareholders		**10**	**0.23**	**75 013 199**	**37.70**
Directors and associates of the company		2	0.07	2 167 506	1.09
Treasury stock		1	0.06	2 108 312	1.06
Strategic holders of more than 10%		6	0.06	45 833 812	23.03
Royal Bafokeng Metair Trust		1	0.04	24 903 569	12.52
Public shareholders		**2 820**	**99.77**	**123 972 687**	**62.30**
Totals		**2 830**	**100.00**	**198 985 886**	**100.00**
Beneficial shareholders holding 3% or more					
Government Employees Pension Fund				25 833 812	12.98
Royal Bafokeng Metair Trust				24 903 569	12.52
Berkeley Private Wealth Ltd				20 000 000	10.05
Investment Solutions				14 283 179	7.18
Foord				10 950 751	5.50
Investec				8 831 901	4.44
36ONE Asset Management				7 896 582	3.97
Totals				**112 699 794**	**56.64**

ANNUAL REPORT SHAREHOLDER ANALYSIS		
	No. of shares	**%**
Institutional shareholding 3% or more		
Kagiso Asset Management	24 138 429	12.13
Foord Asset Management	23 436 159	11.78
Public Investment Corporation	20 575 346	10.34
Investec Asset Management	11 497 219	5.78
36ONE Asset Management	10 703 134	5.38
Coronation Fund Managers	6 113 932	3.07
Totals	**96 464 219**	**48.48**

BREAKDOWN OF NON-PUBLIC HOLDINGS		
Directors	**No. of shares**	**%**
Soanes, L	**120 000**	**0.06**
Soanes, L	120 000	0.06
Joffe, A	**2 047 506**	**1.03**
Joffe, A (indirect via CoroCapital)	2 047 506	1.03
Totals	**2 167 506**	**1.09**
Treasury Stock		
Business Venture Investments No.1217	2 108 312	1.06
Totals	**2 108 312**	**1.06**
Royal Bafokeng Metair Trust	24 903 569	12.52
Totals	**24 903 569**	**12.52**
Strategic Holders of more than 10%		
Berkeley Private Wealth Ltd	20 000 000	10.05
Government Employees Pension Fund (5 Holdings MultiManaged)	25 833 812	12.98
Totals	**45 833 812**	**23.03**
BREAKDOWN OF BENEFICIAL SHAREHOLDERS HOLDING 3% OR MORE		
Beneficial Shareholders Holding 3% or more		
Government Employees Pension Fund	**25 833 812**	**12.98**
Government Employees Pension Fund – Public Investment Corporation	20 011 715	10.06
Government Employees Pension Fund – Kagiso Asset Management	2 789 893	1.40
Government Employees Pension Fund – Mergence Investment Managers	1 345 407	0.68
Government Employees Pension Fund – Sentio Capital Management	1 007 700	0.51
Government Employees Pension Fund – Mvunonala Asset Management	679 097	0.34
Royal Bafokeng Metair Trust	**24 903 569**	**12.52**
Royal Bafokeng Metair Trust	24 903 569	12.52
Berkeley Private Wealth Ltd	**20 000 000**	**10.05**
Berkeley Private Wealth Ltd	20 000 000	10.05
Investment Solutions	**14 283 179**	**7.18**
Investment Solutions Funds	3 986 976	2.00
Investment Solutions Funds – Full Discretionary	3 649 611	1.83
Investment Solutions Funds – Equity	3 220 601	1.62
Investment Solutions Funds – Cautious Managed	929 495	0.47
Investment Solutions Funds – Full Discretionary	889 006	0.45
Investment Solutions Funds – Equity	569 109	0.29
Investment Solutions Funds – Institutional Equity	382 483	0.19
Investment Solutions Funds – Institutional Equity	231 697	0.12

SHAREHOLDER ANALYSIS
CONTINUED

BREAKDOWN OF NON-PUBLIC HOLDINGS		
BREAKDOWN OF BENEFICIAL SHAREHOLDERS HOLDING 3% OR MORE		
Beneficial Shareholders Holding 3% or more	**No. of shares**	**%**
Investment Solutions Funds – Life Equity	122 257	0.06
Investment Solutions Funds – Aggressive Equity	98 067	0.05
Investment Solutions Funds – Performer Balanced	63 510	0.03
Investments Solution Real Return Focus Fund	58 670	0.03
Investment Solutions Funds – Institutional Equity	47 481	0.02
Investment Solutions Funds – Institutional Equity	17 421	0.01
Investment Solutions Funds – SWIX ALSU Tracker	9 506	0.00
Investment Solutions Funds – Real Return Medical Aid	4 662	0.00
Investment Solution Real Return Focus Fund	2 627	0.00
Foord	**10 950 751**	**5.50**
Foord Equity Fund	5 109 966	2.57
Foord Balanced Fund	4 486 567	2.25
Foord Absolute Return Fund	985 790	0.50
Foord Domestic Balanced Fund	368 428	0.19
Investec	**8 831 901**	**4.44**
Investec Cautious Managed Fund	2 940 802	1.48
Investec Emerging Companies Fund	2 824 060	1.42
Investec Special Focus Fund	1 453 147	0.73
Investec Absolute Balanced Fund	950 018	0.48
Investec Equity Fund	532 535	0.27
Investec Balanced Fund	121 760	0.06
IAL SA Equity Fund	9 579	0.00
36ONE Asset Management	**7 896 582**	**3.97**
36ONE Hedge Fund	3 674 511	1.85
36ONE Flexible Opportunity Fund	1 701 968	0.86
36ONE Target Return Fund	1 100 000	0.55
36One Offshore Master Lp	1 050 484	0.53
36ONE Fund	369 619	0.19
Totals	**86 865 982**	**43.65**

INDEPENDENT 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 2014 Integrated Annual Report (hereafter, referred to as the report), covering the period 1 January to 31 December 2014. The assurance team consisted of Michael H. Rea, our Lead Certified Sustainability Assurance Practitioner, with more than 16 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, this assurance 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 II (Moderate) requirements.

INDEPENDENCE

IRAS was not responsible for the preparation of any part of the Report and has not undertaken any commissions for Metair in the reporting period. IRAS has, however, conducted assurance engagements for Metair's 2011 and 2012 Reports (AA1000AS Type I in both cases), including the identification of reporting gaps that ultimately have been incorporated into their reporting processes. However, this work has not compromised our ability to afford ITPA over this year's Report. IRAS's responsibility in performing its assurance activities is to the management of Metair alone and in accordance with the terms of reference agreed with them.

ASSURANCE OBJECTIVES

The objectives of the assurance process were to provide Metair's stakeholders an independent 'moderate level assurance' opinion on whether the report meets the AA1000AS (2008) principles of Inclusivity, Materiality and Responsiveness, as well as to assess the degree to which the Report is consistent with the Global Reporting Initiative (GRI) G4 guidelines, with the objective of establishing whether or not the Report has met the Core level of reporting requirements. In meeting the Type II assurance objectives, IRAS undertook a review of selected sustainability performance indicators at the following Metair operational sites: to Hesto Harnesses, Smiths Plastics and First National Battery.

SCOPE OF WORK PERFORMED

AA1000AS (2008) Compliance

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

- A review of sustainability measurement and reporting procedures at Metair's head offices, via management interviews with the reporting team, as well as through desktop research;
- A review of data collection, collation and reporting procedures at the selected operational sites, with specific reference to the following selected sustainability performance indicators:
  1. Total number of person hours worked (PHW) for all employees and contractors.
  2. Fatal Injury Frequency Rate (FIFR), calculated as the total number of fatal injuries (FIs) per 200 000 PHW – for employees and contractors.
  3. Lost Time Injury Frequency Rate (LTIFR), calculated as the total number of lost time injuries (LTIs) per 200 000 PHW – for employees and contractors
  4. Total Injury Frequency Rate (TIFR), calculated as the total number of injuries – inclusive of FIs, LTIs, Medical Treatment Cases (MTCs) and First Aid Cases (FACs) per 200 000 PHW – for employees and contractors
  5. Total direct and indirect consumption of electricity for primary purposes
  6. Total direct and indirect consumption of petrol for primary purposes
  7. Total direct and indirect consumption of diesel for primary purposes
  8. Total volume of water consumed – from all sources (i.e., municipal servers, boreholes, etc.) – for primary purposes
  9. Total volume of generated non-hazardous waste sent to landfill
  10. Total volume of generated non-hazardous waste sent for recycling
  11. Number of persons – excluding non-executive directors – who are classified as Historically Disadvantaged South Africans (HDSA) in management positions
  12. Number of women in management positions – excluding non-executive directors
  13. Total number of person days lost due to all forms of absenteeism (i.e., sick, abscond, etc.), including formal/annual leave.
  14. Total Rand value of Corporate Social Investment (CSI)/ Socio-economic development (SED) Spend.
  15. Presence and application of policies, procedures, systems and controls to ensure CSI/SED Monitoring and Evaluation (M&E) is applied to measure the developmental impacts of projects.
- Reviews of drafts of the Report for any significant errors and/or anomalies; and,
- A series of interviews with the individuals responsible for collating and writing various parts of the Report in order to ensure selected claims were reported and substantiated.

It should be noted that due to the scope and nature of this AA1000AS (Type II, Moderate) assurance engagement, the site visits were designed to test the authenticity of data at the primary source of collection and collation, and this report has been assessed at the point of data aggregation for accuracy of reporting.

GRI COMPLIANCE

In determining the GRI G4 'Core Level' of the Report, we performed the following exercises:

- A review of the process used to define the content of the Report by looking at materiality of issues included in the Report, stakeholder engagement response to stakeholder issues identified, determination of sustainability context and coverage of material issues;
- A review of the approach of management to addressing topics discussed in the Report; and
- A confirmation that the requisite number of performance indicators had been covered in the Report.

FINDINGS

In general, Metair's sustainability reporting processes are adequate, and it was noted that:

AA1000AS (Type II)

- The content of the Report does not differ, in any significant way, from an analysis of the material issues discussed within

INDEPENDENT ASSURANCE STATEMENT

TO THE BOARD AND STAKEHOLDERS OF METAIR INVESTMENTS LIMITED (METAIR) CONTINUED

Metair, or within its sphere of influence, as per our internal and external materiality scans.

- Metair is developing and refining systems for data collection, collation and reporting, at both the operation and group level, and appear to be in a constant state of continuous improvement through the development and implementation of enhanced sustainability data policies, procedures, systems and controls. While the ongoing reliance on multiple Excel spreadsheets to collect, collate and report data will create opportunities for simple data transcription errors – affecting the accuracy and/or reliability of some data at some collection points at the sites – procedures appear to be improving to address these potential problems.
- Aside from the following exceptions, the tested site-specific data was found to be reasonably accurate and/or reliable, although process improvements at some sites may still be required with respect to the implementation of internal control procedures for data accuracy and reliability. Exceptions:
  - Systems to collect and collate Contractor Hours Worked were inadequate to provide 'actual data', leading to the potential for over-reporting injury frequency rates, and thus decreasing the comparability of this data within Metair and against other companies.
  - A lack of consistent application of group-wide occupational health & safety definitions has led to the incomplete reporting of work-related injuries among contractors, while resulting in significant over-reporting of First Aid Case injuries as Medical Treatment Cases and/or allowing for the over-prescription of time off due to injury, thus resulting in non-serious injuries frequently recorded as Lost Time Injuries.
  - Despite the above, it should be noted that Metair's overall safety performance – as measured by Lost Time Injury Frequency Rate (LTIFR) – is well below industry and national norms.
  - Waste management systems and controls (waste separation and recycling) are in place at all operations, but opportunities for improved waste separation and recycling were identified.
  - While CSI/SED Spend data is accurately reported, more could be done to ensure that all significant community projects are structured in such a way as to track the developmental outcomes of Metair's projects.
- As per management assertions, Metair engages key stakeholders, as defined within this Report, based on the evidence reviewed.
- Within the parameters of a 'Moderate Level Type II assurance assessment', the Report reasonably reflects an accurate accounting of Metair's performance, including the review of data supplied by the team (excluding those indicators mentioned above) at the selected sites.

GRI G4 (CORE)

- 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 this Report meets the GRI G4 requirements for the Core level of application. However, the reporting of performance against some GRI G4 indicators continues to require either data quality improvements, or further detail in disclosure.

RECOMMENDATIONS

AA1000AS (Type II)

- Metair should continue to improve its sustainability policies, procedures systems and controls – particularly with respect to the enhancement of group definitions and reporting guidance, for Health & Safety and Waste Management, inclusive of target setting – to ensure that best practices within the group can be shared between operations for overall group-level improvement.
- Metair should ensure that improvement continues to occur with respect to stakeholder engagement procedures, including an independent assessment of whether or not this Report, and all future Reports, adequately reflects the reporting requirements of key stakeholders.
- With respect to the findings identified above, for the selected sustainability indicators reviewed, Metair should ensure the following recommendations are duly considered:
  - PHW and injury data ought to be recorded and reported for not only Metair personnel, but also for employees of all significant contractors.
  - All injuries – inclusive of first aid cases (FACs) – should be duly reported in order to ensure that safety risks are pro-actively identified and managed before more serious injuries occur (inclusive of within contractor activities).
  - Metair should ensure that Group sustainability indicator definitions are duly refined and rolled out to all operations to ensure that there is a consistency of reporting on all required data indicators.
  - Metair should ensure that Group CSI/SED guidance is enhanced to provide greater guidance on how to report against baseline key performance indicators, beyond whether or not budgets are managed effectively (i.e., on-time, on budget, as per project commitments).
  - Metair should ensure that an additional layer or control is implemented for the reporting of all sustainability data, to increase the reliability of all data submitted for Group consolidation.
- Metair should continue to employ a sustainability reporting cycle that accommodates for AA1000AS (Type II) assurance over key sustainability performance data at selected sites (3 per annum). At bare minimum, this should include an overhaul of guidance around reporting definitions, to ensure that data submitted by all sites is both consistent and comparable.

GRI G4

- Having addressed the requirements of GRI G4 Core level of application, it is our recommendation that Metair continue to make further improvements on the quality of data included in future reports, while continuing to apply the GRI's G4 Guidelines (at the Core level).

CONCLUSIONS

Based on the information reviewed, IRAS is confident that this Report provides a comprehensive and balanced account of the environmental, safety and social performance of Metair during the period under review. The data presented is based on a systematic process and we are satisfied that, aside from the exceptions stated above, the reported performance data accurately represents the current environmental, safety and social performance of Metair, while meeting the AA1000AS (2008) principles of Inclusivity, Materiality and Responsiveness. Moreover, and although the quality or quantity of data of some GRI G4 indicators can be improved, this Report – inclusive of the supplemental GRI Content Index (available via Metair's website) – appears to meet the GRI G4 requirements for Core Level of application.

Integrated Reporting & Assurance Services (IRAS)
Johannesburg
25 March 2015

APPENDIX I – ACCREDITATION

	Environ-mental	Health and Safety	Quality (non-auto)	Quality (auto)	Energy Manage-ment	Quality (OEM)	Quality (OEM)	Quality (OEM)	Quality (EU)	Quality (SA)
Subsidiaries	**ISO 14001**	**OHSAS 18001**	**ISO 9001**	**ISO/TS 16949**	**ISO 50001**	**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	N/A
Hesto Harnesses (Pty) Ltd	✔	Pending (Audit March 2015)	✔	✔		N/A	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
Mutlu Akü	✔		✔	✔		✔			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.

ISO 50001 – Energy Management System

Q1 – a customer-specific requirement for Ford. The foundation is ISO 9001, but including specific international automotive requirements

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.

APPENDIX II – B-BBEE SCORECARD

Date of latest verified scorecard		30/09/14	13/01/14	17/08/14	27/05/14	15/08/14	25/11/14	20/03/14	14/07/14	30/10/14	
B-BBEE ELEMENTS		**Smiths Plastics**	**Smiths Manufac-turing**	**Lumo-tech**	**Supreme**	**Hesto**	**Unitrade**	**FNB**	**Auto-mould**	**ATE**	**Group total**
Ownership	23	20.59	20.35	22.49	20.59	20.59	20.59	20.59	20.59	20.59	186.97
Management control	11	6.6	3.65	0	2.69	3.75	10.00	2.67	5	4.85	39.21
Employment equity	18	9.69	7.11	8.99	5.45	13.79	15.83	3.02	8.51	3.21	75.60
Skills development	15	0.44	9.25	12.23	9.66	9.55	12.07	10.57	12.00	12.00	87.77
Preferential procurement	20	15.05	19.77	13.61	17.02	13.57	15.4	18.16	16.47	15.00	144.05
Enterprise development	15	15.00	15.00	15.00	15.00	15.00	3.66	15.00	9.30	15.00	117.96
Socio-Economic development	5	3.65	4.90	5.00	5.00	5.00	4.34	5.00	5.00	4.47	42.36
TOTAL		**71.02**	**80.03**	**77.32**	**75.41**	**81.25**	**81.89**	**75.01**	**76.87**	**75.12**	**693.92**
Level contributor		4	3	3	3	3	3	3	3	3	

APPENDIX III – SUSTAINABILITY DATA TABLE

Metair – 2014 Sustainability Data Table		2014	2013	2012
Labour				
Total number of permanent employees	Number	**6 607**	6457	6223
Total number of temporary employees	Number	**655**	N/R	N/R
Total number of contractors	Number	**589**	155	255
Total employees		**7 851**	6 612	6 478
Percentage of employees who are deemed 'HDSA' (South Africa only)	%	**92.0%**	90.0%	89.5%
Percentage of employees who are women	%	**31.4%**	35.1%	34.4%
Percentage of employees who are permanent	%	**84.2%**	97.7%	96.1%
Percentage of employees who belong to a trade union	%	**67.3%**	79.1%	67.8
Total number of employee terminations	Number	**1 399**	771	877
Employee turnover rate	%	**19.3%**	6.4%	N/R
Total number of person hours worked – all employees and contractors		**15 733 797**	11 832 172	N/R
Total number of person days lost due to absenteeism	Number	**59 105**	N/R	N/R
Absenteeism rate	%	**3.0%**	3.4%	1.7%
Total number of person days lost due to industrial action	Number	**0**	65 272	N/R
Industrial action rate	%	**0%**	0.6%	N/R
Total number of employees trained	Number	**5 021**	5 396	N/R
Total number of training interventions	Number	**16 834**	N/R	N/R
Rand value of employee training spend	R (million)	**13.6**	9.9	11.0
Rand value of research and development spend	R (million)	**22.5**	31.6	N/R
Health and safety				
Total number of fatalities – all employees and contractors	Number	**0**	0	0
Total number of lost time injuries – all employees and contractors	Number	**145**	66	160
Total number of medical treatment cases – all employees and contractors	Number	**146**	116	N/R
Total number of first aid cases – all employees and contractors	Number	**389**	N/R	N/R
Total number of recordable injuries – all employees and contractors	Number	**291**	182	N/R
Fatal injury frequency rate – all employees and contractors	Rate	**0.00**	0.00	0.00
Lost time injury frequency rate – all employees and contractors	Rate	**1.84**	1.12	3.82
Total recordable injury frequency rate – all employees and contractors	Rate	**3.69**	3.08	N/R
Total number of employees and contractors receiving Voluntary Counselling and Testing (VCT) for HIV/Aids (i.e. counselled)	Number	**1 002**	433	N/R
Total number of employees and contractors tested for HIV/Aids	Number	**972**	433	N/R
Environmental				
Flights				
Total number of flights taken for business purposes	Number	**3 276**	N/R	N/R
Water				
Total water consumption	m^3	**530 386**	468 285	360 177
Total volume of water discharged	m^3	**1 769 450**	N/R	N/R

APPENDIX III – SUSTAINABILITY DATA TABLE

CONTINUED

Metair – 2014 Sustainability Data Table		2014	2013	2012
Waste				
Non-hazardous waste				
Total volume of non-hazardous waste sent to landfill	kgs	**2 241 700**	N/R	N/R
Total volume of paper recycled	kgs	**337 024**	N/R	N/R
Total volume of cardboard recycled	kgs	**849 805**	N/R	N/R
Total volume of plastic recycled	kgs	**1 653 402**	N/R	N/R
Total volume of glass recycled	kgs	**360**	N/R	N/R
Total volume of metal recycled (including tin cans)	kgs	**1 034 515**	N/R	N/R
Total volume of biodegradable wet waste recycled	kgs	**591 330**	N/R	N/R
Total volume of e-waste recycled	kgs	**3 826**	N/R	N/R
Total volume of non-hazardous waste recycled	kgs	**4 470 262**	3 308 000	8 318 000
Hazardous waste				
Total volume of hazardous waste sent to appropriate disposal sites	kgs	**6 620 470**	N/R	N/R
Total volume of lead recycled	kgs	**± 60 000 000**	N/R	N/R
Total volume of oils recycled	kgs	**66 690**	33 381	49 481
CSI/SED Expenditures				
Rand value of Corporate Social Investment (CSI)/Socioeconomic Development (SED) expenditures	R million	**16.3**	8.4	N/R
Rand value of CSI/SED spend on education	R million	**9.1**	3.1	N/R
Rand value of CSI/SED spend on skills development, including Adult Basic Education and Training (ABET)	R million	**2.1**	2.0	N/R
Rand value of CSI/SED spend on health, including HIV/Aids	R million	**1.6**	0.9	N/R
Rand value of CSI/SED spend on basic needs and social development, including nutrition and/or feeding programmes	R million	**2.0**	1.8	N/R
Rand value of CSI/SED spend on infrastructure development	R million	**0.2**	0.0	N/R
Rand value of CSI/SED spend on arts, sports and culture	R million	**0.3**	0.3	N/R
Rand value of CSI/SED spend on other	R million	**0.9**	0.3	N/R
Rand value of CSI/SED spend on job creation/small business support	R million	**0.1**	0.0	N/R
Enterprise development (support for small business development)				
Rand value of enterprise development spend	R million	**28.6**	32.3	N/R
Preferential procurement (South African operations only)				
Rand value of total discretionary procurement spend	R million	**2 755.7**	N/R	N/R
Rand value of HDSA procurement spend	R million	**324.0**	572.5	
Preferential procurement spend rate	%	**11.8%**	N/R	N/R

N/R – Not reported

APPENDIX IV – HUMAN CAPITAL

Total headcount	Male	Female	Total
South Africa			
Permanent	3 388	1 908	5 296
Temporary	216	279	495
Contractors	362	219	581
Total	3 966	2 406	6 372
Romania			
Permanent	616	92	708
Temporary			
Contractors			
Total	616	92	708
Turkey			
Permanent	603		603
Temporary	160		160
Contractors	8		8
Total	771		771
Total	**5 353**	**2 498**	**7 851**

New employee hires						
	Male	**Female**	**Total**		**Male**	**Female**
< 30y	489	753	1 242	South Africa	872	1 598
30 – 50y	439	796	1 235	Romania	87	6
> 50y	72	55	127	Turkey	41	
Total	1 000	1 604	2 604	**Total**	1 000	1 604

y – years

Terminations						
	Male	**Female**	**Total**		**Male**	**Female**
< 30y	238	422	660	South Africa	531	710
30 – 50y	319	261	580	Romania	85	5
> 50y	127	32	159	Turkey	68	
Total	684	715	1 399	**Total**	684	715

y – years

Safety statistics	Male	Female	Total	South Africa	Romania	Turkey
Contractors only						
Injury rate*	1.87	0.41	1.31	1.20		11.57#
Occupational disease rate**						
Lost-time injury frequency rate***	0.19		0.12	0.12		
All employees and contractors						
Injury rate*	11.45	4.59	8.61	9.61	0.88	5.71
Occupational disease rate**	0.02		0.01			0.13
Lost-time injury frequency rate***	2.55	0.74	1.84	2.00	0.88	1.20
Absentee rate	3.4%	2.8%	3.0%	2.6%	6.0%	4.6%

* *Total lost-time injuries, medical treatment cases and first aid cases per 200 000 person hours worked.*

** *Occupational disease incidence per 200 000 person hours worked.*

*** *Lost-time injuries per 200 000 person hours worked.*

Mutlu employed eight contractors during 2014, one of whom had a medical treatment case. The small number of contractors employed distorts the reported ratio.

Types of workplace injuries include soft tissue injuries, burns, cuts, back injuries, fractures, sprains, chemical burns, bruising and abrasions.

APPENDIX V – KING III CHECKLIST

		Apply/In progress/ Do not apply	Reference and comments
1.	**ETHICAL LEADERSHIP AND CORPORATE CITIZENSHIP**		
1.1	The board should provide effective leadership based on an ethical foundation.	⬆	Corporate governance report
1.2	The board should ensure that the company is and is seen to be a responsible corporate citizen.	⬆	Corporate governance report
1.3	The board should ensure that the company's ethics are managed effectively.	➡	Corporate governance report/ social and ethics committee report
2.	**BOARDS AND DIRECTORS**		
2.1	The board should act as the focal point for the custodian of corporate governance.	⬆	Corporate governance report
2.2	The board should appreciate that strategy, risk, performance and sustainability are inseparable.	⬆	Corporate governance report – group risk management
2.3	The board should provide effective leadership based on an ethical foundation.	⬆	Corporate governance report
2.4	The board should ensure that it is and is seen to be a responsible corporate citizen.	⬆	Corporate governance report
2.5	The board should ensure that the company's ethics are managed effectively.	⬆	Corporate governance report/ social and ethics committee report
2.6	The board should ensure that the company has an effective and independent audit committee.	⬆	Corporate governance report – board audit and risk committee
2.7	The board should be responsible for the governance of risk.	⬆	Corporate governance report – group risk management
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
2.10	The board should ensure that there is an effective risk-based internal audit.	⬆	Corporate governance report – board audit and risk committee
2.11	The board should appreciate that stakeholders' perceptions affect the company's reputation.	⬆	Stakeholder relationships
2.12	The board should ensure the integrity of the company's integrated report.	⬆	About this report
2.13	The board should report on the effectiveness of the company's system of internal controls.	⬆	Board audit and risk committee report
2.14	The board and its directors should act in the best interest of the company.	⬆	Corporate governance report
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

Applied ⬆ Needs improvement ➡ Do not apply ⬇

		Apply/In progress/ Do not apply	Reference and comments
2.	**BOARDS AND DIRECTORS (continued)**		
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
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
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
2.19	Directors should be appointed through a formal process.	⬆	Remuneration report
2.20	The induction of an ongoing training and development of directors should be conducted through formal processes.	⬆	Remuneration report
2.21	The board should be assisted by a competent, suitably qualified company secretary.	⬆	Corporate governance report
2.22	The evaluation of the board, its committees and the individual directors should be performed every year.	⬆	Corporate governance report
2.23	The board should delegate certain functions to well-structured committees but without abdicating its own responsibilities.	⬆	Corporate governance report
2.24	A governance framework, including strategic objectives of the policy, should be agreed between the group and its subsidiary boards.	⬆	Corporate governance report
2.25	Companies should remunerate directors and executives fairly and responsibly.	⬆	Remuneration report
2.26	Companies should disclose the remuneration of each individual director and certain senior executives.	⬆	Remuneration report Annual financial statements – Note 3
2.27	Shareholders should approve the company's remuneration policy.	⬆	Notice to shareholders
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
3.2	Audit committee members should be suitably skilled and experienced independent non-executive directors.	⬆	Board audit committee report
3.3	The audit committee should be chaired by an independent non- executive director.	⬆	Board audit committee report
3.4	The audit committee should oversee integrated reporting.	⬆	Board audit committee report
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
3.6	The audit committee should satisfy itself of the expertise, resources and experience of the company's finance function.	⬆	Board audit committee report
3.7	The audit committee should be responsible for overseeing the internal audit.	⬆	Board audit committee report
3.8	The audit committee should be an integral component of the risk management process.	⬆	Board audit committee report
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
3.10	The audit committee should report to the board and shareholders on how it has discharged its duties.	⬆	Board audit committee report

APPENDIX V – KING III CHECKLIST
CONTINUED

		Apply/In progress/ Do not apply	Reference and comments
4.	**THE GOVERNANCE OF RISK**		
4.1	The board should be responsible for the governance of risk.	⬆	Corporate governance report – group risk management
4.2	The board should determine the levels of risk tolerance.	⬆	Corporate governance report – group risk management
4.3	The risk committee or audit committee should assist the board in carrying out its risk responsibilities.	⬆	Corporate governance report – group risk management
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
4.5	The board should ensure that risk assessments are performed on a continual basis.	⬆	Corporate governance report – group risk management
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
4.7	The board should ensure that management considers and implements appropriate risk responses.	⬆	Corporate governance report – group risk management
4.8	The board should ensure continuous risk monitoring by management.	⬆	Corporate governance report – group risk management
4.9	The board should receive assurance regarding the effectiveness of the risk management process.	⬆	Corporate governance report – group risk management
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
5.	**THE GOVERNANCE OF INFORMATION TECHNOLOGY**		
5.1	The board should be responsible for information technology (IT).	➡	The board takes responsibility for IT; however, the IT policy and governance framework will be done and linked to company strategy
5.2	IT should be aligned with the performance and sustainability objectives of the company.	⬆	Forms part of risk management
5.3	The board should delegate to management the responsibility for the implementation of an IT governance framework.	⬆	Corporate governance report – group risk management
5.4	The board should monitor and evaluate significant IT investments and expenditure.	⬆	Forms part of risk management, Financial review
5.5	IT should form an integral part of the company's risk management.	⬆	Corporate governance report – group risk management
5.6	The board should ensure that information assets are managed effectively.	➡	To be reviewed
5.7	A risk committee and audit committee should assist the board in carrying out its IT responsibilities.	⬆	Corporate governance report – group risk management

Applied ⬆ Needs improvement ➡ Do not apply ⬇

		Apply/In progress/ Do not apply	Reference and comments
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
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
6.3	Compliance should form an integral part of the company's risk management process.	⬆	Corporate governance report – group risk management
6.4	The board should delegate to management the implementation of an effective compliance framework and processes.	⬆	Corporate governance report
7.	**INTERNAL AUDIT**		
7.1	The board should ensure that there is an effective risk-based internal audit.	⬆	Board audit committee report
7.2	Internal audit should follow a risk-based approach to its plan.	⬆	Corporate governance report
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
7.4	The audit committee should be responsible for overseeing the internal audit.	⬆	Corporate governance report
7.5	Internal audit should be strategically positioned to achieve its objectives.	⬆	Corporate governance report
8.	**GOVERNING STAKEHOLDER RELATIONSHIPS**		
8.1	The board should appreciate that stakeholders' perceptions affect the company's reputation.	⬆	Stakeholder relationships
8.2	The board should delegate to management to proactively deal with stakeholder relationships.	⬆	Stakeholder relationships
8.3	The board should strive to achieve the appropriate balance between its various stakeholder groupings, in the best interests of the company.	⬆	Stakeholder relationships
8.4	Companies should ensure the equitable treatment of shareholders.	⬆	Stakeholder relationships
8.5	Transparent and effective communications with stakeholders is essential for building and maintaining their trust and confidence.	⬆	Stakeholder relationships
8.6	The board should ensure that disputes are resolved as effectively, efficiently and expeditiously as possible.	⬆	Stakeholder relationships
9.	**INTEGRATED REPORTING AND DISCLOSURE**		
9.1	The board should ensure the integrity of the company's integrated report.	⬆	About this report
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

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LEVEL OF ASSURANCE

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

PREPARER

The annual financial statements were prepared under the supervision of Mr S Douwenga (Finance director) B Comm (Hons), CA (SA) .

PUBLISHED

25 March 2014

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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 company.

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

The directors are of the opinion that the group and the company have adequate resources to continue in operation for the foreseeable future and accordingly the 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 No 71 of 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 its 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 2014 set out on pages 90 to 166 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 93.

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 2014, 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
25 March 2015

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 December 2014

The directors have pleasure in submitting their report for the year ended 31 December 2014.

GENERAL REVIEW

The main business of the group is the manufacture and supply of motor vehicle components for the original equipment (OE) and aftermarket sector in both local and export markets. The group also manufactures non-automotive products. The annual financial statements on pages 94 to 166 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 R601.5 million (2013: R341.4 million).

DIVIDENDS

The following dividends were declared for ordinary shares:

Declared and paid - 2013
Ordinary dividend - 70 cents per share
Declared and paid - 2012
Ordinary dividend - 95 cents per share

A dividend of 80 cents per share was declared on 25 March 2015 in respect of the year ended 31 December 2014.

STATED CAPITAL

Full details on the present position of the company's stated capital are set out in the notes to the financial statements.
There were no changes to stated capital for the year under review. Share incentive scheme particulars relating to options under the share option scheme and awards under the share plans are given in note 14 to the annual financial statements.

CHANGES IN NON-CURRENT ASSETS

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

	R'000
Additions	250 100

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

	R'000
Additions	16 467

DIRECTORS

The composition of the board of directors is set out on page 30.

OME Pooe (appointed April 2007)
CT Loock (appointed March 2006)
S Douwenga (appointed March 2014)
BM Jacobs (appointed December 2008 and resigned March 2014)
A Joffe (appointed December 2006)
L Soanes (appointed May 1999)
RS Broadley (appointed April 2001)
DR Wilson (appointed January 2014)
JG Best (appointed February 2009)
SG Pretorius (appointed January 2014)
A Galiel (appointed July 2008 and resigned November 2014)

SECRETARY

SM Vermaak

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10 Anerley Road, Parktown, Johannesburg, 2193

Postal address
PO Box 2077, Saxonwold, 2132

INTEREST OF DIRECTORS

Interest of directors in the company's stated 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 165.

During the prior year the group acquired a controlling interest 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 31 December 2014:

Special resolution 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 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.

DIRECTORS' REPORT
CONTINUED

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.

POST-BALANCE SHEET EVENTS

Following the squeeze out process Metair now owns 100% of Mutlu Akü shares. There were no other significant post-balance sheet events.

APPROVAL OF ANNUAL FINANCIAL STATEMENTS

The directors have approved the annual financial statements on pages 89 to 166 which are signed on their behalf by:

OME Pooe
Chairman

CT Loock
Managing director

Johannesburg
25 March 2015

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 94 to 166, which comprise the balance sheets as at 31 December 2014, 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 2014, 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

As part of our audit of the consolidated and separate financial statements for the year ended 31 December 2014, 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
25 March 2015

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, unless otherwise stated.

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 as disclosed in the accounting policies below.
The consolidated annual financial statements are prepared on the going concern basis.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 26.

NEW STANDARDS AND INTERPRETATIONS

Accounting policy developments include new standards issued, amendments to standards, and interpretations issued on current standards. These developments resulted in the adoption of new and revised standards as well as additional disclosures.

(a) Standards, amendments and interpretations effective for the first time for 31 December 2014 year-end

Amendments to IAS 32 - Financial Instruments Presentation (effective from 1 January 2014): The IASB has issued amendments to the application guidance in IAS 32 - Financial instruments: Presentation, that clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet. However, the clarified offsetting requirements for amounts presented in the statement of financial position continue to be different from US GAAP.

The group has adopted the amendment and the impact on the disclosures are not material.

Amendments to IFRS 10 - Consolidated Financial Statements, IFRS 12 and IAS 27 for investment entities (effective from 1 January 2014): The amendments mean that many funds and similar entities will be exempt from consolidating most of their subsidiaries. Instead they will measure them at fair value through profit or loss. The amendments give an exception to entities that meet an 'investment entity' definition and which display particular characteristics. Changes have also been made in IFRS 12 to introduce disclosures that an investment entity needs to make.

The amendment is not applicable as there are no 'investment entities' as defined.

IASB issues narrow-scope amendments to IAS 36 - Impairment of Assets (effective from 1 January 2014): These amendments address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less cost of disposal.

The amendment is not applicable as there are no impaired assets based on fair value less cost of disposal.

Amendment to IAS 39 on novation of derivatives (effective from 1 January 2014): The IASB has amended IAS 39 to provide relief from discontinuing hedge accounting when novation of a hedging instrument to a CCP meets specified criteria. Similar relief will be included in IFRS 9 - Financial Instruments.

The amendment is not applicable to the group.

IFRIC 2 - Accounting for Levies (effective from 1 January 2014): This interpretation 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.

The group has adopted the amendment and the impact is not material.

(b) 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 have been issued 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, as set out below:

IFRS 9 - Financial Instruments (2009) (effective date 1 January 2018): This IFRS is part of the IASB's project to replace IAS 39. IFRS 9 addresses classification and measurement of financial assets and replaces the multiple classification and measurement models in IAS 39 with a single model that has only two classification categories: amortised cost and fair value.

The effective date for adoption of this standard is for periods commencing on or after 1 January 2018. We are currently reviewing the effects of the standard and will consider adoption when appropriate. We do not expect the adoption of IFRS 9 to have a significant impact on total assets, total liabilities, equity, earnings and earnings per share.

IFRS 9 - Financial Instruments (2010) (effective date 1 January 2018): The IASB has updated IFRS 9 - Financial instruments to include guidance on financial liabilities and derecognition of financial instruments. The accounting and presentation for financial liabilities and for derecognising financial instruments has been relocated from IAS 39 - Financial Instruments: Recognition and Measurement, without change, except for financial liabilities that are designated at fair value through profit or loss.

The effective date for adoption of this standard is for periods commencing on or after 1 January 2018. We are currently reviewing the effects of the standard and will consider adoption when appropriate. We do not expect the impact to be material.

Amendments to IFRS 9 - Financial Instruments (2011) (effective date 1 January 2018): The IASB has published an amendment to IFRS 9, Financial instruments that delays the effective date to annual periods beginning on or after 1 January 2018. The original effective date was for annual periods beginning on or after from 1 January 2013. This amendment is a result of the board extending its timeline for completing the remaining phases of its project to replace IAS 39 (for example, impairment and hedge accounting) beyond June 2011, as well as the delay in the insurance project. The amendment confirms the importance of allowing entities to apply the requirements of all the phases of the project to replace IAS 39 at the same time. The requirement to restate comparatives and the disclosures required on transition have also been modified.

The effective date for adoption of this standard is for periods commencing on or after 1 January 2018. We are currently reviewing the effects of the standard and will consider adoption when appropriate. We do not expect the impact to be material.

IFRS 14 - Regulatory Deferral Accounts (effective date 1 January 2016): The IASB has issued IFRS 14 - Regulatory Deferral Accounts, an interim standard on the accounting for certain balances that arise from rate-regulated activities (regulatory deferral accounts). Rate regulation is a framework where the price that an entity charges to its customers for goods and services is subject to oversight and/or approval by an authorised body.

The effective date for adoption of this standard is for periods commencing on or after 1 January 2016. The standard currently has no impact on the group as there are no 'rate-regulated' or similar activities that are applicable to the group's operations.

Amendment to IAS 19 regarding defined benefit plan (effective date 1 July 2014): These narrow scope amendments apply to contributions from employees or third parties to defined benefit plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary.

The amendment will be effective for the first time for the year ended 31 December 2015. We are currently reviewing the effects of the standard. We do not expect the impact to be material.

Amendment to IFRS 11 - Joint Arrangements on acquisition of an interest in a joint operation (effective date 1 January 2016): This amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendments specify the appropriate accounting treatment for such acquisitions.

The effective date for adoption of this standard is for periods commencing on or after 1 January 2016. The standard currently has no impact on the group.

Amendment to IAS 16 - Property, Plant and Equipment and IAS 38 - Intangible assets, on depreciation and amortisation (effective date 1 January 2016): In this amendment the IASB has clarified that the use of revenue based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The IASB has also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset.

The effective date for adoption of this standard is for periods commencing on or after 1 January 2016. This currently has no impact on the group.

IFRS 15 - Revenue from Contracts with Customers (effective date 1 January 2017): The FASB and IASB issued their long awaited converged standard on revenue recognition on 29 May 2014. It is a single, comprehensive revenue recognition model for all contracts with customers to achieve greater consistency in the recognition and presentation of revenue. Revenue is recognised based on the satisfaction of performance obligations, which occurs when control of good or service transfers to a customer.

The effective date for adoption of this standard is for periods commencing on or after 1 January 2017. We are currently reviewing the effects of the standard and will consider adoption when appropriate.

(c) Annual improvements to existing standards

Improvements to IFRSs to make non-urgent but necessary amendments to IFRS are issued in cycles as part of the 'annual improvements process'. The 2010 - 2012, 2011 - 2013 and 2013-2014 cycles are not yet applicable. Management do not foresee any major adjustments from these amendments which affect the following standards:

- *IFRS 1 - First-time Adoption of International Financial Reporting Standards (applicable 1 July 2014).*
- Amendments to the Basis of Conclusion clarify the meaning of effective IFRS.
- *IFRS 2 - Share-based Payment (applicable 1 July 2014).*
- *Amendments added the definitions of performance conditions and service conditions and amended the definitions of vesting conditions and market conditions.*
- *IFRS 3 - Business Combinations (applicable 1 July 2014).*
- Amendments to the measurement requirements for all contingent consideration assets and liabilities including those accounted for under IFRS 9 as well as amendments to the scope paragraph for the formation of a joint arrangement.
- *IFRS 8 - Operating Segments (applicable 1 July 2014).*
- Amendments to some disclosure requirements regarding the judgements made by management in applying the aggregation criteria, as well as those to certain reconciliations. This may require additional disclosure within the segmental report.
- *IFRS 9 - Financial Instruments (applicable 1 July 2014).*
- Amendments to the measurement requirements for all contingent consideration assets and liabilities included under IFRS 9.
- *IFRS 13 - Fair Value Measurement (applicable 1 July 2014).*
- The amendments clarify the measurement requirements for short-term receivables and payables and clarifies the portfolio exception.
- *IAS 16 - Property, Plant and Equipment and IAS 38 Intangible Assets.*
- Amendments to the revaluation method and the proportionate restatement of accumulated depreciation/amortisation (applicable 1 July 2014).
- Amendment to clarify the basis for the calculation of depreciation/amortisation as being the expected pattern of consumption of the future economic benefits of an asset (applicable 1 January 2016).
- *IAS 24 - Related Party Disclosures (applicable 1 July 2014).*
- Amendments to the definitions and disclosure requirements for key management personnel.
- *IAS 40 - Investment Property (applicable 1 July 2014).*
- The amendment clarifies the interrelationship between IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property.
- *IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations (applicable 1 January 2016).*
- The amendment also clarifies that changing the disposal method does not change the date of classification.
- *IFRS 7 - Financial Instruments; Disclosures (applicable 1 January 2016).*
- Applicability of the offsetting disclosures to condensed interim financial statements and clarifying that IFRS 7 disclosures are not required in the condensed interim financial statements unless the disclosures provide a significant update to the information reported in the most recent annual report.
- *IFRS 7 - Financial Instruments; Disclosures (applicable 1 January 2016).*
- The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset.
- *IAS 19 - Employee Benefits (applicable 1 January 2016).*
- The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high

quality corporate bonds in that currency, government bond rates must be used.

- *IAS 34 - Interim Financial Reporting (applicable 1 January 2016)*. Disclosure of information 'elsewhere in the interim financial report'.
- The amendment states that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report.

(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 (NCI). Acquisition-related costs are expensed in the period in which the costs are incurred or services received.

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

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

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.

Accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

The company accounts for subsidiary undertakings at cost less impairments.

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 NCI's that do not result in loss of control are accounted for as equity transactions - that is, as transactions with the owners in their capacity as owners. The difference between the fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to NCIs are also recorded in equity.

Mandatory purchase of non-controlling interests in business combinations (MTO's)

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

The existence of the statutory obligation to the NCI 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.

Forward and similar contracts over NCI

A forward purchase contract is a contract that specifies that the parent will acquire the minority shareholding (NCI) at a date in the future at a price with no ability for either party to avoid the transaction.

The ownership risk and rewards of the shares relating to the forwards are analysed to determine whether they remain with the NCI or have transferred to the group. The NCI is recognised to the extent that the risks and rewards relating to ownership remain with them.

The terms of the forward contract are analysed to assess whether they provide the group with access to the economic benefits and risks associated with the actual ownership of the shares during the contract period.

The NCI is derecognised to the extent that the risks and rewards relating to ownership no longer remain with the outside shareholders.

Irrespective of whether the NCI is recognised, a financial liability is recorded to reflect the forward. The liability is recognised at the present value of the forward price. All subsequent changes to the liability are recognised in profit and loss.

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

(b) Non-controlling interest (NCI)
NCI is valued at the NCI's portion of the acquirer's identifiable assets, liabilities and contingent liabilities at the acquisition date plus the NCI's portion of post-acquisition reserves excluding the NCI's portion of share based payment reserve.

NCI is not recognised to the extent of mandatory tender offers (refer above).

NCI 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 other reserves within the statement of changes in equity. For the purposes of the cash flow statement dividends received from associates are classified as operating cash flows as these enter into the determination of net profit or loss.

(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 CURRENCY 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 are the company's functional and the group's presentation currency.

(b) Transactions and balances
Transactions denominated in foreign currency 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 currency, 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 currency 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 of 15 years. The amortisation methods and estimated remaining useful lives are reviewed at least annually.

(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 their estimated useful lives of 5 to 15 years. The amortisation methods and estimated remaining useful lives are reviewed at least annually.

(d) Brands

Brands are recognised at cost, or if they were acquired in a business combination they are recognised at fair value at the acquisition date. Brands are classified into two categories: brands with a finite useful life and are carried at cost less accumulated amortisation (definite lives) and brands which have been assessed by management as an indefinite useful life intangible asset and not subject to amortisation.

The Mutlu brand has been assessed as an indefinite useful life intangible asset and is based on an analysis of relevant underlying factors confirming that there is no foreseeable limit to the period over which the asset is expected to generate net cash flows for the group. This assumption is further justified by the strong presence the brand has in Turkey and the rest of its international market place and management's intention to keep the Mutlu brand indefinitely.

Amortisation is charged to the income statement on a straight line basis over the useful life of the asset of 25 years. The amortisation methods and estimated remaining useful lives are reviewed at least annually. The indefinite life intangible assets are tested for impairment annually. The assessment that the estimated useful lives of these assets are indefinite is reviewed at least annually.

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

(e) Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives.

Costs associated with maintaining computer software programs are recognised as an expense as incurred.

Costs that are directly associated with the production of identifiable and unique software products controlled by the group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include the costs of software development employees and an appropriate portion of relevant overheads.

Computer software development costs recognised as assets are amortised over their estimated useful lives (3 - 5 years).

PROPERTY, PLANT AND EQUIPMENT

(a) Owned assets

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

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

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

Buildings	50 years
Plant, machinery and equipment	3 - 20 years
Vehicles and furniture and fittings	3 - 5 years

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

Residual values and useful lives of all assets are reviewed, and adjusted if appropriate, on an annual basis. In addition, depreciation of an item of property, plant and equipment is to begin when it is available for use and ceases at the earlier of the date it is classified as held for sale or the date that it is derecognised upon disposal. Expenditure incurred on the construction of property, plant and equipment is capitalised within property, plant and equipment and depreciated once brought into use.

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

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

(b) 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.

(c) Spare parts and tooling

Spare parts are classified as plant and equipment rather than inventory when they meet the definition of property, plant and equipment. Tooling used in the production of a specific project is subjected to an economic analysis of contractual relations with the automaker/customer in order to determine which party has control over the associated future risks and rewards of ownership. Tooling is capitalised as part or plant and equipment only when the group has control over these risks and rewards.

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) Income tax expense

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity respectively. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the countries where the company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities. The charge for current tax is predominantly based on results for the year as adjusted for income that is exempt and expenses that are not deductible using tax rates that are applicable to the taxable income and includes any adjustments to tax payable in respect of prior years.

(b) Deferred tax assets and liabilities

Deferred income tax is recognised, using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated 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 where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future.

The provision of deferred tax assets and liabilities reflects the tax consequences that would follow from the expected recovery or settlement of the carrying amount of its assets and liabilities.

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

PROVISIONS

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

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 2/2013), net of related tax (both current and deferred) and related non-controlling interest, other than re-measurements specifically included in headline earnings 'included re-measurements' (as defined in SAICA Circular 2/2013).

FINANCIAL INSTRUMENTS

Financial instruments carried at the reporting date include cash and bank balances / overdrafts, investments, receivables, trade creditors, borrowings and derivatives. These also exclude prepayments and certain statutory and employee related payables.

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

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.

(a) Derivative financial instruments and hedging activities

All derivative financial instruments are initially recognised at fair value and are subsequently stated at fair value at the reporting date. Attributable transaction costs are recognised in the income statement when incurred. Resulting gains or losses on derivative instruments, excluding designated and effective hedging instruments, are recognised in the income statement within other operating income and expenses. The group does not hold or issue derivative financial instruments for dealing purposes.

The group is exposed to market risks from changes in interest rates, foreign exchange rates and commodity prices. The group uses derivative instruments to hedge its exposure to these risks. The group predominantly uses forward foreign exchange contracts (FEC's) to limit risk in changes in foreign exchange rates. To the extent that a derivative instrument has a maturity period of longer than one year, the fair value of these instruments will be reflected as a non-current asset or liability.

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

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

The group's criteria for a derivative instrument to be designated as a hedging instrument at the inception of the transaction require that:

- the hedge transaction is expected to be highly effective in achieving offsetting changes in fair value or cash flows attributable to the hedged risk;
- the effectiveness of the hedge can be reliably measured throughout the duration of the hedge;
- there is adequate documentation of the hedging relationship at the inception of the hedge; and
- for cash flow hedges, the forecast transaction that is the subject of the hedge must be highly probable.

Where a derivative instrument is designated as a cash flow hedge of an asset, liability or highly probable forecast transaction that could affect the income statement, the effective part of any gain or loss arising on the derivative instrument is recognised as other comprehensive income and is classified as a cash flow hedge accounting reserve until the underlying transaction occurs. The ineffective part of any gain or loss is recognised in the income statement. If the hedging instrument no longer meets the criteria for cash flow hedge accounting, expires or is sold, terminated, exercised, or the designation is revoked, then hedge accounting is discontinued prospectively.

If the forecast transaction results in the recognition of a non-financial asset or non-financial liability, the associated gain or loss is transferred from the cash flow hedge accounting reserve, as other comprehensive income, to the underlying asset or liability on the transaction date. If the forecast transaction is no longer expected to occur, then the cumulative balance in other comprehensive income is recognised immediately in the income statement as reclassification adjustments. Other cash flow hedge gains or losses are recognised in the income statement at the same time as the hedged transaction occurs.

When derivative instruments, including forward exchange contracts, are entered into as fair value hedges, no hedge accounting is applied (held for trading). All gains and losses on fair value hedges are recognised in the income statement.

The fair values of derivative instruments used for hedging purposes are disclosed in note 21.

(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.

Fair value estimation

The fair values of financial assets are based on quoted market prices or amounts derived using a discounted cash flow model. The fair value of forward exchange contracts is determined using forward exchange market rates at the reporting date. The nominal value less estimated credit adjustments of trade receivables is assumed to approximate their fair values.

Premiums or discounts arising from the difference between the fair value of a financial asset and the amount receivable at maturity date are charged to the income statement based on the effective interest method.

Impairment of financial assets

An assessment is performed at each reporting date to determine whether objective evidence exists that a financial asset is impaired. Objective evidence that financial instruments are impaired includes indications of a debtor or group of debtors experiencing significant financial difficulty, default or delinquency of payments, the probability of a debtor entering bankruptcy, or other observable data indicating a measurable decrease in estimated future cash flows, such as economic conditions that correlate with defaults. An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Impairment losses are charged to the income statement and are included in the allowance against loans and receivables. When a subsequent event causes the impairment loss to decrease, the impairment loss is reversed in the income statement. Loans and receivables, together with the associated allowance, are written off when there is no realistic prospect of future recovery.

(c) Financial liabilities

Financial liabilities are recognised on the transaction date when the group becomes a party to the contract and thus has a contractual obligation and are derecognised when these contractual obligations are discharged, cancelled or expired.

The group classifies its financial liabilities as either at fair value through profit or loss (predominantly derivatives) and amortised cost.

Financial liabilities are stated initially on the transaction date at fair value including transaction costs. Subsequently, they are stated at amortised cost using the effective interest method, other than those designated at fair value through profit or loss.

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 carrying 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.

Preference shares, which are mandatorily redeemable on a specific date, or at the option of the shareholders, or if dividend payments are not discretionary are classified as liabilities. The dividends on these preference shares are recognised in the income statement as interest expense.

EMPLOYEE BENEFITS

Remuneration of employees is charged to the income statement. Short-term employee benefits are those that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the services have been rendered. Short-term employee benefit obligations are measured on an undiscounted basis and are charged to the income statement as the related service is provided.

Long-term employee benefits are those benefits that are expected to be wholly settled more than twelve months after the end of the annual reporting period, in which the services have been rendered and are discounted to their present value. An accrual is recognised for accumulated leave, incentive bonuses and other employee benefits when the group has a present legal or constructive obligation as a result of past service provided by the employee, and a reliable estimate of the amount can be made.

Retirement benefits

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

The group also has an obligation in respect of its operations in Turkey which requires mandatory lump sum payments similar to that of a defined benefit pension plan. Defined benefit plans require a liability to be recognised in the balance sheet at the present value of the expected obligation at reporting date. There are no plan assets.

(a) Defined contribution pension plans

For defined contribution pension plans, the group pays contributions to privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit 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.

(b) Defined benefit (post-employment) medical-aid benefits

Some group companies provided post-employment health care benefits to their retirees until 31 December 1996. Employees who joined the group after 1 January 1997 do not receive this benefit. The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and electing to participate in the scheme. Valuations of these obligations are carried out by independent qualified actuaries.

The liability recognised in the balance sheet is the present value of the defined benefit obligation at the reporting date. The plans are unfunded.

The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related liability. The discount rate used is interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related obligation. In South Africa there is no deep and liquid market in such bonds and therefore the market rates on government bonds are used. For Turkey, the rates approved by Capital Markets Board are used.

Actuarial gains or losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income in the statement of comprehensive income as remeasurements, in the period in which they arise. Past-service costs are recognised immediately in the income statement.

(c) Other post-employment benefits

In accordance with the existing Turkish social legislation, the group is required to make lump-sum payments to current employees (employed in Mutlu Akü) whose employment is terminated due to retirement or for reasons other than resignation or misconduct.

The expected costs of these benefits are accrued on a systematic basis over the expected remaining period of employment, using the accounting methodology described in respect of defined benefit plans above. Valuations of these are carried out by independent qualified actuaries. The obligation is discounted by using the market rate on government bonds or rates approved by the Turkish Markets Board.

(d) Long service

The Group pays its employees a long service benefit after each five year period of continuous service. The benefit is paid in the month the employee reaches the milestone. The method of accounting and frequency of valuation are similar to those under the defined schemes. The actuarial valuation to determine the liability is performed annually.

(e) Bonus plans

The group recognises a liability and an expense for bonuses and similar items based on a formulae that takes into consideration, amongst others, the profit attributable after certain adjustments. The group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(f) Share-based payment transactions

The group operates an equity settled share-based payment compensation plan. The fair value of share options, share appreciation rights, 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.

Fair value is measured using the Black Scholes, Binomial tree and Monte-Carlo option pricing models where applicable. The expected life used in the models has been adjusted, based on management's best estimate, for the effects behavioural considerations such as volatility, dividend yield and the vesting period. The fair value takes into account the terms and conditions on which these incentives are granted and the extent to which the employees have rendered service to the reporting date.

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

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

The group's net vesting impact on the vesting of share-based payment obligations transferred to retained earnings within the statement of changes in equity.

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 2.

STATED CAPITAL

Ordinary shares are classified as equity.

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

DIVIDENDS WITHHOLDING TAX

Dividends withholding tax is a tax on shareholders receiving dividends and is applicable to all dividends declared on or after 1 April 2012. The group withholds dividends tax on behalf of its shareholders at a rate of 15% on dividends declared. Amounts withheld are not recognised as part of the group's tax charge but rather as part of the dividend paid recognised directly in equity. Where withholding tax is withheld on dividends received, the dividend is recognised at the gross amount with the related withholdings tax recognised as part of tax expense unless it is otherwise reimbursable in which case it is recognised as an asset.

SEGMENT REPORTING

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses, whose results are reviewed by the executive decision makers to allocate resources and to assess its performance.

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. The operating activities of the Group (predominantly automotive) are structured according to the markets served. Reportable segments derive their sales from the manufacture of products.

COMPARATIVE FIGURES

The comparative figures are reclassified or restated as necessary to afford a proper and more meaningful comparison of results as set out in note 29 to the financial statements.

Following the acquisition of the Mutlu group on 5 December 2013, the Group determined a provisional fair value opening balance sheet which was presented in the comparative year. During the hindsight period further work has been completed on the assumptions used to establish provisional fair value amounts. As a result of this work the opening balance sheet has changed and further details on the restated balance sheet for 2013 can be found in note 28. There has been no material impact on the consolidated income statement, consolidated statement of comprehensive income or consolidated cash flow statement for the full year 2013.

Certain additional disclosure has been provided in respect of the current year. To the extent practicable, comparative information has also been provided.

BALANCE SHEETS

AS AT 31 DECEMBER 2014

	Notes	GROUP 2014 R'000	GROUP 2013 Restated* R'000	COMPANY 2014 R'000	COMPANY 2013 R'000
ASSETS					
Non-current assets		**4 393 669**	4 323 063	**2 009 660**	2 078 106
Property, plant and equipment	7	**2 855 286**	2 844 929		
Intangible assets	8	**1 269 895**	1 267 510		
Interest in subsidiaries	9			**2 006 867**	2 075 312
Investment in associates	10	**251 684**	199 786	**2 793**	2 794
Deferred taxation	17	**16 804**	10 838		
Current assets		**3 540 982**	3 150 242	**487 172**	310 439
Inventory	11	**1 508 012**	1 264 241		
Trade and other receivables	12	**1 401 928**	1 274 387	**211**	154
Taxation		**24 011**	21 002		
Short-term loans - subsidiaries	9			**485 475**	306 104
Derivative financial assets	21.4.1	**4 365**	15 870		
Cash and cash equivalents	13	**602 666**	574 742	**1 486**	4 181
Total assets		**7 934 651**	7 473 305	**2 496 832**	2 388 545
EQUITY AND LIABILITIES					
Capital and reserves					
Stated capital	14	**1 497 931**	1 497 931	**1 497 931**	1 497 931
Treasury shares	14	**(21 475)**	(45 241)		
Share-based payment reserve	15.1	**73 984**	58 215	**26 160**	17 561
Foreign currency translation reserve	15.3	**100 229**	87 809		
Equity accounted earnings	15.4	**242 640**	190 742		
Changes in ownership reserve	15.5	**(20 857)**			
Retained earnings	15.6	**2 266 646**	1 897 909	**765 371**	720 783
Ordinary shareholders equity		**4 139 098**	3 687 365	**2 289 462**	2 236 275
Non-controlling interests	15.7	**99 533**	101 387		
Total equity		**4 238 631**	3 788 752	**2 289 462**	2 236 275
Non-current liabilities		**2 323 030**	1 649 013		
Borrowings	16	**1 670 577**	1 021 976		
Post-employment benefits	24	**110 031**	107 685		
Deferred taxation	17	**374 551**	372 959		
Deferred grant income	18	**107 581**	125 313		
Provisions for liabilities and charges	19	**60 290**	21 080		
Current liabilities		**1 372 990**	2 035 540	**207 370**	152 270
Trade and other payables	18	**1 026 814**	1 472 949	**444**	13 992
Borrowings	16	**69 268**	180 796		
Taxation		**24 636**	41 682		
Provisions for liabilities and charges	19	**116 691**	171 380		
Short-term loans - subsidiaries	9			**206 924**	138 278
Derivative financial liabilities	21.4.1	**5 388**	1 492		
Bank overdrafts	13	**130 193**	167 241	**2**	
Total liabilities		**3 696 020**	3 684 553	**207 370**	152 270
Total equity and liabilities		**7 934 651**	7 473 305	**2 496 832**	2 388 545

** Restated for finalisation of Mutlu acquisition (refer note 28).*
There is no impact on the December 2012 balance sheet.

INCOME STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

		GROUP		COMPANY	
		2014	2013	2014	2013
	Notes	R'000	R'000	R'000	R'000
Revenue	1	7 278 815	5 227 426		
Cost of sales		(5 695 917)	(4 177 984)		
Gross profit		1 582 898	1 049 442		
Other operating income	3	162 755	98 087	267 532	343 870
Distribution costs		(353 166)	(222 328)		
Administrative expenses		(560 431)	(451 732)	(11 394)	
Other operating expenses		(2 675)	(27 855)		(1 783)
Operating profit	3	829 381	445 614	256 138	342 087
Interest income	2	22 698	15 421	13	1
Interest expense	2	(118 935)	(27 888)		
Share of results of associates	10	70 006	61 924		
Profit before taxation	3	803 150	495 071	256 151	342 088
Taxation	4	(170 845)	(121 172)		
Profit for the year		632 305	373 899	256 151	342 088
Attributable to:					
Equity holders of the company		601 460	341 376	256 151	342 088
Non-controlling interests		30 845	32 523		
		632 305	373 899	256 151	342 088
Earnings per share					
Basic earnings per share (cents)	5	308	229		
Diluted earnings per share (cents)	5	305	223		

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	GROUP 2014 R'000	GROUP 2013 R'000	COMPANY 2014 R'000	COMPANY 2013 R'000
Profit for the year		632 305	373 899	256 151	342 088
Other comprehensive income:					
Items that will not be reclassified to profit or loss:					
- Actuarial (losses)/gains recognised	24	(13 197)	395		
- Taxation effect	17	2 703	(157)		
		(10 494)	238		
Items that may be reclassified to profit or loss:					
- Exchange gains arising on translation of foreign operations	15.3	12 338	51 881		
- Cash flow hedges	15.2		110 377		
		12 338	162 258		
Other comprehensive income for the year net of taxation		1 844	162 496		
Attributable to:					
Equity holders of the company		2 042	161 806		
Non-controlling interests	15.7	(198)	690		
		1 844	162 496		
Total comprehensive income for the year		634 149	536 395	256 151	342 088
Attributable to:					
Equity holders of the company		603 502	503 182	256 151	342 088
Non-controlling interests	15.7	30 647	33 213		
		634 149	536 395	256 151	342 088

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2014

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 2014									
Balance as at 1 January 2014	14, 15	1 497 931		(45 241)	336 766	1 897 909	3 687 365	101 387	3 788 752
Net profit for the year	15					601 460	601 460	30 845	632 305
Other comprehensive income	15				12 420	(10 378)	2 042	(198)	1 844
Total comprehensive income for the period	15				12 420	591 082	603 502	30 647	634 149
Employee share option scheme	15.1				17 033		17 033		17 033
Vesting of share-based payment obligation	14, 15.1			21 184	(33 625)		(12 441)		(12 441)
Transfer of net vesting impact to retained earnings	15.1, 15.6				33 625	(33 625)			
Loss on settlement of old share scheme	15.1				(1 264)		(1 264)		(1 264)
Shares disposed by the Metair Share Trust	14.1			2 582			2 582		2 582
Transfer of associate profit and dividend	15.4				51 898	(51 898)			
Dividend*	15.6					(136 822)	(136 822)	(32 501)	(169 323)
Acquisition/disposal of non-controlling interests	15.5				(20 857)		(20 857)		(20 857)
Balance as at 31 December 2014		1 497 931		(21 475)	395 996	2 266 646	4 139 098	99 533	4 238 631
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	15.1				25 514		25 514		25 514
Vesting of share-based payment obligation	14, 15.1			25 896	(41 019)		(15 123)		(15 123)
Transfer of net vesting impact to retained earnings	15.1, 15.6				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 of purchase consideration to subsidiary	15.2				(110 377)		(110 377)		(110 377)
Transfer of associate profit and dividend	15.4				18 847	(18 847)			
Dividend**	15.6					(139 049)	(139 049)	(16 902)	(155 951)
Balance as at 31 December 2013		1 497 931		(45 241)	336 766	1 897 909	3 687 365	101 387	3 788 752

* 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 2014

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 2014								
Balance as at 1 January 2014		1 497 931			17 561	720 783	2 236 275	2 236 275
Net profit for the year	15.6					256 151	256 151	256 151
Total comprehensive income for the period						256 151	256 151	256 151
Employee share option scheme	15.1				15 348		15 348	15 348
Purchase of treasury shares	14			(79 022)			(79 022)	(79 022)
Settlement of share options	14, 15			79 022	(6 749)	(72 273)		
Dividend*	15.6					(139 290)	(139 290)	(139 290)
Balance as at 31 December 2014		1 497 931			26 160	765 371	2 289 462	2 289 462
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	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**	15.6					(144 905)	(144 905)	(144 905)
Balance as at 31 December 2013		1 497 931			17 561	720 783	2 236 275	2 236 275

* 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 2014

		GROUP		COMPANY	
		2014	2013 Restated*	2014	2013
	Notes	R'000	R'000	R'000	R'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash generated from/(utilised in) operations	20.1	846 956	587 850	(5 984)	(8 314)
Interest paid	2	(89 326)	(27 888)		
Taxation paid	20.2	(196 110)	(88 814)		
Dividends paid	20.3	(169 323)	(155 951)	(139 290)	(144 905)
Dividend income from associates	10	18 108	43 077		
Net cash inflow/(outflow) from operating activities		410 305	358 274	(145 274)	(153 219)
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisition of property, plant and equipment	7	(250 100)	(134 643)		
Acquisition of intangible assets	8	(16 467)	(384)		
Cash proceeds on insurance claim relating to property, plant and equipment	3	6 357	15 342		
Acquisition vendor and 'MTO' payment/acquisition of subsidiary	28.1	(593 692)	(2 126 188)		
Increase in interest in associate	10		(5 000)		
Decrease/(increase) in advances to subsidiaries excluding impairment				68 447	(1 482 267)
Interest received	2	22 698	15 421	13	1
Dividends received	3			195 257	184 134
Proceeds on disposal of property, plant and equipment	3, 7	11 135	10 885		
Net cash (outflow)/inflow from investing activities		(820 069)	(2 224 567)	263 717	(1 298 132)
CASH FLOWS FROM FINANCING ACTIVITIES					
Preference shares raised		1 400 000			
Revolving credit facility utilised		177 894			
Absa term loan repaid		(150 182)			
Absa bridge facility drawdown		580 000	773 055		
Absa bridge facility repaid		(1 350 000)			
Rombat 'RBS' term loan repaid		(22 274)			
Mutlu 'USD' and 'TRY' borrowings repaid		(104 838)			
Net movement in asset financing arrangements		6 472			
Transactions with non-controlling interests	28.2	(54 144)			
Long-term loans repaid			(58 189)		
Short-term loans raised			524		
Short-term loans repaid			(56 205)	(121 140)	
Proceeds from shares issued	14		1 500 000		1 500 000
Share issue costs	14		(44 945)		(44 945)
Decrease in treasury shares		1 320	509		
Cost of utilisation of treasury shares	15.1	(12 441)	(15 123)		
Net cash inflow/(outflow) from financing activities		471 807	2 099 626	(121 140)	1 455 055
Net increase/(decrease) in cash and cash equivalents		62 043	233 333	(2 697)	3 704
Cash and cash equivalents at the beginning of the year		407 501	216 428	4 181	477
Exchange gains/(loss) on cash and cash equivalents		2 929	(42 260)		
Cash and cash equivalents at end of the year	13	472 473	407 501	1 484	4 181

** Restated for reclassification of transaction costs (refer note 29).*

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 2014							
Revenue	**3 636 947**	**45**	**2 346 055**	**29**	**601 212**	**7**	**6 584 214**
Profit before interest and taxation	**232 952**		**420 922**		**44 207**		**698 081**
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

	Direct exports						
	Original equipment	Segment % of revenue	After-market	Segment % of revenue	Non-auto	Segment % of revenue	Total
For the year ended 31 December 2014							
Revenue	**108 973**	**2**	**1 336 002**	**16**	**69 413**	**1**	**1 514 388**
Profit before interest and taxation	**6 590**		**139 000**		**7 966**		**153 556**
For the year ended 31 December 2013							
Revenue	105 307	2	772 275	13	44 810	1	922 392
Profit before interest and taxation	(3 638)		60 901		1 494		58 757

				Reconciling items			
	Local total	Direct exports total	Property rental	Share of results of associates	Managed Asso-ciates*	Other reconciling items**	Total
For the year ended 31 December 2014							
Revenue	**6 584 214**	**1 514 388**	**95 365**		**(819 787)**	**(95 365)**	**7 278 815**
Profit/(loss) before interest and taxation	**698 081**	**153 556**	**93 490**	**70 006**	**(73 147)**	**(42 599)**	**899 387**
Net finance costs						**(96 237)**	**(96 237)**
Profit before taxation						**803 150**	**803 150**
Included in the above:							
- Depreciation and amortisation							**(258 825)**
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)

* Although the results of do not qualify 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 74.9% equity interest and is responsible for the operational management of this associate.

** Other reconciling items relate to Metair head office companies and internal property rental elimination.

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

Segment information

The executive 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 considers the original equipment (OE), aftermarket and non-automotive as the key business activities, spit into local and direct exports markets.

The group manages an international portfolio of companies that manufactures and supplies components to all major OE manufacturers in South Africa, Romania and Turkey. The group also manufactures and distributes spare parts for use in the motor vehicle aftermarket and non-automotive products for various other sectors in industry.

Original equipment involves the manufacture and distribution of components used in the assembly of new vehicles. Supply is linked to a particular vehicle model, as the group benefits from long industry product lifecycles. These include (but not limited to) batteries, coil and leaf springs, headlights, wiring harnesses, air-conditioning and climate control systems. Key markets include South Africa, Romania and Turkey.

Aftermarket involves the manufacture and distribution of automotive parts such as batteries, brake pads and spark plugs. Key markets include Africa, Romania and Turkey. The parts are used to service vehicles produced by local OE manufacturers 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.

Non-automotive markets include manufacture and distribution of products mostly related to industrial, telecoms and utility sectors.

The group owns most of its manufacturing locations, given their strategic nature. Profit in the property division relates to market-related rental cost in the group on the properties used.

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 and 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 and 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.

Goodwill arising in the prior year amounted to R568 685 000 as a result of the acquisition of Mutlu group, a battery manufacturer and distributer in Turkey. Mutlu group operates predominantly in the original equipment (OE) and aftermarket segments (refer note 28.1).

The revenue from external parties reported to the executive board of directors is measured in a manner consistent with that in the income statement.

Entity-wide information:

Major Customers

28% (2013: 37%) of total revenue results from sales to a single external customer of the OE segment.

Geographical information

The group domiciled in South Africa. The result of its revenue from South African operations is R5 024.3 million
(2013: R4 772.8 million) and from foreign operations is R3 074.3 million (2013: R1 219.7 million), including managed associates. Foreign domiciled operations consist of predominantly of Romania and Turkey. Non-current assets in foreign operations amounted to R3 413.7 million (2013: R3 488.2 million).

Product information

Revenue generated by battery, other automotive parts and non-automotive parts amounted to R4 594.7 million
(2013: R2 715.8 million), R3 479.7 million (2013: R3 242.9 million) and R24 million (2013: R33.8 million) respectively, including managed associates.

	GROUP		COMPANY	
	2014 R'000	2013 R'000	2014 R'000	2013 R'000
2. NET FINANCE				
Interest income				
On bank deposits	19 180	15 421	13	1
Other	3 518			
	22 698	15 421	13	1
Interest expense				
Bank borrowings and overdraft	(83 896)	(27 471)		
Finance leases and hire purchase	(1 246)	(417)		
Dividend on redeemable preference shares	(29 609)			
Other	(4 184)			
	(118 935)	(27 888)		
Net finance (expense)/income	(96 237)	(12 467)	13	1
Dividend on redeemable preference shares was accrued for as at year end.				

	GROUP		COMPANY	
	2014 R'000	2013 R'000	2014 R'000	2013 R'000
3. PROFIT BEFORE TAXATION				
Profit before taxation is stated after taking into account the following:				
Other operating income				
Dividends from subsidiaries (unlisted)			178 281	142 107
Dividends from associates (unlisted)			16 976	42 027
Distribution from subsidiaries			72 275	90 266
Management and committee fees received	4 631	4 673		
Government grants	85 575	66 575		
Income on scrapping	752	11 776		
Bad debts recovered	910	191		
Rent received	1 679	2 276		
Derivatives at fair value through profit or loss:				
- Fair value losses and option premium		(25 997)		(24 122)
- Fair value gains*	(3 157)	1 834		93 592
Insurance proceeds on fire**	42 556	30 934		
Insurance proceeds	19 031			
Sundry income	10 778	5 825		
	162 755	98 087	267 532	343 870

* In the prior year the company obtained foreign forward exchange contracts in respect of the acquisition of the Mutlu group (refer note 28.1). The gains realised at company level was transferred to the hedge reserve as hedge accounting was applied on a group basis in the prior year.

		GROUP		COMPANY	
		2014 R'000	2013 R'000	2014 R'000	2013 R'000
3.	**PROFIT BEFORE TAXATION (continued)**				
	Expenses by nature				
	Auditors' remuneration:				
	- Audit fees and disbursements	8 380	6 806	14	14
	- Non-audit assurance services	3 760	1 195		
	- Non-audit non-assurance services	4 957	4 371		
	Depreciation and amortisation (notes 7 and 8)	258 825	143 261		
	Property, plant and equipment destroyed in fire	531			
	Other operational losses on fire**	8 223	17 793		
	Profit on disposal of property, plant and equipment	(5 663)	(47)		
	Operating lease charges:				
	- Property	16 109	17 162		
	- Plant and equipment	17 519	14 989		
	Bad debt write off	5 824	1 650		
	Managerial, technical service fees and transactional costs paid to outside parties	27 819	36 474		2
	Foreign exchange (gains)/losses - net	(8 171)	18 369		
	Distribution costs	300 111	222 328		
	Raw materials, consumables used and other overheads	4 583 198	3 403 978		
	Employee benefit expense	1 369 926	990 028	229	225
	Other	20 840	1 542	11 150	1 542
	Total cost of sales, distribution costs and other operating and administrative expenses	6 612 189	4 879 899	11 393	1 783
	Employee benefit expense				
	Wages and salaries	1 164 284	860 124	229	225
	Share-based payment expenses	15 348	9 747		
	Termination benefits	10 162			
	Social security costs	113 088	60 058		
	Pension costs - defined contribution plans	58 451	57 417		
	Defined benefit plans (note 24.2)	5 633			
	Post-employment medical benefits (note 24.1)	2 960	2 682		
		1 369 926	990 028	229	225
	Number of persons employed by the group at the end of the year				
	Hourly	3 385	3 837		
	Monthly	2 266	2 033		
		5 651	5 870		

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

**** Fires and related insurance proceeds**

FNB fire (2014)
Included in other operating income and operating expenses are insurance proceeds and related costs in respect of the First National Battery (a division of Metindustrial (Pty) Ltd) (FNB) fire.

On 30 April 2014 a fire destroyed a portion of the battery formation (charging) facility at FNB's East London - Settlers Way plant. The carrying value of property, plant and equipment was written off. 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.

A portion of the insurance claim has been agreed with the insurers and a total net profit of R33.8million was recognised for the current year. R25 million of the claim is receivable at year-end. The total cash flow received is R17.8 million and R6.4 million is allocated to investing and R11.4 million to operating cash inflows.

Supreme fire (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 net profit of R13 million was recognised. All insurance claims were finalised within the 2013 financial year.

The total profit recognised for the year is allocated as follows:

	FNB 2014 R'000	Supreme Spring 2013 R'000
Profit on insurance recovery on property, plant and equipment	5 826	15 342
Insurance recovery/(loss) on stock written off and business interruption expenses	27 976	(2 201)
Total profit for the year	33 802	13 141
Made up of:		
Total insurance income recognised for the year	42 556	30 934
Less: Property, plant and equipment written off	(531)	
Stock written off and business interruption expenses	(8 223)	(17 793)
Total profit for the year	33 802	13 141

	GROUP		COMPANY	
	2014 R'000	2013 R'000	2014 R'000	2013 R'000
Directors' emoluments				
Executive directors				
Salaries and allowances	12 273	10 710	12 273	10 710
Other benefits	24 855	28 588	24 855	28 588
	37 128	39 298	37 128	39 298
Paid by subsidiary companies	(37 128)	(39 298)	(37 128)	(39 298)
Non-executive directors	229	225	229	225
Fees	2 461	1 981	2 461	1 981
Paid by subsidiary company	(2 232)	(1 756)	(2 232)	(1 756)

3. PROFIT BEFORE TAXATION (continued)
Directors' emoluments (continued)

	COMPANY 2014					
	RS Broadley R'000	L Soanes R'000	A Joffe* R'000	CT Loock R'000	S Douwenga R'000	BM Jacobs R'000
Executive directors						
Salaries and allowances				6 250	1 265	633
Performance bonuses				3 000	525	600
Pension and provident fund contributions				228	78	57
Company contributions				84	31	14
Gain on the exercise of share options				22 151		2 212
				31 713	1 899	3 516
Paid by subsidiary companies				(31 713)	(1 899)	(3 515)
Non-executive directors	2	2	2			
Fees	314	358	268			
Paid by subsidiary company	(312)	(356)	(266)			

	OME Pooe R'000	JG Best R'000	A Galiel R'000	DR Wilson** R'000	SP Pretorius R'000
Non-executive directors	2	215	2	2	2
Fees	349	404	322	224	222
Paid by subsidiary company	(347)	(189)	(320)	(222)	(220)

	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	JG Best R'000	A Galiel R'000
Non-executive directors	2	215	2
Fees	278	395	348
Paid by subsidiary company	(276)	(180)	(346)

* Paid to CoroCapital (Pty) Ltd.
** Paid to Royal Bafokeng Management Services (Pty) Ltd in 2014.
*** Paid by Royal Bafokeng Management Services (Pty) Ltd for first three quarters of 2013.
Information regarding share awards/share options granted to executive directors of Metair can be found in note 14.2.

	GROUP		COMPANY	
	2014 R'000	2013 R'000	2014 R'000	2013 R'000
4. TAXATION				
South African normal taxation	170 842	121 172		
Current:				
- this year	177 766	110 110		
- prior years	(4 539)	(14 001)		
Deferred:				
- this year	1 116	28 565		
- prior years	(3 501)	(3 502)		
- rate change				
Dividend withholding/other Taxes	3			
	170 845	121 172		
	%	%	%	%
Reconciliation of taxation rate:				
Standard rate - South Africa	28.0	28.0	28.0	28.0
Effect of change in taxation rate				
Associates' results net of taxation	(2.4)	(3.5)		
Prior year adjustment:				
- current	(0.6)	(2.8)		
- deferred	(0.4)	(0.7)		
Dividend withholding / other taxes				
Exempt income	(1.1)	(1.0)	(29.2)	(28.1)
Non-deductible expenses	0.8	4.9	1.2	0.1
Non-deductible expenses for preference dividends and interest	3.1	0.2		
Utilisation of previously unrecognised tax losses	(3.1)			
Foreign tax rate difference	(3.8)	(2.3)		
Taxation losses for which no deferred taxation asset was recognised	0.8	1.4		
Effective rate	21.3	24.2		

The tax effects relating to items of other comprehensive income and disclosed in notes 15 and 17.

Deferred income taxation assets are recognised for assessable taxation losses to the extent that the realisation of the related taxation benefit through taxable profits is probable and is based primarily on the future forecasted profitability of the relevant entity. Factors considered include future new profit returns and internal reorganisations.

The group did not recognise deferred income taxation assets of R26 162 640 (2013: R39 347 385) in respect of estimated taxation losses amounting to R93 438 002 (2013: R153 154 948) that can be carried forward against future taxable income.

	GROUP		COMPANY	
	2014	2013	2014	2013
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.	308	229		
Headline earnings per share represent the income in cents attributable to each equity share, based on the group's profit or loss attributable to equity holders of the parent from ordinary activities, adjusted as required by SAICA Circular 2/2013, divided by the weighted average number of shares in issue during the year excluding treasury shares.	303	219		
Diluted earnings per share				
Dilute earnings per share (cents)	305	223		
Diluted headline earnings per share (cents)	301	214		
For the diluted earnings per share calculation, the weighted average number of ordinary shares in issue is adjusted to take account of potential dilutive share options granted to employees.				
The number of shares taken into account is determined 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			
	Earnings per share		Earnings per share	
	2014	2014	2013	2013
Reconciliation between earnings and headline earnings	R'000	cents	R'000	cents
Earnings per share				
Net profit attributable to ordinary shareholders	601 460	307.8	341 376	228.7
Profit on disposal of property, plant and equipment	(4 473)	(2.3)	(34)	
Gross amount	(5 663)		(47)	
NCI effect	63			
Taxation effect	1 127		13	
Profit on insurance recovery on fire - property, plant and equipment	(4 433)	(2.3)	(14 099)	(9.5)
Gross amount	(5 826)		(15 342)	
Taxation effect	1 393		1 243	
Headline earnings	592 554	303.2	327 243	219.2
Weighted average number of shares in issue ('000)	195 434		149 271	
Diluted earnings per share				
Net profit attributable to ordinary shareholders	601 460	305.3	341 376	223.3
Number of shares used for diluted earnings calculation ('000)	196 983		152 856	
Diluted headline earnings per share				
Headline earnings	592 554	300.8	327 243	214.1
Number of shares used for diluted earnings per share calculation ('000)	196 983		152 856	
Weighted average number of shares in issue ('000)	(195 434)		(149 271)	
Adjustment for dilutive share options ('000)	1 549		3 585	

	GROUP 2014 R'000	GROUP 2013 R'000	COMPANY 2014 R'000	COMPANY 2013 R'000
6. DIVIDENDS				
A dividend of 70 cents (2013: 95 cents) per share in respect of the 2013 (2012) year declared on 25 March 2014 (18 March 2013) and paid on 26 May 2014 (15 April 2013).	**136 822**	139 049	**139 290**	144 905

GROUP	Land and buildings R'000	Plant, machinery and equipment R'000	Vehicles and furniture and fittings R'000	Total R'000
7. PROPERTY, PLANT AND EQUIPMENT				
2014				
At cost	**1 300 352**	**2 565 797**	**70 108**	**3 936 257**
Less: Accumulated depreciation and impairment	**(50 225)**	**(975 648)**	**(55 098)**	**(1 080 971)**
	1 250 127	**1 590 149**	**15 010**	**2 855 286**
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
Reconciliation of movement:				
Year ended 31 December 2014				
Opening net book value	**1 255 516**	**1 588 767**	**646**	**2 844 929**
Transfers	**4 539**	**(18 209)**	**13 670**	
Additions	**5 163**	**238 145**	**6 792**	**250 100**
Disposals	**(396)**	**(5 564)**	**(43)**	**(6 003)**
Depreciation	**(19 816)**	**(209 090)**	**(5 971)**	**(234 877)**
Currency adjustment	**5 121**	**(3 900)**	**(84)**	**1 137**
Closing net book value	**1 250 127**	**1 590 149**	**15 010**	**2 855 286**
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

A register of land and buildings is open for inspection at the registered offices of the respective subsidiaries owning the respective properties.

Property, plant and equipment amounting to R127 862 078 (2013: R106 477 254) are encumbered as security for bank overdrafts and R372 000 000 (2013: R399 537 353) as security for borrowings.

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

The following items include amounts under construction:

	GROUP 2014 R'000	2013 R'000
Land and buildings	539	2 423
Plant and equipment	104 931	38 708

Depreciation expenses are included within cost of sales of R208.4 million (2013: R126.2 million); distribution costs of R2.4 million (2013: R1.8 million); and administrative expenses of R24.1 million (2013: R6.9 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 2014 and 2013 years of assessment.

Lease rentals amounting to R16 109 178 (2013: R17 162 000) and R17 519 146 (2013: R14 989 000) relating to property, plant and equipment are included in the income statement. The group leases various vehicles and machinery under non-current finance lease and instalment sales agreements. The lease terms are up to a period of 5 years. The net book value of the assets leased amounts to R32.5 million (2013: R24 million).

8. **INTANGIBLE ASSETS**

	GROUP						
	Goodwill R'000	Trade-marks R'000	Licences R'000	Brands R'000	Customer relation-ship R'000	Software and other R'000	Total R'000
2014							
At cost	**609 738**	**54 193**	**19 190**	**427 339**	**226 844**	**8 783**	**1 346 087**
Less: Accumulated amortisation and impairment	**(17 797)**	**(7 884)**	**(14 917)**	**(8 449)**	**(19 837)**	**(7 308)**	**(76 192)**
	591 941	**46 309**	**4 273**	**418 890**	**207 007**	**1 475**	**1 269 895**
2013 (Restated)							
At cost	604 656	40 313	22 099	423 759	224 918	2 296	1 318 041
Less: Accumulated amortisation and impairment	(17 797)	(4 462)	(16 520)	(5 091)	(4 540)	(2 121)	(50 531)
	586 859	35 851	5 579	418 668	220 378	175	1 267 510
Reconciliation of movement:							
Opening net book value	**586 859**	**35 851**	**5 579**	**418 668**	**220 378**	**175**	**1 267 510**
Transfers		**41**	**(521)**	**(41)**		**521**	
Additions		**13 924**	**1 129**			**1 414**	**16 467**
Amortisation		**(2 736)**	**(1 845)**	**(3 399)**	**(15 348)**	**(620)**	**(23 948)**
Currency adjustments	**5 082**	**(771)**	**(69)**	**3 662**	**1 977**	**(15)**	**9 866**
Closing net book value	**591 941**	**46 309**	**4 273**	**418 890**	**207 007**	**1 475**	**1 269 895**
Year ended 31 December 2013 (Restated)							
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
Finalisation of fair values*	24 988						24 988
Transfers			4 546			(4 546)	
Additions			384				384
Amortisation		(2 465)	(927)	(2 882)	(1 827)	(339)	(8 440)
Currency adjustments	(18 045)	8 346	(3)	(17 275)	(9 185)	1 015	(35 147)
Closing net book value	586 859	35 851	5 579	418 668	220 378	175	1 267 510

8. **INTANGIBLE ASSETS (continued)**

*** December 2013 acquisition finalisation**

Additions to intangibles through business combinations of R1 226 218 000 related to the acquisition of Mutlu group. This includes final goodwill of R568 685 000 and is allocated fully to the Mutlu group cash-generating unit. Identifiable brands and customer relationships acquired amounted to R657 533 000. Brands include the 'Mutlu' battery brand which is classified as an indefinite life intangible asset.

The value of goodwill relating to the Mutlu acquisition was initially determined on a provisional basis. Subsequent to 31 December 2013 the fair values of net identifiable assets have been finalised and goodwill adjusted by R24 988 000 (refer note 28).

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.

Significant trademarks and brands acquired in business combinations comprise Mutlu, Povver, Celik and Rombat.

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. The Mutlu brand has a track record of stability, is long established and has demonstrated the ability to survive changes in the economic environment. Factors considered include the market-leading position of the Mutlu brand in Turkey, the listing on the Istanbul Stock Exchange since 1994, its wide name-recognition and strong presence in the marketplace, management's intention to maintain advertising spend and to keep the brand indefinitely.

Amortisation on finite intangible assets of R19.9 million (2013: R7.2 million) is included within cost of sales and R4 million (2013: R1.2 million) within administration expenses in the income statement. Intangible assets recognised as defined life intangible assets are carried at cost less accumulated amortisation and impairment. Amortisation is calculated using the straight-line method to allocate the costs of these assets over their useful lives. Trademarks, brands and customer relationships are amortised over periods ranging from five to twenty five years. There are no restrictions on title.

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
2014					
Goodwill					
- Rombat SA	**45 282**			**(740)**	**44 542**
- Mutlu group	**541 578**			**5 822**	**547 400**
Brands					
- Mutlu group		**339 233**		**3 029**	**342 262**
	586 860	**339 233**		**8 111**	**934 204**
2013					
Goodwill					
- Rombat SA	36 218			9 064	45 282
- Mutlu group		543 698	24 988	(27 108)	541 578
Brands					
- Mutlu group		353 501		(14 268)	339 233
	36 218	897 199	24 988	(32 312)	926 093

8. INTANGIBLE ASSETS (continued)

Impairment tests on goodwill and indefinite life intangible assets
The recoverable amount of all CGUs has been determined based on value-in-use calculations.

Value-in-use calculations use cash flow projections based on financial budgets approved by management, which include assumptions on profit before interest and tax, depreciation, working capital movements and capital maintenance expenditure. Future periods are based on estimated growth rates. Cash flows beyond a five-year period are extrapolated using the estimated growth rates stated below (terminal value).

The perpetuity growth rate is consistent with long-term industry growth forecasts. The discount rate reflects specific risks relating to the cash-generating unit. No impairment was required in the current or prior year.

The summary of key assumptions used for value-in-use calculations are as follows:	Rombat SA %	Mutlu group %
2014		
Growth rate*	**3.0**	**3.8**
Discount rate**	**9.0**	**15.1**
Period (years)	**5**	**5**
2013		
Growth rate*	4.0	6.0
Discount rate**	15.4	15.3

* Compounded growth rate used to extrapolate cash flows beyond the budget period.
** Pre-tax discount rate applied to cash flow projections.

Operating cash flows: The main assumptions within forecast operating cash flow include the achievement of future sales prices and volumes (including reference to specific customer relationships, product lines and the use of industry relevant external forecasts of global vehicle production), raw material input costs, the cost structure of each CGU and the ability to realise benefits from annual productivity improvements, the impact of foreign currency rates upon selling price and cost relationships and the levels of ongoing capital expenditure required to maintain forecast production.

Pre-tax country risk and inflation adjusted rates of return: Pre-tax risk adjusted discount rates are derived from risk-free rates based upon long-term government bonds in the territory, or territories, within which each CGU operates. A relative risk adjustment (or beta) has been applied to risk-free rates to reflect the risk inherent in each CGU relative to all other sectors on average, determined using an average of the betas of comparable listed companies, relevered. The discount rate for Mutlu (Turkey) is further loaded with an international US basis adjustment for CPI and a small stock premium (SSP).

Long-term growth rates: To forecast beyond the detailed cash flows into perpetuity, a long-term growth rate has been used. In each case, this approximates annual growth rates in gross domestic product in the territory where the CGU is primarily based.

Goodwill sensitivity analysis
The results of the group's impairment tests are dependent upon estimates and judgements made by management, particularly in relation to the key assumptions described above. Sensitivity analysis to potential changes in key assumptions has therefore been reviewed.
The table below shows the discount rate, long-term growth rate assumptions and operating cash flows used in the calculation of value-in-use and the amount by which each assumption must change in isolation in order for the estimated recoverable amount to equal the carrying value.

Sensitivity analysis of assumptions used in the goodwill impairment test	Rombat SA %	Mutlu group %
2014		
Change required for the carrying value to equal the recoverable amount:		
Discount rate	**9.0**	**15.1**
Basis points movement	**+4.5**	**+1.3**
Long-term growth rate	**3.0**	**3.8**
Basis points movement	**-6.3**	**-2.2**
Reduction in pre-discounted forecast period operating cash flow	**-35.0**	**-33.0**

In the prior year 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 or Rombat.

	GROUP		COMPANY	
	2014	2013	2014	2013
	R'000	R'000	R'000	R'000
9. INTEREST IN SUBSIDIARIES				
Unlisted				
Shares and capital contributions at cost less amounts written off*			493 695	546 389
Non-current advances to subsidiary companies*			1 711 741	1 736 091
Share-based payment costs			26 160	17 561
Provision for impairment			(224 729)	(224 729)
Net investment interest			2 006 867	2 075 312
Current advances to subsidiary companies			485 475	306 104
Current advances from subsidiary companies			(206 924)	(138 278)
			2 285 418	2 243 138

* Investments transferred to Inalex (the group's wholly-owned intermediate holding company) in the prior year of R400 102 614 has been reclassified from non-current advances to capital contributions as these represent equity investments rather than capital loan advancements. There is no impact on the balance sheet nor net investments in subsidiaries.

On 7 August 2014, the group/company completed an internal restructuring and reorganisation process. The company has sold its remaining direct investments in subsidiaries at carrying value of R52 694 103 to Inalex. There has been no change in ownership from a consolidated group perspective.

The company has issued guarantees to financiers whereby Metair has undertaken not to sell subsidiaries or reduce loan balances due to Metair while various subsidiaries are indebted to the financiers in respect of the refinancing (refer note 16).

Non-current advances have no fixed terms of repayment and is regarded as part of the net investment interest in subsidiaries and these are carried at cost. Current advances are interest-free and payable on demand. These are presented as short-term loans due/(from) group subsidiary companies. The provision for impairment relates to non-current advances to group subsidiary companies.

The interest of the holding company Metair Investments Ltd in the after tax income/(loss) of the subsidiaries was in aggregate as follows:

	GROUP	
	2014	2013
	R'000	R'000
Net income	750 530	453 310
Net losses	(94 839)	(46 495)

Details of subsidiaries are disclosed on page 165.

All subsidiary undertakings are included in the consolidation. The total non-controlling interest for the period is R99 532 394, of which R96 110 054 is for Smiths Manufacturing. Smiths Manufacturing is situated in South Africa and is a conventional manufacturing company producing automotive products such as climate control and air-conditioning systems predominantly for the OE sector. Management has assessed the level of influence the group is able to exercise over Smiths Manufacturing and it has control over the company due to its voting and similar rights as well as the ability to direct the relevant activities.

9. INTEREST IN SUBSIDIARIES (continued)

Summarised financial information on subsidiaries with material non-controlling interests

Set out below are the summarised financial information, prepared in accordance with IFRS, for Smiths Manufacturing (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.

	2014 R'000	2013 R'000
Summarised balance sheet		
Non-controlling interest %	25	25
Current		
Assets	352 265	390 757
Liabilities	(184 292)	(146 089)
Total current net assets	167 973	244 668
Non-current		
Assets	233 038	165 305
Liabilities	(34 490)	(32 169)
Total non-current net assets	198 548	133 136
Net assets	366 521	377 804
Summarised results		
Revenue	1 265 217	1 178 520
Other comprehensive income	(466)	(167)
Profit attributable to non-controlling interest	30 562	32 181
Total comprehensive income allocated to non-controlling interest	30 446	32 139
Dividends paid to non-controlling interest	32 181	16 902
Accumulated non-controlling interest	96 110	97 842
Summarised cash flow		
Net cash inflow from operating activities	26 409	43 526
Net cash outflow from investing activities	(82 554)	(27 975)
Net cash outflow from financing activities	(5 968)	(10 107)

		GROUP		COMPANY	
		2014 R'000	2013 R'000	2014 R'000	2013 R'000
10.	**INVESTMENT IN ASSOCIATES**				
	Unlisted				
	Shares at cost less impairment	9 044	9 044	2 793	2 794
	Share of post-acquisition reserves included in equity accounted earnings	242 640	190 742		
	Income from associates in current year less dividends	51 898	18 847		
	In respect of prior years	190 742	171 895		
	Total carrying value	251 684	199 786	2 793	2 794
	Reconciliation of movements:				
	Balance at the beginning of the year	199 786	175 939	2 794	2 794
	Acquisition/(disposal) of associate		5 000	(1)	
	Share of equity accounted earnings	70 006	61 924		
	Dividends received	(18 108)	(43 077)		
	Investment in associates	251 684	199 786	2 793	2 794

Set out below are the associates of the group as at 31 December 2014, which, are accounted for on the equity basis.
The associates as 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 cost less impairment R'000
2014				
Unlisted				
Hesto Harnesses (Pty) Ltd	**74.9**	**749**	**160 417**	**1**
Tenneco Automotive Holdings SA (Pty) Ltd	**25.1**	**154 712**	**22 545**	
Toyoda Gosei (Pty) Ltd	**20.1**	**200**	**14 569**	**1 250**
Valeo Systems SA (Pty) Ltd	**49.0**	**490**	**49 153**	**2 793**
Vizirama 12 (Pty) Ltd	**33.0**	**40**		
Eye2square Innovations (Pty) Ltd	**20.0**	**125**	**5 000**	**5 000**
			251 684	**9 044**
2013				
Unlisted				
Hesto Harnesses (Pty) Ltd	74.9	749	138 579	1
Tenneco Automotive Holdings SA (Pty) Ltd	25.1	154 712	14 445	
Toyoda Gosei (Pty) Ltd	20.1	200	11 065	1 250
Valeo Systems SA (Pty) Ltd	49.0	490	30 697	2 793
Vizirama 12 (Pty) Ltd	33.0	40		
Eye2square Innovations (Pty) Ltd	20.0	125	5 000	5 000
			199 786	9 044

10. INVESTMENT IN ASSOCIATES (continued)

The companies are all incorporated in South Africa. Details of the associates are disclosed on page 165. There are no significant restrictions on the ability of associates to transfer funds to the group. The group does not provide or has received guarantees or similar undertakings for financing facilities, except a limited letter of support of R3.6 million granted to Valeo for overdraft facilities. The risk of default is considered remote.

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.

The group has one material associate - Hesto. The group has the practical ability to direct the relevant activities of Hesto ('managed associate') and the group owns 74.9%, the majority of the voting rights. However, the Shareholder's Agreement stipulates that unanimous consent is required for all decisions relating to the relevant activities of Hesto. The other shareholder also has a currently exercisable and substantive option ('call option') over the shareholding held by the group. This gives rise to 'de facto' power over Hesto. This results in Metair accounting for the investment as an associate and equity accounting is applied.

Hesto manufactures and sells automotive wiring harnesses and related components in South Africa. Hesto is a strategic and specialist automotive component manufacturer giving the group OE product and market focus as well being a product differentiator.

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

Summarised financial information for associates (material and other)
Set out below are the summarised financial information for the associates, which are accounted for using the equity method.

	Managed associate		Other associates		Total	
	2014 R'000	2013 R'000	2014 R'000	2013 R'000	2014 R'000	2013 R'000
Summarised income statements						
Revenue	819 787	765 071	1 218 801	954 682	2 038 588	1 719 753
Profit after taxation	51 822	46 314	91 824	87 295	143 646	133 609
Total comprehensive income	51 822	46 314				
Attributable to NCI	38 815	34 689				
Attributable to investee's shareholders	13 007	11 625				
Dividends received from associate	16 975	24 698	1 133	18 379	18 108	43 077
Summarised balance sheets						
Current						
Assets	207 480	218 434	521 855	438 698	729 335	657 132
Liabilities	(93 158)	(111 662)	(219 868)	(209 612)	(313 026)	(321 274)
Non-current						
Assets	109 105	89 288	78 421	67 065	187 526	156 353
Liabilities	(9 251)	(11 041)	(1 500)	(3 409)	(10 751)	(14 450)
Net assets	214 176	185 019	378 908	292 742	593 084	477 761
Attributable to NCI	160 418	138 579				
Attributable to investee's shareholders	53 758	46 440				

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	
	2014 R'000	2013 R'000	2014 R'000	2013 R'000	2014 R'000	2013 R'000
Opening net assets 1 January	185 019	171 679	292 742	260 697	477 761	432 376
Profit for the year	51 822	46 314	91 824	87 295	143 646	133 609
Dividends paid	(22 665)	(32 974)	(5 658)	(55 250)	(28 323)	(88 224)
Closing net assets	214 176	185 019	378 908	292 742	593 084	477 761
Interest in associates	160 418	138 579	91 266	61 207	251 684	199 786
Carrying value	160 418	138 579	91 266	61 207	251 684	199 786

	GROUP		COMPANY	
	2014 R'000	2013 R'000	2014 R'000	2013 R'000
11. INVENTORY				
Raw material	**639 055**	595 311		
Work in progress	**308 196**	271 084		
Finished goods	**560 761**	397 846		
	1 508 012	1 264 241		
Included in the above are inventories stated at net realisable value of	**23 476**	28 289		
The cost of inventories recognised as expense and included in cost of sales amounted to	**2 035 487**	2 695 765		
Inventory amounting to R14 248 148 (2013: R14 584 244) has been pledged as security for bank overdrafts and borrowings.				
12. TRADE AND OTHER RECEIVABLES				
Trade receivables	**1 140 710**	1 161 594		
Less: Provision for impairment of trade receivables	**(26 858)**	(22 056)		
	1 113 852	1 139 538		
Prepayments	**38 640**	38 867		
Insurance proceeds and claims receivable	**26 349**			
Grant claim receivable		46 000		
Tooling prepayments	**135 786**			
Other receivables	**87 301**	49 982	**211**	154
	1 401 928	1 274 387	**211**	154

Trade receivables can be categorised in the following categories:

	Fully perfor-ming R'000	Past due and not impaired R'000	Impaired and provided for R'000	Total R'000
2014				
Original equipment	**251 223**	**32 635**	**245**	**284 103**
Exports	**188 504**	**62 409**	**19 010**	**269 923**
Aftermarket	**459 414**	**51 530**	**5 195**	**516 139**
Non-automotive	**39 421**	**28 976**	**2 148**	**70 545**
	938 562	**175 550**	**26 598**	**1 140 710**
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

12. TRADE AND OTHER RECEIVABLES (continued)

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

	GROUP 2014 R'000	GROUP 2013 R'000
Rand	**672 825**	476 056
British Pound	**5 118**	4 512
Euro	**185 100**	176 380
US Dollar	**74 061**	50 059
Australian Dollar	**487**	1 054
Romanian Lei	**116 635**	148 827
Turkish Lira	**347 702**	417 356
Japanese Yen		143
	1 401 928	1 274 387

No interest is applicable to accounts receivable balances.

The provision for impairment can be analysed as follows:

	Total R'000	Original equip-ment R'000	Export R'000	After-market R'000	Non-auto-motive R'000
2014					
At 1 January	**22 056**	**574**	**15 540**	**4 632**	**1 310**
Provisions for receivables impairment	**6 854**	**150**	**4 472**	**1 376**	**856**
Amounts written off	**(10)**			**(10)**	
Unused amounts reversed	**(1 671)**	**(479)**	**(670)**	**(506)**	**(16)**
Currency adjustments	**(371)**		**(333)**	**(38)**	
As at 31 December	**26 858**	**245**	**19 009**	**5 454**	**2 150**
2013					
At 1 January	25 857	8 047	11 563	3 540	2 707
Provisions 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	
As at 31 December	22 056	574	15 540	4 632	1 310

The ageing profile of trade receivables are presented below:

	Total R'000	Original equip-ment R'000	Export R'000	After-market R'000	Non-auto-motive R'000
2014					
Up to 3 months	**1 033 008**	**280 146**	**243 629**	**444 402**	**64 831**
3 - 6 months	**73 674**	**2 731**	**9 102**	**57 583**	**4 258**
Over 6 months	**34 028**	**1 321**	**17 239**	**13 079**	**2 389**
	1 140 710	**284 198**	**269 970**	**515 064**	**71 478**
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

12. TRADE AND OTHER RECEIVABLES (continued)

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. Mutlu has received letters of guarantee for R516 440 180 (2013: R378 567 817) for amounts due as collateral.

Trade receivables of R267 270 096 (2013: R59 193 057) and Rnil (2013: R182 495 000) have been pledged as security for bank overdrafts and borrowings.

	GROUP		COMPANY	
	2014 R'000	2013 R'000	2014 R'000	2013 R'000
13. CASH AND CASH EQUIVALENTS				
For the purposes of the cash flow statement, cash and cash equivalents consist of the following:				
Cash at bank and on hand	**602 666**	574 742	**1 486**	4 181
Bank overdrafts	**(130 193)**	(167 241)	**(2)**	
	472 473	407 501	**1 484**	4 181
Average interest rate on short-term bank deposits	**3.4%**	3.5%		
Average interest rate on bank overdrafts	**9.0%**	9.4%		
Average interest rate on European bank overdrafts	**3.9%**	2.5%		

Property, plant and equipment of R127 862 078 (2013: R106 477 254), inventory of R14 248 148 (2013: R14 584 244) and trade receivables of R267 270 096 (2013: R59 193 057) have been pledged as security for bank overdrafts.

		GROUP		COMPANY	
		2014 R'000	2013 R'000	2014 R'000	2013 R'000
14.	**STATED CAPITAL AND TREASURY SHARES**				
	Authorised				
	400 000 000 ordinary shares at par value of no par value				
	Reconciliation of number of shares at no par value issued				
	Balance at the beginning of the year	198 985 886	152 531 875	198 985 886	152 531 875
	Issue of ordinary shares		46 454 011		46 454 011
		198 985 886	198 985 886	198 985 886	198 985 886
	Issued				
	198 985 886 ordinary shares of no par value	1 497 932	1 497 931	1 497 931	1 497 931
		1 497 932	1 497 931	1 497 931	1 497 931
	Reconciliation of stated capital				
	Balance at the beginning of the year	1 497 931	42 876	1 497 931	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	1 497 931	1 497 931	1 497 931
	The following share issue costs were recognised in stated capital:				
	2% Equity commitment fee		32 120		32 120
	Equity raising fee		12 825		12 825
			44 945		44 945
	Treasury shares				
	Balance at the beginning of the year	(45 241)	(72 232)		
	Shares disposed by the Metair Share Trust	2 952	1 095		
	Shares acquired by Business Venture Investments No 1217 (Pty) Ltd	(370)			
	Shares disposed by Business Venture Investments No 1217 (Pty) Ltd (vesting utilisation)	21 184	25 896		
	Balance at the end of the year	(21 475)	(45 241)		
	Number of treasury shares are held as follows				
	Metair Share Trust		215 812		
	Business Venture Investments No 1217 (Pty) Ltd	2 108 312	4 203 609		
		2 108 312	4 419 421		

14.1 STATED CAPITAL AND PREMIUM AND TREASURY SHARES (continued)

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

Share options

The Metair Share Trust was terminated during the year and all remaining shares were allocated.

As at 31 December 2013, 207 500 ordinary shares were 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:

	2014		2013	
	Average offer price per share R	Options 000's	Average offer price per share R	Options 000's
At 1 January	6.36	208	6.30	296
Forfeited			(4.34)	(8)
Delivered	(6.36)	(208)	6.36	(80)
At 31 December			6.36	208

A total of 207 500 (2013: 80 000) options were exercised (delivered) during the year. The average share price (market value) per share on date of exercise was R42.92 (2013: R37.68). 8 312 shares that were forfeited in 2013 were transferred to Business Venture No 1217 (Pty) Ltd in the current year.

The share options were exercisable immediately after the option had been granted (provided this did not fall in a closed period as determined by the JSE Ltd) but no later than 10 years after such date. Delivery of the shares to the participant could only take place on the expiry of five years from the date the option was granted provided this did not fall in a closed period as determined by the JSE Ltd.

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

	2014	2013
Number of shares held by the Metair Share Trust in respect of share option scheme		207 500
Number of shares held by the Metair Share Trust in respect of share option scheme forfeited to be transferred		8 312
		215 812
Market value of shares held by the Metair Share Trust in respect of share option scheme (2013: R39.59)		R8 543 997

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

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

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

The Metair Investments Ltd 2009 Share Plan is an equity-settled share-based payment scheme.

The Metair Investments Ltd 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.

All shares vested are exercised.

a) Share appreciation rights

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

Special allocations of shares awarded in 2013 and 2014 vest on the third, fourth, fifth, sixth and seventh 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.

Movements in the number of rights granted are as follows:

	2014		2013	
	Number of grants	Weighted average grant price R	Number of grants	Weighted average grant price R
Balance at the beginning of the year	3 593 891	19.80	4 933 669	10.97
Granted	960 003	39.16	800 000	37.33
Lapsed	(311 922)	(9.08)		
Vested	(1 606 509)	(7.28)	(2 139 778)	(5.98)
Balance at the end of the year	2 635 463	32.11	3 593 891	19.80
IFRS 2 share-based payment charge		R6 386 254		R2 636 252

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

		2014 Number of rights	2013 Number of rights
Year ending 31 December:			
	2014		1 897 146
	2015	507 479	490 224
	2016	427 560	453 095
	2017	518 206	273 426
	2018	413 109	160 000
	2019	413 109	160 000
	2020	178 000	160 000
	2021	178 000	
		2 635 463	3 593 891

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

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

b) Performance shares

Annual conditional awards of performance shares will be made to participants with a zero strike price. Performance shares will vest on the third anniversary of their award to the extent that the specified performance criteria over the intervening period has been met.

Special allocations of shares awarded in 2013 vest on the fourth and fifth 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 2014 vest on the third, fourth and fifth 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 prior to 2014 is return on equity targets, non-market vesting condition, with a minimum target of 18% return on equity. The performance conditions applied to the performance shares from 2014 onwards is return on equity targets, non-market vesting condition, with a minimum target of 16% return on equity.

Movements in the number of shares awarded are as follows:

		2014 Number of shares	2013 Number of shares
Balance at the beginning of the year		**963 593**	731 189
Granted*		**452 787**	667 967
Lapsed		**(26 419)**	(7 314)
Vested		**(544 884)**	(428 249)
Balance at the end of the year		**845 077**	963 593
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
	2015	**310 191**	326 384
	2016	**247 638**	259 743
	2017	**270 581**	60 667
	2018	**16 667**	16 667
		845 077	963 593
IFRS 2 share-based payment charge		**R3 517 640**	R2 790 874

* Included in performance shares granted is 240 108 (2013: 418 890) 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 strike 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. No bonus share were awarded in 2014 and will no longer be awarded.

14. STATED 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 bonus shares awarded are as follows:

	2014 Number of shares	2013 Number of shares
Balance at the beginning of the year	1 025 006	909 677
Granted		392 440
Lapsed	(30 224)	
Vested	(282 730)	(277 111)
Balance at the end of the year	712 052	1 025 006
IFRS 2 share-based payment charge	R5 443 911	R4 320 196
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		272 591
2015	343 259	409 975
2016	268 793	242 440
2017	50 000	50 000
2018	50 000	50 000
	712 052	1 025 006

d) Valuation of share incentive grants

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

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

	Share appreciation rights	Performance shares	Bonus shares
2014			
Spot price	**R42.80/R35.20/R35.20**	**R42.80**	
Strike price	**R42.77/R37.35/R37.35**	**Nil**	
Volatility**	**21.8%/27.85/27.85%**	**N/A**	
Dividend yield	**1.85%/2.48%/2.48%**	**2.0%**	
Valuation (IFRS 2)	**R4 305 852/R3 684 480/R2 792 132**	**R4 309 571**	
Fair value per share at grant	**R13.04/R9.50/R11.17**	**R40.53**	
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

The total IFRS 2 employee share-based payment expense for the year was R15 347 805 (2013: R9 747 321), 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 2014 was R31.95 (2013: R39.59).

** 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 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

	Share appreciation rights	Performance shares	Bonus shares	Total
Yearly award (number of shares):				
2014				
CT Loock	**84 476**	**20 629**		**105 105**
S Douwenga	**294 746**	**12 358**		**307 104**
2013				
CT Loock	800 000	69 962	180 222	1 050 184
BM Jacobs		8 920	17 544	26 464
Exercise (number of shares):				
2014				
CT Loock **	**(495 646)**	**(43 451)**	**(124 996)**	**(664 093)**
BM Jacobs **		**(19 838)**	**(17 251)**	**(37 089)**
2013				
CT Loock	(469 015)		(54 061)	(523 076)
BM Jacobs	(231 808)		(15 113)	(246 921)
Lapse (number of shares):				
2014				
BM Jacobs	**(304 103)**	**(20 962)**	**(30 224)**	**(355 289)**
Cumulative (number of shares):				
2014				
CT Loock	**1 015 741**	**204 851**	**198 189**	**1 418 781**
S Douwenga	**294 746**	**12 358**		**307 104**
2013				
CT Loock	1 426 911	227 673	323 185	1 977 769
BM Jacobs	304 103	40 800	47 475	392 378

** Set off against performance shares exercised is 50 631 (2013: 79 853) additional shares granted and approved by the Remuneration Committee in terms of the fulfilment of certain performance conditions.

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

14.3 Interest of directors

At 31 December 2014 members of the board of directors had a direct and indirect beneficial and non-beneficial interest in the company's ordinary stated capital as set out below (there has been no change since that date):

	Beneficial Direct Number	%	Indirect Number	%	Beneficial Direct Number	%	Indirect Number	%
	31 December 2014				31 December 2013			
Director								
Executive directors								
BM Jacobs					72 295	0.04		
Non-executive directors								
A Joffe			**2 047 506**	**1.03**			2 665 934	1.34
Independent non-executive directors								
L Soanes	**120 000**	**0.06**			240 000	0.12		
Total	**120 000**	**0.06**	**2 047 506**	**1.03**	312 295	0.16	2 665 934	1.34

There is no non-beneficial interest by members of board of directors.

		GROUP 2014 R'000	GROUP 2013 R'000	COMPANY 2014 R'000	COMPANY 2013 R'000
15.	**RESERVES**				
	Other reserves comprises the following:				
15.1	**Share-based payment reserve**				
	Balance at the beginning of the year	58 215	33 287	17 561	11 666
	Value of service provided	15 348	9 747	15 348	9 747
	Deferred taxation	1 685	15 767		
	Utilisation of treasury shares to settle obligation*	(21 184)	(25 896)	(6 749)	(3 852)
	Estimated taxation effect of utilisation of treasury shares	(12 441)	(15 123)		
	Transfer of net vesting impact to retained earnings	33 625	41 019		
	Loss on settlement (Metair Share Trust)	(1 264)	(586)		
	Balance at the end of the year	73 984	58 215	26 160	17 561
	* The market value of shares utilised to settle the obligation amounted to R79 million (2013: R94 million).				
15.2	**Hedging reserve**				
	Effects of cash flow hedges		110 377		
	Transfer to acquisition of subsidiary		(110 377)		
	Balance at the end of the year				
15.3	**Foreign currency translation reserve**				
	Balance at beginning of the year	87 809	36 660		
	Exchange gains arising from translation of foreign operations:				
	- Group	12 502	51 881		
	- Non-controlling interests	(82)	(732)		
	Balance at end of the year	100 229	87 809		
15.4	**Equity accounted reserves**				
	Balance at the beginning of the year	190 742	171 895		
	Transfers from retained earnings	51 898	18 847		
	Balance at the end of the year	242 640	190 742		
	Transfer from retained earnings consists of:				
	- Share of associated companies' after taxation income	70 006	61 924		
	- Dividends received	(18 108)	(43 077)		
		51 898	18 847		
15.5	**Change in ownership reserve - Non-controlling interests (NCI)** The reserve relates to the premiums paid on purchases of and profit/loss on disposals to NCI without a change in degree of control. The reserve arose as a result of transactions with Mutlu NCI (refer note 28.2):				
	Deemed dilution in shareholding (MTO closure)	2 890			
	Acquisition of additional interest	(1 670)			
	Deemed acquisition of remaining interest ('minority squeeze-out')	(22 077)			
	Balance at the end of the year	(20 857)			
	Total other reserves	395 996	336 766	26 160	17 561
15.6	**Retained earnings**				
	Balance at the beginning of the year	1 897 909	1 755 168	720 783	613 866
	Net profit for the year	601 460	341 376	256 151	342 088
	Other comprehensive income	(10 378)	280		
	Dividends paid	(136 822)	(139 049)	(139 290)	(144 905)
	Transfers to equity accounted reserves	(51 898)	(18 847)		
	Transfer of net vesting impact to retained earnings	(33 625)	(41 019)		
	Settlement of share option			(72 273)	(90 266)
	Balance at the end of the year	2 266 646	1 897 909	765 371	720 783

		GROUP		COMPANY	
		2014 R'000	2013 R'000	2014 R'000	2013 R'000
15.	**RESERVES (continued)**				
15.7	**Non-controlling interests**				
	Balance at the beginning of the year	**101 387**	85 076		
	Net profit for the year - attributable to non-controlling interests	**30 845**	32 523		
	Other comprehensive income - attributable to non-controlling interests	**(198)**	690		
	Mutlu NCI reinstated (MTO closure)	**68 629**			
	Acquisition of an additional interest in Mutlu	**(5 612)**			
	Derecognition of Mutlu NCI (minority squeeze-out)	**(63 017)**			
	Dividend	**(32 501)**	(16 902)		
	Balance at the end of the year	**99 533**	101 387		
16.	**BORROWINGS**				
	Redeemable preference shares	**1 400 000**			
	Bank borrowings	**315 920**	1 185 319		
	Instalment sale liabilities	**12 732**	16 835		
	Finance lease liabilities	**11 193**	618		
	Total borrowings	**1 739 845**	1 202 772		
	Current portion included in current liabilities	**(69 268)**	(180 796)		
	Non-current portion	**1 670 577**	1 021 976		

Refinancing

On 13 August 2014, the group refinanced available facilities in the amount of R1.8 billion, previously extended by Absa Bank Ltd, for the acquisition of Mutlu Akü by way of the issue of preference shares in an aggregate amount of R1.4 billion. In addition, a revolving credit facility (RCF) in the amount of R750 million was also raised. The revolving credit facility will be used to fund working capital and capital expenditure.

Absa Bank Limited, Investec Bank and Standard Bank have committed to the revolving credit facility (lenders) and Standard Bank subscribed for the entire preference share issue.

A total of R923 237 000 relating to unsecured Absa term loans owing in the prior year was settled as part of the refinancing.

Preference shares

An aggregate of 1 400 cumulative redeemable no par value preference shares were issued on 2 September 2014 and are mandatorily redeemable on a pro rata basis over a period of five years commencing no earlier than three years and one month from the date of issue, on the following dates:

	2014 R'000
Upon the date 3 years and 1 month after the Issue Date (30 September 2017)	**840 000**
Upon the date 4 years after the Issue Date (2 September 2018)	**280 000**
Upon the date 5 years after the Issue Date (final redemption date of 2 September 2019)	**280 000**
	1 400 000

Preference dividends are to be paid on a semi-annual basis on 15 April and 15 October of each year during the term and carry a dividend rate of 69% of the ruling South African prime rate calculated on a nominal annual monthly compounded basis (NACM).

The preference shares are subject to covenant requirements (refer note 21.3). The obligations under the preference share facility are guaranteed on a joint and several basis by certain wholly-owned subsidiaries within the group.

16. BORROWINGS (continued)

Bank borrowings

Bank borrowings mature until March 2019 and include short and long-term debt consisting of term loan, working capital and revolving credit facilities (RCF).

Drawdowns on the RCF amounted to R177 894 000 at balance sheet date. The RCF has a tenure of five years with a final maturity date of 13 August 2019. Interest is charged at 2.05% over the ruling JIBAR rate, determined either on a one, three or six month basis, as selected by the group (interest period). Interest accrues on a daily basis and is payable in arrears at the end of each interest period. Drawdowns are payable on a rolling basis at each interest period, but not later than the final maturity date. Drawdowns are classified as non-current liabilities at balance sheet date as a result of the rolling mechanism. The RCF is guaranteed on a joint and several basis by certain subsidiaries within the group.

Group bank borrowings also consist of secured term loan facilities of R138 025 308 (2013: R262 082 000 of secured term loans and R923 237 000 of unsecured term loans). These consist predominantly of US$12 425 000 and TL862 000 borrowings arising in Mutlu Akü (2013: US$18 659 000 and TL11 226 000) with maturities ranging up to 25 May 2017. The interest rates range from 2.3% to 3.8% per annum (2013: 3.96% to 5.17%). Annual repayments approximate US$4 800 000 per annum (2013: US$5 500 000).

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

	Group		Company	
	2014 R'000	**2013 R'000**	**2014 R'000**	**2013 R'000**
Property, plant and equipment (note 7)	**372 000**	399 537		
Inventory (note 11)		57 963		
Trade receivables (note 12)		182 495		
Total	**372 000**	639 995		
Maturity of non-current borrowings (excluding financed assets)				
Later than 1 year and not later than 2 years	**61 071**	881 993		
Later than 2 year and not later than 5 years	**1 595 751**	139 542		
	1 656 822	1 021 535		
The carrying amount of the above borrowings are denominated in the following currencies:				
Rand	**1 601 820**	941 836		
US Dollar	**133 751**	183 470		
Euro		22 274		
Turkish Lira	**4 274**	55 192		
	1 739 845	1 202 772		

The group had unutilised borrowing facilities of R1 601 000 000 and US$163 502 000 (Mutlu) of which R572 106 000 relates to the RCF (2013: R744 016 000, US$172 152 000 (Mutlu) and Absa term facility of R580 000 000) at 31 December 2014.

Except for the RCF funding, all undrawn borrowing facilities are renewable annually. The borrowing powers of the company are unlimited in terms of its memorandum of incorporation.

In the prior year, security provided over current assets related to the Rombat 'RBS' loan. The loan has been repaid in full. Mutlu has provided general security in the amount of R78 839 200 for the 'USD' facilities available.

Instalment sale liabilities

Assets acquired by instalment sale agreements are paid over an agreed time period. The title of the asset passes automatically, once the full amount has been paid. Payment obligations are effectively secured as the rights to the asset revert to the financer in the event of default.

Instalment sale agreements are secured over vehicles and machinery with a book value of R20 537 518 (2013: R23 409 218).

16. BORROWINGS (continued)

	GROUP		COMPANY	
	2014 R'000	2013 R'000	2014 R'000	2013 R'000
Instalment sale liabilities - Minimum payments:				
No later than 1 year	7 412			
Later than 1 year and no later than 5 years	6 446			
Minimum instalments	13 858			
Future finance charges	(1 126)			
Present value of liabilities	12 732			
The present value of all instalment sale liabilities may be analysed as follows:				
No later than 1 year	6 649			
Later than 1 years and no later than 2 years	4 249			
Later than 2 years and no later than 5 years	1 834			
Finance lease liabilities				
Lease rental obligations under financial lease arrangements are capitalised and lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default.				
Capitalised finance leases are secured over vehicles and equipment with a book value of R11 948 848 (2013: R588 816).				
Gross finance lease liabilities - minimum lease payments:				
Not later than 1 year	3 722	217		
Later than 1 year and not later than 5 years	9 137	490		
Minimum lease payments	12 859	707		
Future finance charges on finance leases	(1 666)	(89)		
Present value of finance lease liabilities	11 193	618		
The present value of all finance lease liabilities may be analysed as follows:				
Not later than 1 year	2 915	177		
Later than 1 years and no later than 2 years	3 435	441		
Later than 2 years and no later than 5 years	4 843			
	11 193	618		
All borrowings are interest-bearing and the approximate effective annual interest rates at year-end are as follows:	%	%		
Preference shares	6.4			
Bank borrowings				
- Revolving credit facility	Jibar + 2.05			
- Term facilities		Jibar + 1.5		
- Call loans (foreign borrowings)	1.9 - 4.1	2.5 - 5.2		
Instalment sale liabilities	7.8	7.5		
Finance lease liabilities	8.5	8.5		

		GROUP		COMPANY	
		2014 R'000	2013 Restated R'000	2014 R'000	2013 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% (2013: 28%) for South Africa, 16% (2013: 16%) for Romania and 20% for Turkey.				
	The following amounts are shown in the consolidated balance sheet:				
	Deferred taxation assets	**(16 804)**	(10 838)		
	Deferred taxation liabilities	**374 551**	372 959		
		357 747	362 121		
	The movement on the deferred income taxation account is as follows:				
	At the beginning of the year	**362 121**	50 087		
	Effect of change in taxation rate				
	Acquisition of subsidiary		312 397		
	Income statement charge/(credit):				
	- Current year	**1 116**	28 565		
	- Prior year	**(3 501)**	(3 502)		
	Taxation (credited)/charged to other comprehensive income:				
	- Actuarial (losses)/gains	**(2 703)**	157		
	Taxation credited to equity:				
	- Share-based payments	**(1 685)**	(15 767)		
	Currency adjustments	**2 399**	(9 816)		
	At the end of the year	**357 747**	362 121		
	Deferred taxation assets:				
	Deferred taxation asset to be recovered after more than 12 months	**(68 101)**	(87 430)		
	Deferred taxation asset to be recovered within 12 months	**(52 079)**	(13 889)		
		(120 180)	(101 319)		
	Deferred taxation liabilities:				
	Deferred taxation liability to be recovered after more than 12 months	**451 748**	445 691		
	Deferred taxation liability to be recovered within 12 months	**26 179**	17 749		
		477 927	463 440		
	Amounts aggregated based on subsidiary companies:				
	Deferred taxation assets	**(120 180)**	(101 319)		
	Deferred taxation liabilities	**477 927**	463 440		
	Net deferred taxation liability	**357 747**	362 121		

17. DEFERRED TAXATION (continued)

Deferred taxation liabilities

	GROUP				
	Post employment benefits R'000	**Plant and equipment allowances R'000**	**Intangibles R'000**	**Claims and other receivables R'000**	**Total R'000**
2014					
Opening balance		**319 299**	**135 754**	**8 387**	**463 440**
Charged/(credited) to the income statement:					
- current year	**1 183**	**14 453**	**(4 495)**	**4 176**	**15 317**
- prior year		**(2 608)**	**(1 849)**	**1 010**	**(3 447)**
Currency adjustments	**(2)**	**1 624**	**1 003**	**(8)**	**2 617**
Closing balance	**1 181**	**332 768**	**130 413**	**13 565**	**477 927**
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

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
2014							
Opening balance	**(14 463)**	**(23 899)**	**(3 536)**	**(1 264)**	**(20 564)**	**(37 593)**	**(101 319)**
Charged/(credited) to the income statement:							
- Current year	**7 244**	**1 056**	**(16 443)**	**(519)**	**3 006**	**(8 545)**	**(14 201)**
- Prior year		**44**	**(615)**			**517**	**(54)**
Charged/(credited) to other comprehensive income		**(2 703)**					**(2 703)**
Deferred taxation on share-based payment reserve*	**(1 685)**						**(1 685)**
Currency adjustments	**3**	**(137)**		**14**	**(57)**	**(41)**	**(218)**
Closing balance	**(8 901)**	**(25 639)**	**(20 594)**	**(1 769)**	**(17 615)**	**(45 662)**	**(120 180)**
2013 (Restated)							
Opening balance	(28 017)	(11 073)	(5 749)	(901)	(12 652)	(32 418)	(90 810)
Acquisition of subsidiary**		(16 282)			(5 917)	(10 673)	(32 872)
Reallocations	17 591	(4 546)	(22)	620	(2 789)	3 174	14 028
(Credited)/charged 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)
Charged/(credited) to other comprehensive income		157					157
Deferred taxation on share-based payment reserve*	(15 767)						(15 767)
Currency adjustments**	(11)	657		(7)	239	(423)	455
Closing balance	(14 463)	(23 899)	(3 536)	(1 264)	(20 564)	(37 593)	(101 319)

* 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 28.1).

17. DEFERRED TAXATION (continued)

Deferred tax assets have been recognised for the carry forward amount of unused tax losses relating to the group's operations where, among other things, taxation losses can be carried forward indefinitely and there is evidence that it is probable that sufficient taxable profits will be available in the future to utilise all tax losses carried forward.

Deferred tax assets have been recognised to the extent that it is probable that the entities will generate future taxable income against which these tax losses can be utilised. Currently there are no statutory limitations as to its usage.

Deferred tax liabilities are not recognised for the income tax effect that may arise on the remittance of unremitted earnings by subsidiaries. It is management's intention that, where there is no double taxation relief, these earnings will be permanently re-invested in the group.

Dividend withholding tax is payable at a rate of 15% on dividends distributed to shareholders. Dividends paid to companies and certain other institutions and certain individuals are not subject to this withholding tax. This tax is not attributable to the company paying the dividend but is collected by the company and paid to the tax authorities on behalf of the shareholder. On receipt of a dividend, the company includes the dividend withholding tax on this dividend in its computation of the income tax expense in the period of such receipt.

	GROUP		COMPANY	
	2014 R'000	2013 R'000	2014 R'000	2013 R'000
18. TRADE AND OTHER PAYABLES				
Trade creditors	399 720	413 899		
Accrual for leave pay	21 539	22 303		
Sundry creditors, advances received and accruals	537 187	404 550	444	13 992
Deferred income on government grants	137 717	144 929		
Mutlu Akü minority obligation	38 232	612 581		
	1 134 395	1 598 262	444	13 992
Non-current portion of deferred income on government grants included in non-current liabilities	(107 581)	(125 313)		
Current portion included in current liabilities	1 026 814	1 472 949	444	13 992
The minority obligation represents the squeeze out liability for the remaining shares not acquired as part of the MTO process. The MTO process was concluded in the first quarter of 2014.				
The carrying amounts of the group's trade and other payables are denominated in the following currencies:				
Rand	612 001	459 163	444	13 992
Yen	39 917	30 912		
US Dollar	32 550	86 627		
Euro	124 382	81 263		
British Pound	443	370		
Thai Baht	4 050	7 427		
Romanian Lei	169 542	183 394		
Turkish Lira	149 495	749 100		
Singapore Dollar	2 015	6		
	1 134 395	1 598 262	444	13 992
No interest is payable on these amounts.				

19. PROVISIONS FOR LIABILITIES AND CHARGES

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

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

Environmental and other
A provision is recognised for the present value of costs that may be incurred for statutory environmental and other related matters. These provisions arise in Mutlu and Rombat and the impact of the unwinding of discount is insignificant.

Other provisions and liabilities comprise predominantly of "buy back" obligations for used battery returns ("scrap deposits") and long service awards. The awards arise mainly in Mutlu and are calculated in accordance with IAS19.

Total expected costs provided for environmental and related matters amounted to R15 858 855 (2013: R37 146 144). The provision for scrap deposits amounted to R37 582 789 and long service awards amounted to R34 718 814
(2013: R30 241 560).

	GROUP				
	Executive bonus R'000	Warranty claims R'000	Environmental R'000	Other R'000	Total R'000
2014					
Balance at the beginning of the year	**17 983**	**99 719**	**37 146**	**37 612**	**192 460**
Charged to the income statement:					
- Additional provision	**16 773**	**10 024**		**3 862**	**30 659**
- Unused amounts reversed	**(806)**	**(20 759)**	**(5 204)**		**(26 769)**
Reclassifications				**37 583**	**37 583**
Utilised during the year	**(19 073)**	**(16 396)**	**(15 891)**	**(5 800)**	**(57 160)**
Currency adjustments	**(5)**	**137**	**(192)**	**268**	**208**
Balance at the end of the year	**14 872**	**72 725**	**15 859**	**73 525**	**176 981**
2013 (Restated)					
Balance at the beginning of the year	16 311	46 472	16 374	8 581	87 738
Acquisition of subsidiary		29 141	16 742		45 883
Finalisation of fair value*				31 235	31 235
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	4 030	(1 260)	3 898
Balance at the end of the year	17 983	99 719	37 146	37 612	192 459

Analysis of total provisions:	2014 R'000	2013 Restated R'000
Non-current	**60 290**	21 080
Current	**116 691**	171 379
	176 981	192 459

* The other provisions reported in the previous year for the acquisition of Mutlu was determined on a provisional basis. Subsequent to 31 December 2013 these values have been finalised (refer to note 28.1).

	GROUP		COMPANY	
	2014	2013 Restated	2014	2013
	R'000	R'000	R'000	R'000
20. NOTES TO CASH FLOW STATEMENTS				
20.1 Reconciliation of profit before taxation to cash generated from/(utilised in) operations				
Profit before taxation	803 150	495 071	256 151	342 088
Adjustment for:				
Depreciation and amortisation	258 825	143 261		
Write-off of Metair Share Trust loan			10 416	
Profit on disposal of property, plant and equipment	(5 663)	(47)		
Profit on insurance proceeds for property, plant and equipment	(5 826)	(15 342)		
Other financial assets at fair value through profit or loss:				
- Fair value losses		25 997		24 122
- Fair value gains	3 157	(1 834)		(93 592)
Foreign exchange losses on operating activities	(8 171)	18 369		
Share-based payment expenses	15 348	9 747		
Net share-based payment effects			8 599	5 895
Post-retirement benefit	8 593	2 682		
Share of equity accounted earnings/income from investments	(70 006)	(61 924)	(267 532)	(274 400)
Interest income	(22 698)	(15 421)	(13)	(1)
Interest expense	118 935	27 888		
Operating profit before working capital changes	1 095 644	628 447	7 621	4 112
Working capital changes:				
Increase in inventory	(233 636)	(48 716)		
Increase in trade and other receivables	(123 266)	(57 568)	(57)	(11)
Increase in trade and other payables (including provisions and derivatives)	108 214	65 687	(13 548)	(12 415)
Cash generated from/(utilised in) operations	846 956	587 850	(5 984)	(8 314)
20.2 Taxation paid				
Taxation paid is reconciled to the amount disclosed in the income statement as follows:				
Amounts unpaid at the beginning of the year	(20 680)	(11 177)		
Income statement charge (note 4)	(173 227)	(96 109)		
Currency adjustment	(2 828)	(2 208)		
Amounts unpaid at the end of the year	625	20 680		
	(196 110)	(88 814)		
20.3 Dividends paid				
To shareholders	(136 822)	(139 049)	(139 290)	(144 905)
To non-controlling interests	(32 501)	(16 902)		
	(169 323)	(155 951)	(139 290)	(144 905)

21. FINANCIAL INSTRUMENTS

21.1 Financial Instruments by category

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

Assets as per balance sheet

	GROUP		
	Loans and receivables R'000	Assets at fair value through profit or loss R'000	Total R'000
2014			
Derivative financial instruments		**4 365**	**4 365**
Trade and other receivables*	**1 227 502**		**1 227 502**
Cash and cash equivalents	**602 666**		**602 666**
Total	**1 830 168**	**4 365**	**1 834 533**
2013			
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	1 826 131

Liabilities as per balance sheet

	Other financial liabilities at fair value through profit or loss and OCI *** R'000	Other financial liabilities R'000	Total R'000
2014			
Borrowings		**1 739 845**	**1 739 845**
Derivative financial instruments	**5 388**		**5 388**
Bank overdraft		**130 193**	**130 193**
Trade and other payables**	**38 232**	**797 821**	**836 053**
Total	**43 620**	**2 667 859**	**2 711 479**
2013			
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

* Prepayments are excluded from the trade and other receivables balance.

** Leave pay, advances received 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)

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

Assets and liabilities as per balance sheet

	COMPANY		
	Loans and receivables R'000	Other financial liabilities R'000	Total R'000
2014			
Short-term loans to subsidiaries	**485 475**		**485 475**
Trade and other receivables*	**211**		**211**
Cash and cash equivalents	**1 486**		**1 486**
Short-term loans from subsidiaries		**(206 924)**	**(206 924)**
Trade and other payables**		**(444)**	**(444)**
Total	**487 172**	**(207 368)**	**279 804**
2013			
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	310 439	(152 270)	158 169

* Prepayments are excluded from the trade and other receivables balance.

** Leave pay, advances received and deferred income are excluded from trade and other payables balance.

*** OCI - other comprehensive income.

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 exchange risk (also refer 21.4.1)

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. When the business wins long term customer tenders or orders that are in a foreign currency the group minimises the potential volatility of the cash flows from these transactions (supplier and customer sides) by 'hedging' through forward exchange contracts. At period end the group is required to mark to market these 'FECs' even though it has no intention of closing them out in advance of their maturity dates. Hedge accounting is not applied unless specifically designated as a cash flow hedge. Hedge accounting is usually applied in the case of foreign business acquisitions such as the 2013 Mutlu business combination.

The group makes use of professional foreign currency management specialists to administer its foreign exchange xposures/contracts.

21. FINANCIAL INSTRUMENTS (continued)

21.2 Financial risk management (continued)

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

	At balance sheet date				Purchase orders not yet reflected liabilities in the balance sheet			
	2014		2013		2014		2013	
	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	(6 367)	(73 482)	(14 970)	(157 107)	2 594	30 151	(4 988)	(50 561)
Euros	1 694	23 391	(4 930)	(71 687)	3 849	54 788	(1 302)	(19 096)
Japanese Yen	403 913	39 114	(325 080)	(32 558)	678 977	65 750	(4 894)	(488)
Great British Pound	82	1 455	6	101	37	714	(10)	(174)
Thai Baht	5 905	2 076	(12 457)	(3 997)	27 125	9 536		
Singapore Dollars	230	2 013	(1)	(7)				
Total		(7 447)		(265 255)		160 938		(70 319)

Amounts in brackets represent liabilities.

Sensitivity analysis	Profit higher/(lower) 2014 R'000	Profit higher/(lower) 2013 R'000
At 31 December 2014, 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 the Mutlu Akü and the mark-to-market valuation of forward exchange contracts.	7 488	3 952
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 of forward exchange contracts.	3 146	2 215
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 of forward exchange contracts.	336	298
Euros		
Mainly as a result of foreign exchange gains/(losses) on translating foreign denominated trade receivables, Euro borrowings in Rombat and trade payables and the mark-to-market valuation of forward exchange contracts.	4 347	8 720
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 of forward exchange contracts.	292	535
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 of forward exchange contracts.	35	76
Romanian Lei		
Mainly as a result of the translation of Rombat results into Rands.	4 096	5 963
Turkish Lira		
Mainly as a result of the translation of Mutlu group results into Rands.	24 676	3 325

21. FINANCIAL INSTRUMENTS (continued)

21.2 Financial risk management (continued)

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 utilise floating rates as it deems appropriate in order to optimise interest savings and reduce volatility in the debt related element of the group's cost of capital. The group has refinanced its borrowing facilities and as part of the refinancing has raised R1.4 billion in preference share funding at 69% of the ruling SA prime rate.

Interest rates on bank overdrafts are disclosed in note 13. Interest rates on other long and short term borrowings are disclosed in note 16.

At 31 December 2014, 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 R9 662 370 (2013: R630 000) 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	
	2014 R'000	2013 R'000
6 months or less	130 187	167 241

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

iii. Price risk

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

The group is exposed to changes in commodity prices, particularly of metals such as lead and copper, which has a significant impact on input costs. The group seeks to mitigate this exposure in a variety of ways including medium term price agreements and advance purchasing. In rare circumstance the group uses derivative commodity hedging instruments, of which is not applicable to the current or prior period.

B. Credit risk

The group is exposed to credit-related losses in the event of non-performance by counterparties to financial instruments. The group considers it has two types of credit risk; operational and financial. Operational credit risk relates to non-performance by customers in respect of trade receivables. Financial credit risk relates to non-performance by banks and similar institutions in respect of cash and deposits, facilities and financial contracts, including forward foreign currency contracts.

Operational

The group supplies automotive parts to predominantly the automotive industry – after-market segment and original equipment manufacturers. As a supplier to automotive original equipment manufacturers (OEMs), the group may have a concentration of amounts outstanding with a single or smaller grouping of customers at any one time. Group revenues consist of 45% (2013: 52%) from OEMs. The credit profiles of such original equipment manufacturers are available from credit rating agencies. The insolvency of, damage to relations or commercial terms with a major customer could impact future results. In the aftermarket segment there are a greater proportion of amounts receivable from small and medium sized customers. This indirectly provides an advantage to concentration in the OEM segment. Refer to note 12 for an analysis of trade receivables and concentration risk.

21. FINANCIAL INSTRUMENTS (continued)

21.2 Financial risk management (continued)

Credit risk and customer relationships are managed in a number of ways within the Group. The granting of credit is controlled by a formal application process and rigid account limits. 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 such as amounts overdue and credit limits. The group has extensive and regular dialogue with key customers and strong commercial relationships. Provisions for doubtful debts are determined based upon the customer's ability to pay and other factors in the group's relationship with the customer. Trade receivables are presented net of the provision for impairment.

Financial

Credit risk is mitigated by the group's policy of selecting counterparties with a strong investment graded long term credit rating. In South Africa, this is usually limited to the 'big 4' retail banks and major investment institutions. In Turkey and Romania, this is usually limited to financial institutions of strong international investment ratings. The maximum exposure to a single bank for deposits in South Africa is R217 million, whilst foreign deposits (held by foreign subsidiaries) and mark to market exposure for forward foreign currency contracts at 31 December 2014 is evenly spread.

The credit quality of financial assets is based on historical counterparty default rules:

	GROUP	
Analysis of credit quality	**2014 R'000**	**2013 R'000**
Trade receivables		
Counterparties are:		
Group 1 - new customers (less than 6 months).	**35 538**	33 685
Group 2 - existing customers (more than 6 months) with no defaults in the past.	**1 076 952**	1 103 567
Group 3 - existing customers (more than 6 months) with some defaults in the past. All defaults were fully recovered.	**1 362**	2 286
	1 113 852	1 139 538
Cash and cash equivalents		
Bank balances were held as follows:		
South African banks*	**398 460**	374 360
European banks**	**6 154**	77 753
Turkish banks**	**198 052**	122 629
	602 666	574 743
Derivative financial assets		
Forward exchange contracts were held as follows:		
South African banks*	**4 365**	15 870

	COMPANY	
	2014 R'000	**2013 R'000**
Loans to related parties - with no defaults in the past and not impaired	485 475	306 258
Bank balances with South African banks*	1 486	4 181

* Rating range from A negative to BBB negative.

** Ratings range from BBB to BBB negative.

NB: Ratings based on the long term issuer default rating from latest available Fitch Ratings at 17 July 2014.

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 of which trade receivables may be minimised by collection of collateral held (refer note 12).

21. FINANCIAL INSTRUMENTS (continued)

21.2 Financial risk management (continued)

C. Liquidity risk

The group is exposed to liquidity risk as part of its normal financing and operational cash cycles. Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities to ensure that sufficient liquidity is available to meet obligations as they fall due and to maintain sufficient flexibility in order to fund investment and acquisition objectives. The group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained.

The group undertook a refinancing of borrowings and facilities in the form of R1 400 million in preference share funding and a revolving credit facility (RCF) for R750 million. The redemption of the preference share funding is based on a pro rata basis over five years with the first repayment of R840 million falling due on 30 September 2017.

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. Approximately R572 million of the new committed RCF was unutilised at balance sheet date.

Details of borrowing including available facilities are disclosed in note 16. Projected operational cash flows are expected to provide adequate liquidity levels.

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 2014						
Borrowings	**1 739 845**	**2 138 910**	**189 145**	**178 411**	**1 771 276**	**78**
Derivative financial liabilities	**5 388**	**5 388**	**5 388**			
Overdraft	**130 193**	**134 000**	**134 000**			
Trade and other payables	**836 053**	**836 053**	**836 053**			
As at 31 December 2013						
Borrowings	1 202 772	1 293 019	248 686	895 933	148 099	301
Derivative financial liabilities	1 492	1 492	1 492			
Overdraft	167 241	167 241	167 241			
Trade and other payables	1 431 030	1 431 030	1 431 030			

Analysis of financial liabilities - maturities (company)

Financial liabilities noted in 21.1 for R207 368 000 (2013: R152 270 000) are all due in less than one year. The contractual cash flows approximate the carrying values. The company has provided guarantees for certain funding provided 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 gross 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 consolidated balance sheet plus net debt.

The gearing ratios at 31 December 2014 and 2013 were as follows:

	GROUP	
	2014 R'000	2013 R'000
Total borrowings (notes 13 and 16)	1 870 038	1 370 013
Less: Cash and cash equivalents (note 13)	(602 666)	(574 742)
Net debt	1 267 372	795 271
Ordinary shareholders' equity	4 139 100	3 687 365
Total capital	5 406 472	4 482 636
Gearing ratio %	23.4	17.7

Debt covenants

The borrowings provided by financiers to the group are subject to covenant measures (refer note 16).

The three covenant measures at balance sheet date are:
- Priority debt covenant not more than 1 times (achieved -0.1 times)
- Interest cover ratio not less than 3.0 times (achieved 11 times)
- Net borrowings to 'adjusted EBITDA' ratio (as defined) shall not exceed 2.5 times (achieved 1.2 times)

Covenant measures at balance sheet date have been met. Covenant measures (on the previous financing to the group) in the prior year was also met.

21.4 Fair value estimation (IFRS 13)

The financial instruments that are measured subsequent to initial recognition at fair value are forward currency contracts. All of these financial instruments are classified as Level 2 fair value measurements, as defined by IFRS 7, being those derived from inputs other than quoted prices that are observable. Derivative financial instruments are discussed further below in note 21.4.1.

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date are classified as level 1, as defined by IFRS 7. Other than the irrevocable offer (squeeze out obligation) for the remaining Mutlu minority shares (of which a 1.5% statutory shareholding is outstanding at balance sheet date), there are no such items applicable to the group. The squeeze out obligation for the minorities was determined on an arm's length regulated basis (MTO process), using the fixed 'MTO' price of TL 9.07 per share, as stipulated by the CMB (Capital Markets Regulatory Board) of Turkey. Mutlu Akü is listed on the Turkish Stock Exchange. The obligation outstanding at year-end amounted to R38.2 million (refer to notes 18 and 28).

Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) are classified as level 3, as defined by IFRS 7. There are no such items applicable to the group for the year.

Bank overdrafts, other short term bank borrowings, bank balances and cash and short term bank deposits approximate to book value due to their short maturities.

For borrowings, the repayments which the group is committed to make have been discounted at the relevant interest rates applicable at 31 December 2014. The current contractual pricing of borrowings approximates the rates that would be available to the group in any event at year-end, taking into account the recent refinancing and re-pricing undertaken by the group (refer note 16).

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			
			2014		2013
			R'000		R'000
At 31 December	**Level**	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Forward exchange contracts and similar instruments - held for trading valued at fair value through profit/(loss)	2	4 365	5 388	15 870	1 492

The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates (market observable / published rates) to terminate the contracts at the 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. The change in value of derivative instruments during the year resulted in a loss of R3.2 million (2013: loss R24.2 million). In the prior year the company made a net gain of R69.5million.

Group:

Cash flow hedge

During the prior year, the group concluded the acquisition of the Mutlu group (refer note 28.1) and the cash flow hedge was recognised as part of the cost of acquisition.

The ineffective portion recognised in the profit or loss that arose from the cash flow hedge amounted to 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	
	2014	2013
	R'000	R'000
Fair value gain in year		110 377

21. FINANCIAL INSTRUMENTS (continued)

Forward exchange contracts

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

	Rand amount '000	Foreign amount '000	Average forward exchange rate	Derivative Asset/ Liability used	Period to maturity
Derivative financial assets					
Imports					
US Dollar	98 567	8 678	11.33	3 138	6 January 2015 - 29 May 2015
Euro	33 854	2 378	14.06	527	5 January 2015 - 1 July 2015
Japanese Yen	36 977	382 391	10.43	527	5 January 2015 - 30 April 2015
	169 398			4 192	
Exports					
US Dollar	12 549	1 078	11.66	40	30 January 2015 - 16 March 2015
Euro	9 710	679	14.22	125	15 January 2015 - 30 January 2015
Great British Pound	1 455	80	18.13	7	15 January 2015 - 30 January 2015
	23 714			172	
Total derivative financial assets				**4 364**	
Derivative financial liabilities					
Imports					
US Dollar	4 224	357	11.75	(52)	30 January 2015 - 31 March 2015
Euro	37 593	2 591	14.38	(995)	16 January 2015 - 15 April 2015
Great British Pound	227	13	18.16	(1)	30 January 2015
Japanese Yen	77 583	749 162	9.65	(4 300)	5 January 2015 - 30 April 2015
	119 627			(5 348)	
Exports					
US Dollar	518	47	17.47	(25)	15 January 2015
Great British Pound	453	26	11.04	(15)	15 January 2015
	971			(40)	
Total derivative financial liabilities				**(5 388)**	

Company:

In 2013 the company obtained foreign exchange contracts in respect of the acquisition of the investment in the Mutlu group (refer note 28.1).

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

		GROUP		COMPANY	
		2014 R'000	2013 R'000	2014 R'000	2013 R'000
22.	**CONTINGENT LIABILITIES**				
	Letters of support in respect of overdrafts of associates				
	Valeo	3 675	3 675	3 675	3 675
	Overdraft facilities in Alfred Teves Brake Systems (Pty) Ltd (ATE) has been secured by a letter of suretyship for R28.5 million (2013: R28.5 million).				
	The group has contingent liabilities in respect of performance guarantees and other related matters such as claims and disputes arising out of ordinary cause of business. Performance and related guarantees amounted to R27.8 million at 31 December 2014.				
	Refer to note 25 for details on subordination agreements with subsidiaries. Certain group subsidiaries provided guarantees for funding, provided to the group, by Standard Bank (Preference shares) and the RCF "lenders" (refer to note 16).				
23.	**COMMITMENTS**				
	Capital commitments	461 729	356 528		
	Contracted:				
	- Plant, machinery, tools, jigs and dies	54 687	68 605		
	Authorised by the directors, but not yet contracted:				
	- Plant, machinery, tools, jigs and dies	407 042	287 923		
	Unexpired portion of operating lease contracts	59 775	82 944		
	- Payable within 1 year	23 036	22 533		
	- Payable later than 1 year and not later than 5 years	36 739	60 411		
		521 504	439 472		

The above commitments will be financed mainly from internal resources as well as from facilities available.

The group leases various offices and warehouses under non-cancellable operating lease agreements. The lease terms are between 5 and 10 years, and the majority of lease agreements are renewable at the end of the lease period at market rate.

The group also leases various plant and machinery under cancellable and non-cancellable operating lease agreements. The group is required to give notice for the termination of these agreements based on the specific terms of agreement. The lease expenditure charged to the income statement during the year is disclosed in note 3.

24. POST-EMPLOYMENT BENEFITS

The group provides post-employment benefits for its employees.

Amounts included in the financial statements comprise of :

	GROUP 2014 R'000	GROUP 2013 R'000
Balance sheet obligation for:		
Post-employment medical benefit (note 24.1)	31 305	29 565
Other post-employment benefits (note 24.2)	78 726	78 120
Liability in the balance sheet	110 031	107 685
Income statement charge included in operating profit for:		
Post-employment medical benefits (note 24.1)	2 960	2 682
Other post-employment benefits (note 24.2)	5 633	
	8 593	2 682
Remeasurements included in other comprehensive income for:		
Post-employment medical benefits (note 24.1) - loss/(gain)	183	(395)
Other post-employment benefits (note 24.2) - loss	13 014	
	13 197	(395)

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' using a number of assumptions.

The amounts recognised in the income statement are as follows:

	GROUP 2014 R'000	GROUP 2013 R'000
Current service costs	547	622
Interest costs	2 413	2 060
	2 960	2 682
Movement in the liability recognised in the balance sheet		
At the beginning of the year	29 564	28 499
Total expense per income statement	2 960	2 682
Contributions paid	(1 402)	(1 221)
Actuarial loss/(gain) recognised in other comprehensive income	183	(395)
At the end of the year	31 305	29 565
The amounts recognised in equity are as follows:		
Recognised actuarial loss/(gain)	183	(395)

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

	Increase R'000	Decrease R'000
Effect on the aggregate of the current service cost and interest cost	2 294	(1 474)
Revised defined benefit obligation	34 533	28 675

Assumptions	2014	2013
The principal actuarial assumptions used were:		
- Discount rate for obligation	8.4%	8.4%
- Healthcare cost inflation	6.4%	6.6%
- Continuation of membership on retirement	100%	100%
- CPI inflation	6.0%	6.1%
- Post-retirement mortality	PA (90)-1	PA (90)-1
- Pre-retirement mortality	SA 85-90	SA 85-90

Assumptions regarding future mortality are set based on actuarial advice in accordance with published statistics and experience.

24. POST-EMPLOYMENT BENEFITS (continued)

24.2 Other post-employment benefits

In accordance with Turkish social legislation, Mutlu is required to make lump-sum payments to current employees whose employment is terminated due to retirement or for reasons other than resignation or misconduct.

Such payments are calculated on the basis of 30 day pay limited to a maximum of Turkish Lira 3 438 (2013: 3 254) per year at 31 December, 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 at the balance sheet date on government bonds (or rates approved by the Turkish capital markets board). Severance payment liability is not subject to any legal funding.

The scheme is unfunded.

	GROUP	
	2014 R'000	2013 R'000
Current service costs	2 758	622
Interest costs	2 875	2 060
	5 633	2 682
Movement in the liability recognised in the balance sheet		
At the beginning of the year	78 122	
Acquisition of subsidiary		81 406
Total expense per income statement	5 633	
Contributions paid	(18 740)	
Actuarial loss recognised in other comprehensive income	13 014	
Currency adjustment	698	(3 286)
At the end of the year	78 727	78 120
The amounts recognised in equity are as follows:		
Recognised actuarial loss	13 014	
The effect of a 1% movement in the discount rate is as follows:	Increase R'000	Decrease R'000
Effect on the aggregate of the current service cost and interest cost	(331)	423
Effect on actuarial (gain)/loss	(6 036)	7 056
Revised defined benefit obligation	72 358	86 204
The principal actuarial assumptions used at balance sheet date are as follows (based on Turkish statistics):		
Annual discount rate	10.00%	9.18%
Inflation rate	6.00%	5.00%
Turnover rate to estimate the probability of retirement	97.24%	99.17%

The principle assumption is that the maximum liability for each year of service will increase in line with inflation.

Maximum pay-out per employee per legislation is subject on a monthly cap of Turkish Lira 3 541 (2013: 3 438) per year of service.

24.3 Pension schemes

The group operates defined contribution pension schemes and contributions are charged against the income statement. The group contributed R58 million (2014: R57 million) to the defined contribution schemes.

	GROUP		COMPANY	
	2014 R'000	2013 R'000	2014 R'000	2013 R'000
25. SUBORDINATION AGREEMENTS				
The company has subordinated a portion of loans receivable from the following subsidiaries in favour of and for the benefit of, the other creditors of the subsidiaries to the extent that the aforementioned subsidiaries liabilities exceed total assets.				
Total loan amount receivable:				
Smiths Plastics (Pty) Ltd (Smiths Plastics)			167 450	147 000
Metair Management Services (Pty) Ltd (MMS)			483 912	288 684
			651 362	435 684

The company has also subordinated its claims against subsidiaries in respect of the RCF and preference share facilities in favour of the lenders.

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 judgements, 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.

Insurance proceeds relating to the subsidiary fire (note 3)

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.

Asset useful lives and residual values (note 7)

Property, plant and equipment are depreciated over its useful life taking into account residual values where appropriate. The actual useful lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In reassessing asset useful lives, factors such as technological innovation, product lifecycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

Goodwill impairment testing (note 8)

The group tests annually whether goodwill (including indefinite life intangibles) has suffered any impairment, in accordance with the accounting policy. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates. Key estimates include growth and discount rates (WACC) applied. Future cash flows (earnings) expected to be generated by Mutlu and Rombat (CGUs) are projected, taking into account factors such as market conditions and earnings growth. Sensitivity analyses are also performed and the results can be found in note 8.

Consolidation of Smiths Manufacturing (Smiths) (note 9)

Metair owns 75% 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 this company. The assessment is based on the fact that the decision-making power of the other shareholder (NCI) is considered to be protective in nature. Consequently, this investment is classified as a subsidiary.

26. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

Hesto accounted for as an associate (note 10)

Metair owns 74.9% of Hesto. However, the shareholder's agreement stipulates that unanimous consent is required for all decisions relating to the relevant activities of Hesto (de facto majority vote). The other shareholder also has a currently exercisable and substantive option (call option) that results in Metair accounting for the investment as an associate.

The call option held would benefit the other shareholder through additional voting rights acquired from its exercise. The other shareholder currently holds 25.1% shareholding in Hesto and the option will allow an increase to either 50.1% or 100% shareholding.

The unanimous consent required for decision-making is a clear indication that Metair does not control Hesto. Although unanimous consent usually indicates joint control, the impact of the call option results in the relationship being one of an associate. Metair therefore applies equity accounting to Hesto and has applied the disclosure requirements of IFRS 12 in respect of summarised information on associates.

IFRS 2 - Equity-settled schemes (note 14)

IFRS 2 charges, determined by reference to the fair value of options granted, are calculated in terms of the group's accounting policy and is based on option pricing models for the share option scheme in operation. The charge is based on assumptions applied at grant date to the valuation models. These include (amongst others) the risk-free interest rate, Metair share price volatility and dividend yields.

Fair value determination at grant date includes market performance conditions (such as share price), excludes the impact of any service and non-market performance vesting conditions (such as employment period conditions and profitability) and includes the impact of any non-vesting conditions.

At the end of each reporting period, the group revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions and service conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

Deferred tax assets recognised on assessed losses (note 17)

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

Assessing the recoverability of deferred income tax assets requires the group to make 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.

Warranties (note 19)

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.

Post-employment benefits (unfunded) (note 24)

Through its defined benefit termination plans and post-employment medical plans, the group is exposed to a number of risks, the most significant of which are detailed below:

Changes in discount rates
A decrease in discount rates will increase plan liabilities. The group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the post-retirement benefit obligations. In determining the appropriate discount rate, the group considers the 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 the terms of the related post-retirement benefits.

Inflation risk
Some of the group's pension and medical aid obligations are linked to general and medical aid inflation, and higher inflation and medical costs will lead to higher liabilities.

Life expectancy
The majority of the plans' obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plans' liabilities.

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 at 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 166. 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 shareholding of the company can be found on pages 74 to 75.

The Royal Bafokeng Metair Trust, holds 24 903 569 (2013:37 911 325) ordinary shares at a shareholding of 12.52% (2013: 19.05%). Dividends paid by the company to the Royal Bafokeng Metair Trust amounted to R26 537 928 (2013: R36 015 758). The outstanding balance receivable from the Royal Bafokeng Metair Trust amounted to R211 748 (2013: R154 101).

	GROUP	
	2014 R'000	2013 R'000
The group entered into the following transactions with its equity partner in Smiths:		
Purchases of goods and services	42 450	47 896
Dividend paid	32 181	16 902
Outstanding balance at year-end	1 176	349
The group entered into the following transactions with its associates:		
Hesto		
Purchases from group companies	103 703	98 822
Sales to group companies	1 993	113
Management fees paid to group companies	558	532
Management fees received from group companies	276	132
Outstanding balance to group companies	4 066	3 607
Outstanding balance from group companies	156	71
Valeo		
Purchases from group companies	42 851	28 057
Rental paid to group companies	1 065	1 053
Management fees paid to group companies	1 402	1 288
Outstanding balance to group companies	2 019	1 621
Vizirama		
Outstanding balance to group companies	1 523	
Tenneco		
Sales to group companies	3 721	

The company has provided limited letters of support and guarantees to certain subsidiaries within the group (refer note 25).

28. BUSINESS COMBINATIONS

28.1 Mutlu group (2013 Acquisition finalised)

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 equipment 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. Final goodwill of R568.7 million (provisional: 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 fair values of net assets acquired were provisional at 31 December 2013.

These values have been finalised and are summarised below.

The following table summarises the consideration paid for 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	**Final 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)	**(158 524)**
Trade and other payables	**(182 275)**
Net deferred taxation (refer note 17)	**(312 397)**
	(950 201)
Total identifiable net assets	**2 321 965**
Goodwill	**568 685**
Purchase consideration (including currency hedging)	**2 890 650**
Acquisition of subsidiary - cash flow on acquisition	
Purchase consideration (including currency hedging) - cash portion	**2 210 972**
Cash and cash equivalents acquired	**(84 784)**
Net cash flow on acquisition	**2 126 188**
Cash settlements - 2014	
Settlement of acquisition vendor payable	**67 890**
MTO settlement	**525 802**
Cash outflow	**593 692**

28. BUSINESS COMBINATIONS (Continued)

28.1 Mutlu group (2013 Acquisition Finalised) (Continued)

Transaction-related costs included in administration expenses in the income statement amounted to R78.1 million for the year ended 31 December 2013. For the purposes of the cash flow statement, transaction costs have been reclassified to operating from investing activities (refer note 29).

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.

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 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	
- Revenue	**2 276 202**
- Attributable profit	**146 817**
Reconciliation of provisional to final fair values	
Total identifiable net assets - provisional	**2 346 953**
Adjustments to fair values (resultant increase to goodwill)	**(24 988)**
Provisions - Long service awards recognised	**(31 235)**
Deferred taxation	**6 247**
Final fair values reported during the current year	**2 321 965**

28. **BUSINESS COMBINATIONS (Continued)**

28.2 **Transactions with non-controlling interests (NCI)**

The group carried out transactions with the NCI of Mutlu Akü. Following closure of the MTO process on 11 March 2014, the group formally acquired 21.43% out of the remaining 25% from NCI.

Effectively the group sold 3.57% of its shareholding back to NCI since not all shares were taken up. During the period 18 March 2014 to 1 July 2014 the group acquired a 0.29% shareholding for R7 million.

On 18 July 2014, the group applied its 'squeeze-out' right to re-acquire all the remaining shares from NCI and, on this date, an obligation for R85 million was raised for the remaining 3.28% in Mutlu Akü. The summarised effects on group equity are as follows:

	GROUP	
	2014 R'000	2013 R'000
a) Deemed disposal to non-controlling interest (dilution in shareholding) following MTO closure		
11 March 2014		
Carrying amount of NCI re-instated	(68 629)	
Consideration received from NCI (write-back of remaining MTO liability carried over)	71 519	
Movement in NCI	2 890	
b) Acquisition of additional interest		
18 March 2014 to 1 July 2014		
Carrying amount of NCI acquired	5 612	
Consideration paid to NCI	(7 282)	
Movement in NCI	(1 670)	
c) Squeeze out of remaining interest (deemed acquisition of remaining interest)		
18 July 2014		
Carrying amount of NCI acquired	63 017	
Liability raised for consideration payable to NCI (written put obligation)	(85 094)	
Movement in NCI	(22 077)	
The net movement in the changes in ownership reserve and equity of the group is summarised as follows:		
a) Deemed dilution in shareholding (MTO closure)	2 890	
b) Acquisition of additional interest	(1 670)	
c) Deemed acquisition of remaining interest (minority squeeze-out)	(22 077)	
	(20 857)	
Cash settlements - 2014		
Acquisition of additional interest	7 282	
Portion of NCI acquired - squeeze out	46 862	
Cash outflow	54 144	

29. Prior period adjustment restatements

29.1 Reclassification of cash flows on the treatment of transaction costs on acquisition of Mutlu

Metair acquired Mutlu in the prior financial year. Transaction costs amounting to R78 million associated with the transaction were classified as part of investing activities in the statement of cash flows. These transaction costs have been reclassified to operating activities.

The previously reported and restated line items and total cash flows are shown in the table below:

	As Previously Reported 2013 R'000	Adjustment 2013 R'000	As Restated 2013 R'000
Net cash inflow from operating activities	**436 332**	**(78 058)**	**358 274**
Cash generated from operations	665 908	(78 058)	587 850
Net cash outflow from investing activities	**(2 302 625)**	**78 058**	**(2 224 567)**
Acquisition of subsidiary	(2 204 246)	78 058	(2 126 188)

The restatement had no impact on the net movement in cash resources, nor the balance thereof.

29.2 Finalisation of fair values on acquisition of Mutlu

The acquisition of Mutlu in the prior financial year was determined on a provisional basis as per IFRS 3 paragraph 45 and has been finalised in the current financial year. The comparative balance sheet has been restated to reflect the finalised numbers processed. Further information including a reconciliation of the provisionally determined fair values of assets and liabilities, arising on acquisition, to the final fair values can be found in note 28 – Business combinations. The finalisation had no impact on previously reported profit.

INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

AS AT 31 DECEMBER 2014

	Type	Issued share capital		% Direct/ (indirect) interest		Direct/ (indirect) cost of shares less impairment	
		2014 R'000	2013 R'000	2014 %	2013 %	2014 R'000	2013 R'000
SUBSIDIARIES							
Motor component manufacturing							
Smiths Manufacturing (Pty) Ltd	ordinary			(75.0)	75.0	(4 500)	4 500
Metindustrial (Pty) Ltd	ordinary	500	500	(100.0)	100.0		
Lumotech (Pty) Ltd	ordinary	1 200	1 200	(100.0)	100.0	(20 000)	20 000
Smiths Plastics (Pty) Ltd	ordinary			(100.0)	100.0	(28 194)	28 194
Unitrade 745 (Pty) Ltd	ordinary			(100.0)	100.0		
Smiths Electric Motors (Pty) Ltd	ordinary			(75.0)	(75.0)		
First National Battery Industrial (Pty) Ltd	ordinary			(100.0)	(100.0)		
Tlangi Investments (Pty) Ltd	ordinary			(100.0)	(100.0)		
Automould (Pty) Ltd	ordinary	2	2	(100.0)	(100.0)	(25 477)	
Alfred Teves Brake Systems (Pty) Ltd	ordinary	15	15	(100.0)	(100.0)	(15)	
Rombat SA**	ordinary	76 010	76 010	(99.4)	(99.4)	(437 393)	(437 393)
Management services							
Metair Management Services (Pty) Ltd	ordinary			100.0	100.0		
Business Venture Investments No 1217 (Pty) Ltd	ordinary			100.0	100.0		
Inalex (Pty) Ltd	ordinary	493 695	93 592	100.0	100.0	493 695	493 695
Metair International Cooperatief U.A.*	ordinary	3 431 376	2 835 818	(100.0)	(100.0)	(3 431 376)	(2 835 818)
Nikisize (Pty) Ltd		52 695		(100.0)		(52 695)	
Metair Akü Holding Anonim Şirketi***	ordinary	2 981 780	2 316 259	(100.0)	(100.0)	(2 987 107)	(2 391 549)
Properties							
SMSA Property (Pty) Ltd	ordinary	3 000	3 000	(75.0)	(75.0)		
ILM Investments (Pty) Ltd	ordinary	1	1	(100.0)	(100.0)		
Honeypenny (Pty) Ltd	ordinary			(100.0)	(100.0)	(6 850)	
Climate Control Properties (Pty) Ltd	ordinary	2	2	(100.0)	(100.0)	(2)	
Direct interest						493 695	546 389
Indirect interest						(6 993 609)	(5 664 760)
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	49.0	49.0	2 793	2 793
Toyoda Gosei (Pty) Ltd	ordinary	1	1	(20.0)	(20.0)	(1 250)	(1 250)
Vizirama 112 (Pty) Ltd	ordinary			33.0	33.0		
Eye2square Innovations (Pty) Ltd	ordinary			(20.0)	(20.0)	(5 000)	(5 000)
Direct interest						2 793	2 794
Indirect interest						(6 251)	(6 250)

INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

CONTINUED

All subsidiaries and associates are incorporated in South Africa except for:

*   Metair International Cooperatief U.A. - Netherlands

** Rombat SA - 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 (Plastik)
- Metropol Motorlu Tasitlar Kiralama Anonim Şirketi (Metropol)

Are 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 owing by/(to) subsidiaries before impairment:	2014 R'000	2013 R'000
Metair Management Services (Pty) Ltd	483 912	288 684
Inalex (Pty) Ltd	1 486 307	1 483 612
Lumotech (Pty) Ltd	57 983	70 529
Unitrade 745 (Pty) Ltd		5 312
Alfred Teves Brake Systems (Pty) Ltd	1 563	
Smiths Plastics (Pty) Ltd	167 451	181 950
Business Venture Investments 1217 (Pty) Ltd	(206 924)	(138 278)
Metair Share Trust		12 108
	1 990 292	1 903 917

NOTICE TO SHAREHOLDERS

METAIR INVESTMENTS LIMITED

(Incorporated in the Republic of South Africa)
(Registration number: 1948/031013/06)
JSE share code: MTA ISIN: ZAE000090692
(Metair or company)

NOTICE TO SHAREHOLDERS

Notice is hereby given that the annual general meeting of shareholders of Metair will be held in the conference room, AstroTech Conference Centre, Cnr Anerley Road, Parktown, Johannesburg, on Wednesday, 6 May 2015, at 14:00 for the following purposes:

Ordinary business

To present the audited annual financial statements, which include the directors' report and the audit committee report, for the year ended 31 December 2014, 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 auditor's and director's reports.

Ordinary resolution number 1

Resolved that Mr OME Pooe, 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 30 of the integrated annual report for a brief curriculum vitae of Mr OME Pooe), be and is hereby re-appointed as a director of the company.

Ordinary resolution number 2

Resolved that Mr RS Broadley, who retires in terms of the provisions of the MOI, but, being eligible and has offered himself for re-election (refer to page 31 of the integrated annual report for a brief curriculum vitae of Mr RS Broadley), be and is hereby re-appointed as a director of the company.

Ordinary resolution number 3

Resolved that Mr L Soanes, who retires in terms of the provisions of the MOI, but, being eligible and has offered himself for re-election (refer to page 30 of the integrated annual report for a brief curriculum vitae of Mr L Soanes), be and is hereby re-appointed as a director of the company.

Ordinary resolution number 4

Resolved that Mr S Douwenga, who retires in terms of the provisions of the MOI, but, being eligible and has offered himself for re-election (refer to page 30 of the integrated annual report for a brief curriculum vitae of Mr S Douwenga), be and is hereby re-appointed as a director of the company.

Ordinary resolution number 5

Resolved that PricewaterhouseCoopers Inc., with the designated audit partner being Mr G Hauptfleisch, be and is hereby appointed as the independent auditors of the company for the ensuing year as recommended by the audit and risk committee (committee) of the board.

Ordinary resolution number 6

Resolved that, subject to their applicable reappointments as directors in terms of the resolutions proposed above, 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) Mr DR Wilson, as a member of the committee,
each of whom are independent non-executive directors of the company.

Special business

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

Ordinary resolution number 7

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 9 843 878 ordinary shares, representing 5% 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 in 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 8

Resolved as an ordinary resolution that the company's remuneration policy and its implementation, as set out in the Remuneration Report contained in the integrated annual report (refer to page 70 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 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 2015 to 31 December 2015 (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 2015 and ending 31 December 2015.

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 Listings 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 the board 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 7 August 2014, 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 in any one financial year;
(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 and approved by the JSE prior to the 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 of the company deem such repurchases to be appropriate, having regard for prevailing market and business conditions; and
(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.

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.

Major shareholders of the company – refer to page 74 of the integrated annual report.

Stated capital – refer to page 130 of the integrated annual report.

Directors' responsibility statement

The directors, whose names are given on page 30 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 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, 20 March 2015, 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 Thursday, 30 April 2015, 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, 22 April 2015.

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 Monday, 4 May 2015 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

Company secretary
Johannesburg
25 March 2015

Registered office
Metair Investments Ltd
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

METAIR INVESTMENTS LIMITED
(Incorporated in the Republic of South Africa)
(Registration number 1948/031013/06)
JSE share code: MTA ISIN: ZAE000090692
(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 Ltd in the shareholder's own name (entitled shareholders).

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

A shareholder entitled to attend and vote at the meeting may appoint one or more proxies of his/her own choice to attend, speak, and, on a poll, vote in his/her stead at the annual general meeting of the company to be held at 14:00 on Wednesday, 6 May 2015 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 OME Pooe as a director	☐	☐	☐
2. Re-election of Mr RS Broadley as a director	☐	☐	☐
3. Re-election of Mr L Soanes as a director	☐	☐	☐
4. Re-election of Mr S Douwenga as a director	☐	☐	☐
5. Re-appointment of auditors	☐	☐	☐
6. Appointment of group audit committee members			
a. Re-election of Mr JG Best as chairman of the audit and risk committee	☐	☐	☐
b. Re-election of Mr L Soanes as member of the audit and risk committee	☐	☐	☐
c. Re-election of Mr DR Wilson as member of the audit and risk committee	☐	☐	☐
Special business:			
Ordinary resolution number 7: Placing of unissued shares under the control of the directors	☐	☐	☐
Ordinary resolution number 8: 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 ______________________ 2015

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) Ltd, Ground Floor, 70 Marshall Street, Johannesburg, 2001 or at PO Box 61051, Marshalltown, 2107) by no later than Monday, 4 May 2015 at 14:00.

Please read the notes on the reverse side hereof.

NOTES TO THE FORM OF PROXY

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) Ltd, 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, 29 April 2015.

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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METAIR
INVESTMENTS LIMITED
automotive | industrial | retail