METAIR

INVESTMENTS LIMITED

automotive | industrial | retail

INTEGRATED ANNUAL REPORT 2015

METAIR AT A GLANCE

Metair manufactures, distributes and retails products produced in South Africa, Turkey and Romania through a dedicated retail network and to original equipment manufacturers mainly in Africa, Europe, Turkey, the Middle East and Russia.

The redesign of the group over the last ten years has resulted in two distinct vertical business units, namely energy storage and automotive components.

In October 2015, the group acquired a distribution company, Dynamic Battery Services, which also gives us a presence in the United Kingdom.

Energy storage products include:	Automotive component products include:
• automotive and industrial batteries • solar systems • back-up systems • standby systems • charging systems • battery distribution networks	• air-conditioning and climate control systems, cooling modules, washer systems, charge air coolers and reserve tanks • radiators • air cleaners • wiper systems • electronic control units • starter motors • hydraulics, brake pads, brake discs and brake shoes • coil springs, leaf springs, stabiliser and torsion bars • headlights, tail lights, reflectors, commercial lighting, streetlights and warehouse lights • plastic injection mouldings, plastic bins/storage and chrome plating on plastics • automotive cable, automotive wire and wiring harnesses • combination meter/instrument clusters • front-end modules, shock absorbers, struts and track control arms

Theme of the 2015 Integrated Annual Report

IAL – Intelligent adaptive leadership

Every year, Metair's integrated annual reports are presented in alignment with a theme that represents where the company is and where it is going. The theme for the 2015 report is creativity and innovation, which is represented on the cover image.

The cover image shows a painting on an easel in a factory and serves to recognise the spirit of creativity and innovation of the man who founded Metair more than 50 years ago, Dr Albert Wessels. In creating a painting from a blank canvas, the artist is challenged to marry their ideas and materials to create an image that reflects the roots, origin, legacy and the first products manufactured by the entrepreneur. In the same way, Dr Wessels had to bring his vision to life – his vision for Metair was to be the best vehicle and components manufacturer in South Africa.

Building a business is like building a factory, but the foundations of an exceptional business draw their strength not only from intelligent design but also from sound principles. Metair's principles are etched into the bricks of the wall of the factory in the image, and these include respect for people and the environment, ethical leadership and our other guiding values. Business operates in fast and continually changing conditions. By ensuring that we remain rooted in sound principles and fostering an environment that stimulates creativity and innovation, we can adapt quickly and align to new trends, requirements and expectations as these arise. It is this ability that made it possible to successfully redesign the business and develop a second business vertical in the group, namely the energy storage vertical.

Today the energy storage vertical is the main business vertical in the group and operates internationally in the EMEA market.

Mutlu Akü integration concluded

Battery research and development centre **established**

Excellent progress on delivery of the **group strategy**

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ABOUT THIS REPORT

Metair's 2015 integrated annual report presents an overview of Metair's activities for the period 1 January to 31 December 2015 and includes information up to the date of this report where this is relevant to stakeholders.

The report has been drafted to provide stakeholders with an overview of the group's strategy and how this aims to address the most significant risks Metair faces, realise the opportunities it has identified and create value in the long term. The report aligns with Metair's integrated approach to doing business by presenting the group's material financial aspects alongside the environmental, social and governance issues that could have a significant impact on the long-term success of the group and its stakeholders.

Material aspects are identified and prioritised from a combination of the risk assessment process, stakeholder inputs and a review of regulations, guidelines, media and peer reports. This process is more fully described on page 31 of this report.

In October 2015, the group acquired the UK-based distributor Dynamic Battery Services, which is included in the financial results for three months, although the impact of this inclusion is not material at this stage and therefore is not included in the non-financial sustainability information presented in the report, such as human resources statistics and environmental performance. Metair also disposed of its 20% shareholding in a non-core associate Toyoda Gosei during the year.

Segmental reporting has been changed to reflect the current reality of the business, which is grouped into an energy storage vertical and an automotive component vertical. Comparatives are provided for the previous year in the segmental disclosures, but not for years before 2014.

Apart from the Dynamic and Toyoda Gosei transactions, and the change to segmental reporting, there have been no significant changes to Metair's business that affect the comparability of its reporting against the 2014 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. Financial information is included for all subsidiaries and associates in accordance with International Financial Reporting Standards. However, 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 51 includes all South African subsidiaries and their material holdings, but excludes Rombat, Mutlu Akü and Dynamic. Hesto is reported on in the annual financial statements as an associate, but is included fully in the non-financial reporting as Metair is responsible for the day to day management of the company.

In preparing this report, Metair has been guided by the recommendations of the International Integrated Reporting Council's (IIRC) Integrated Reporting <IR> Framework as it applies to its business. The presentation of sustainability information aligns with the Global Reporting Initiative (GRI) G4 reporting guidelines although Metair does not report in accordance with the guidelines. A copy of Metair's Sustainability Data Transparency Index report is available on its website.

The sustainability information included in this integrated report has been externally assured by Integrated Reporting and Assurance Services and their report appears on page 84.

All targets, intentions and forecasts stated in this report are accurate based on the information available to Metair at the time of writing. Metair is well aware that these may be invalidated should conditions change significantly and will report on the progress in its 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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HIGHLIGHTS

Revenue increased 6.3% to **R7.7 billion**

Most of the South African subsidiaries at **B-BBEE Level 3**

Strong results from **FNB**

Increased customer sales **focus**

Dividend per share of **70 cents** declared in 2016 in respect of the 2015 financial year

Group carbon footprint **decreased marginally by 0.3%**

Excellent progress on **delivery of the group strategy**

Metair International Batteries (MIB) launched and continues to **execute the sale of** spare battery capacity

Headline earnings per share decreased 18% to **248 cents** per share

Mutlu Akü integration concluded as per schedule

Battery research and development centre **established**

Good results for Mutlu Akü in Turkey

Exports from Turkey challenged due to geopolitical challenges

WHO WE ARE

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

The group's operations manufacture, assemble, distribute and retail energy storage products and automotive components in Africa, Europe, Turkey, the Middle East and Russia.

The redesign of the business over the last ten years has established the strong energy storage vertical.

In prior reporting periods, we disclosed segmental information according to the previously dominant market segments – original equipment, aftermarket, non-automotive and a property segment. The newly established energy vertical refocussed the way we manage our business and we now disclose segmental information in energy storage and automotive component verticals.

Energy storage

The energy storage segment manufactures batteries for automotive, telecoms, utility, mining, retail and materials/products handling sectors. Automotive batteries are mainly supplied to the aftermarket through our unique aftermarket distribution channels and franchised retail networks, and are supplied to automotive original equipment manufacturers (OEMs).

Aftermarket products are also exported to approximately 46 destinations across Africa, Europe, the Middle East, Russia and Turkey. Non-automotive products are mainly sold into sub-Saharan Africa and Turkey.

Metair supplies batteries to all major OEMs in South Africa, Europe, Romania, Turkey and Russia through subsidiaries in Romania (Rombat), Turkey (Mutlu Akü) and South Africa (FNB). Key territories include Romania, Russia, South Africa, Turkey and Slovakia.

Automotive components

Automotive components include original equipment (OE) components used in the assembly of new vehicles by OEMs as well as spare parts and other products used in the automotive aftermarket. These include 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.

OUR KEY BUSINESSES

LOGO	COMPANY	OWNERSHIP	KEY BUSINESS AREA AND PRODUCTS	OE DESIGN PARTNERS WITH IP IN PRODUCT DEVELOPMENT	MANUFACTURING PARTNERSHIPS	KEY OE RELATIONSHIPS
	Mutlu Akü	100.0%	Batteries, solar systems, backup systems, standby systems, charging systems	✓		
	First National Battery	100.0%	Batteries, solar systems, backup systems, standby systems, charging systems, Battery Centre franchise	✓		
	Rombat	99.40%	Batteries, solar systems, back-up systems, standby systems	✓		
	Supreme Spring	100.0%	Coil springs, leaf springs, stabiliser bars, torsion bars	✓		
	ATE	100.0%	Brake pads, brake discs, brake shoes, hydraulics and other braking components	✓		
	Lumotech	100.0%	Headlights, tail lights, reflectors, plastic injection mouldings, commercial lighting e.g. streetlights and warehouse lights	✓		
	Tenneco Automotive	25.10%	Shock absorbers, struts, track control arms		✓	
	Hesto Harnesses	74.90%	Wiring harnesses, instrument cluster/ combination meter		✓	
	Valeo SA	49.0%	Front end modules		✓	
	Smiths Plastics	100.0%	Plastic injection moulding		✓	
	Automould	100.0%	Plastic injection moulding		✓	
	Smiths Manufacturing	75.0%	Air-conditioning and climate control systems, air cleaners, radiators, wiper systems, ECUs, washer systems, charge air coolers, reserve tanks		✓	
	Unitrade	100.0%	Automotive cable, automotive wire	✓		
	Dynamic Battery Services	100.0%	National and international distribution of key battery group products			

OUR BUSINESS MODEL

INPUTS

Capital	Inputs	Metair manufacturing operations
FINANCIAL CAPITAL	MONEY • R642 million reinvested in the group	**METAIR MANUFACTURING OPERATIONS**
MANUFACTURING CAPITAL	MACHINE • Investments to increase capacity and efficiency • Steel and alloys used in manufacturing products • Plant and equipment	
HUMAN CAPITAL	MAN • 6 801 skilled employees in three countries of operation	7.2 MILLION AUTOMOTIVE BATTERIES PRODUCED
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	OVER 1.8 MILLION CARS SUPPLIED WITH ENERGY STORAGE AND AUTOMOTIVE COMPONENTS
NATURAL CAPITAL	MATERIAL • Electricity, water and air • Lead and other base metals	

OUTPUTS

ENERGY STORAGE SOLUTIONS TO OEMs, AFTERMARKET AND NON-AUTOMOTIVE MARKETS

- R2 487 million in value created for stakeholders
- R1 452 million in remuneration distributed to employees
- Dividend of 70 cents per share declared

- Capital expenditure of R497 million
- Technical R&D centre at Mutlu Akü established

- Group LTIFR improves to 1.39
- Absenteeism rose slightly to 3.2%
- Staff attrition increased to 21%

- R15 million invested in skills development
- Technical teams visit other operations to share best practice
- Metair International Batteries (MIB) launched

AUTOMOTIVE COMPONENTS TO OEMs AND AFTERMARKET

- R21.4 million invested in CSI projects
- Group cumulative B-BBEE score improves 28 points
- Eight of nine South African operations at Level 3 or below

- 587 363 kilolitres of water consumed
- Electricity consumption per person hour worked decreased 4.7%

OUR STRATEGY

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

MET

MANUFACTURING
EXCELLENCE
TECHNOLOGY

***a**utomotive*
***i**ndustrial*
***r**etail*

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Delivery on our strategy is evident in the balance we have brought to our business by growing our aftermarket business (batteries and aftermarket components) to the extent that it now contributes in excess of 50% of our revenue, with the remaining portion generated from our traditional original equipment business.

The execution of our strategy is linked to a culture of excellence and Metair is historically intricately linked with manufacturing excellence, which is essential to meet the exacting quality and reliability required of our products. Given the highly competitive markets in which we operate, manufacturing excellence is also critical to achieving the efficiencies necessary to generate sustainable economic returns, and with the effective rebalancing of our business, delivery on our strategy into the future requires the expansion of our excellence horizon to include marketing excellence.

This expansion of our manufacturing excellence to marketing excellence supports the shift in our business to a focus on energy storage products (batteries) for automotive, industrial and retail applications.

Metair was formed in 1948 and started to supply automotive components to a single OEM in South Africa in 1964. As Metair has grown, our strategy has evolved to meet the challenges of competing in the global automotive industry. Today, 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 five years.

Our strategy aims to achieve these goals by addressing seven key strategic focus points, which are discussed below.

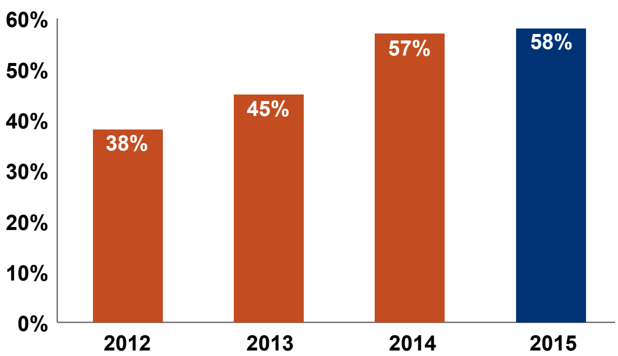
1. Balance business by building and expanding the energy storage vertical

Since 2006, we have focussed on ensuring the company's sustainability by diversifying our revenue streams across original equipment manufacturers (OEMs) and automotive component lines, adding aftermarket and non-automotive products, and moving into new markets. We have also looked to balance revenue between components and batteries, as well as balancing the need to generate acceptable financial returns for our stakeholders with our environmental and social responsibilities.

Our acquisitions in Romania (2012) and Turkey (2013) 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 a car parc 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. The acquisition of Dynamic Battery Services (2015) gives the group entry into the UK, where around 1.6 million cars are produced a year, and which has an aftermarket opportunity in the 32 million vehicles on its roads.

We set a target in 2010 to achieve our '3 x 50' vision - 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. The successful integration of Rombat and Mutlu Akü helped us achieve this vision at a group level and our focus now shifts to further build and expand the energy business.

Revenue contribution from energy storage



In 2015 we established Metair International Battery (MIB) as the international battery sales company for Mutlu Akü, Rombat and First National Battery with a focus on strategic OEM customers in the region.

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

While our first strategic focus area has reduced our overall reliance on the automotive components business, OEMs remain extremely important customers. This is the business that Metair was founded on and it supports improved product quality, delivery and cost-competitiveness. We also benefit through technical exchanges that enhance our manufacturing expertise and through the long OE product lifecycles that make production volumes and revenues generally predictable. Our goal is to secure replacement business with our current OEM customers at economic rates.

South Africa's Automotive Production and Development Programme (APDP) has brought structural integrity and stability to the local automotive market until 2020. The review of the APDP in 2015 broadened access to the programme for smaller producers and indications are that the programme that follows the APDP after 2020 will be similarly conducive to continued OE manufacture in the country. 2015 also saw the announcement of significant capital investments into South Africa by BMW, Volkswagen, Isuzu and other new entrants.

South African vehicle production increased 10% to 584 000 in 2015 (2014: 533 000). Exports increased 21% to 331 000 however total vehicle sales declined 4.2% to 589 000. NAAMSA's forecast for South African production in 2016 is 620 000 vehicles, an increase of 7% on 2015 production. While the APDP has aggressive industry growth targets it now seems likely that South African vehicle production levels will remain around current levels for the duration of the programme.

Vehicle production in Romania decreased to 387 000 vehicles (2014: 391 000) and Turkey produced 1.41 million vehicles (2014: 1.22 million).

Nurturing the OE business requires us to be where vehicles are manufactured. Through our presence in Romania, Turkey and now the UK, we can grow our existing OE relationships into much larger new markets. Just over 20 million vehicles were produced in Europe in 2014 – nearly a quarter of global production.

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 that 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 pressure margins. Cost management becomes extremely challenging when the manufacturing environment is destabilised by labour disruptions and interruptions to electricity and water supply.

THE AUTOMOTIVE PRODUCTION AND DEVELOPMENT PROGRAMME (APDP)

The APDP came into effect in 2013, supporting OEMs and automotive component manufacturers and creating 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 2015, the government concluded its review of the APDP and made minor amendments, including reducing the volume hurdle to attract lower volume producers.

OUR STRATEGY CONTINUED

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 unsuitable 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.

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. This market is far larger than the annual volumes of OE production as it is effectively the entire region’s car parc – the total vehicle population on the road.

The parts replacement cycle starts between two and four years after a vehicle is manufactured and 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 pool of imported vehicles 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 tripled 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. 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 respective domestic markets.

5. Grow our Africa footprint

Africa represents an attractive market with its large population, solid forecast economic growth and relatively low current levels of automation. 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 local auto manufacturers. 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.

Our strategy is to partner with local companies in these countries to leverage local knowledge and structures rather than establishing greenfields operations. While there are a number of intriguing opportunities under investigation, we prefer to take a conservative approach before committing the group.

6. Focus on transfer of battery technologies

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.

The group has established a research and development facility in Turkey – Battery Technology Centre – that centralises battery research and development in the group and also engages with the other production facilities to ensure that leading practices in the group are spread to each operation. A tool is being prepared to enable comparison of overall efficiencies between the battery companies and to align technical reporting. MIB aims to partner with OEMs in Europe in the development of the next generation of energy storage 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.

During 2015 various training and awareness programmes and other initiatives were held to entrench custodianship and ethical values in the group. These include a sustainability conference, the annual ethics questionnaire sent to subsidiaries and a social and ethics dashboard to enhance reporting and performance assessment that are currently being developed.

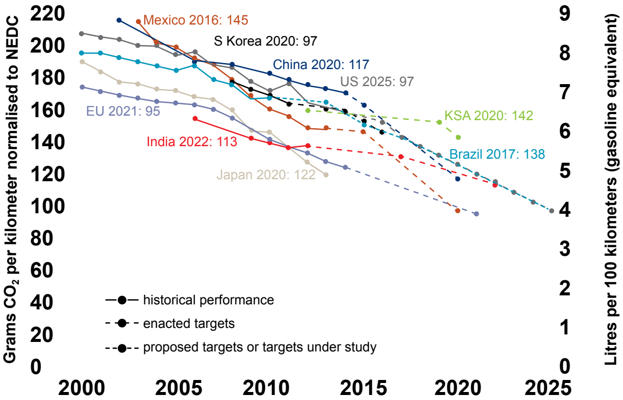
START/STOP BATTERIES

Stringent global automotive CO_2 emission regulations require OEMs to find ways to continually improve fuel efficiency and investigate alternative technologies to reduce emissions. European regulations have the most ambitious reduction targets, with 2015 signalling roughly the halfway point on the trajectory to emissions of below 95gCO_2/km.

While hybrid and full electrical vehicles produce little or no CO_2 emissions, these vehicles make up only a small fraction of total sales in developed markets, with the proportion being even lower in the developing world.

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 rely on auxiliary lead-based batteries to power comfort features, redundancy and safety features and are likely to continue to do so in the medium term.

Passenger car CO_2 emissions and fuel consumption normalised to NEDC



** Note that Japan has already exceeded its 2020 statutory targets, as of 2013.*

Updated September 2015
Details at
www.theicct.org/info-tools/global-passenger-vehicle-standards

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. Metair's 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.

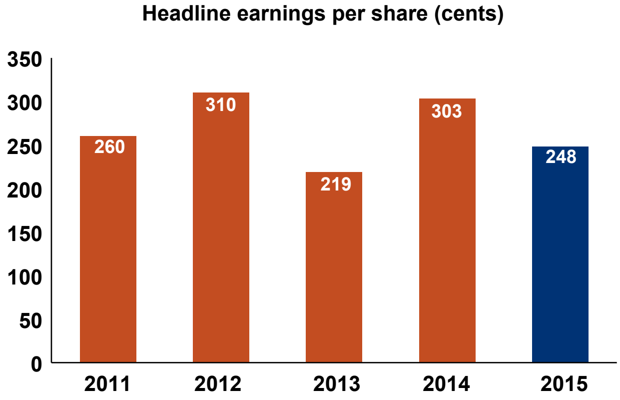
FINANCIAL HIGHLIGHTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER

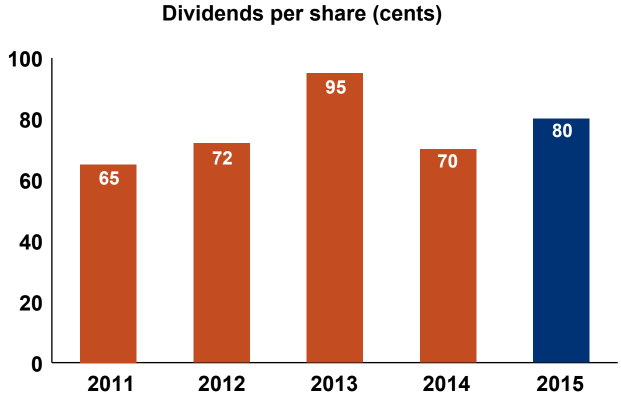
			Restated		Based on results with Hesto consolidated		
R'000	2015	2014	2013	2012	2011	2010	2009
Revenue	7 732 479	7 278 815	5 227 426	4 603 150	4 294 152	3 753 236	3 342 053
Profit before taxation	744 738	803 150	495 071	641 479	602 000	424 546	118 219
Impairment charges/(reversals)				1 045	7 900	(19 687)	47 082
Interest paid	136 277	118 935	27 888	26 457	7 858	11 764	30 146
Profit/(loss) attributable to ordinary shareholders	527 423	601 460	341 376	440 543	408 365	277 682	52 210
Total equity	4 974 544	4 238 631	3 788 758	2 052 730	1 701 408	1 369 919	1 184 021
Interest-bearing borrowings	1 964 972	1 739 845	1 202 772	251 202	52 085	54 336	76 515
Cumulative redeemable preference shares							75 000
Property, plant and equipment	3 327 427	2 855 286	2 844 929	1 191 499	762 752	699 190	657 892
Current assets	4 114 699	3 540 982	3 150 242	1 831 434	1 640 808	1 321 899	1 238 232
Total assets	9 040 460	7 934 651	7 449 326	3 293 869	2 482 126	2 088 196	2 000 717
Number of shares in issue	198 986	198 986	198 986	152 532	152 532	152 532	152 532
Weighted average number of shares in issue	197 219	195 434	149 271	142 030	141 217	140 363	142 352
Net asset value per share (cents)*	2 468	2 102	1 895	1 353	1 119	890	776
Basic earnings per share (cents)	267	308	229	310	289	198	37
Headline earnings per share (cents)	248	303	219	310	260	189	67
Dividend per share (cents) declared and paid	80	70	95	72	65	75	
Dividend cover (times) (calculated on headline earnings on prior year)	3.8	3.1	3.3	3.6	2.9	0.9	
Net profit as a % of average total shareholders' funds (ROE)	12.3	15.8	12.8	25.6	29.4	23.8	5.5
Total shareholders' funds as a % of total assets	55.06	53.4	50.9	62.3	68.5	65.6	59.2
Interest cover (times)	6	7	17	22	75	30	4
Staff complement	5 526	5 651	5 870	4 835	5 951	5 552	5 339

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

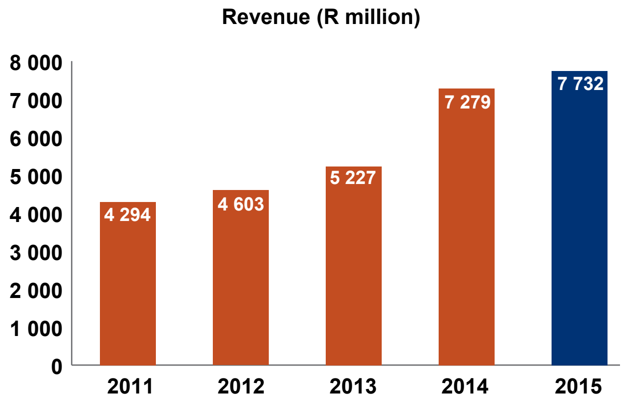
Note: 2009 – 2011 is based on results with Hesto consolidated



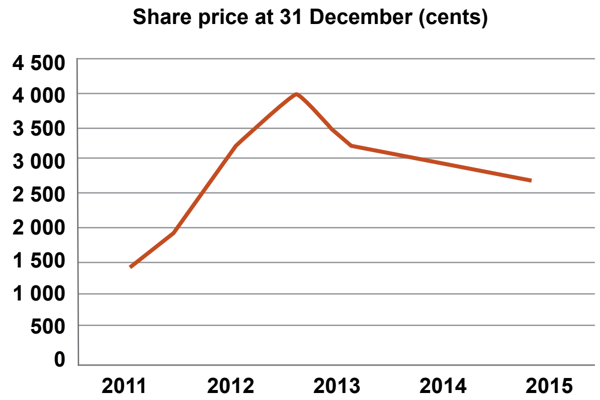
Headline earnings per share (cents)
350
300
250
200
150
100
50
0
260
310
219
303
248
2011
2012
2013
2014
2015



Dividends per share (cents)
100
80
60
40
20
0
65
72
95
70
80
2011
2012
2013
2014
2015



Revenue (R million)
8 000
7 000
6 000
5 000
4 000
3 000
2 000
1 000
0
4 294
4 603
5 227
7 279
7 732
2011
2012
2013
2014
2015

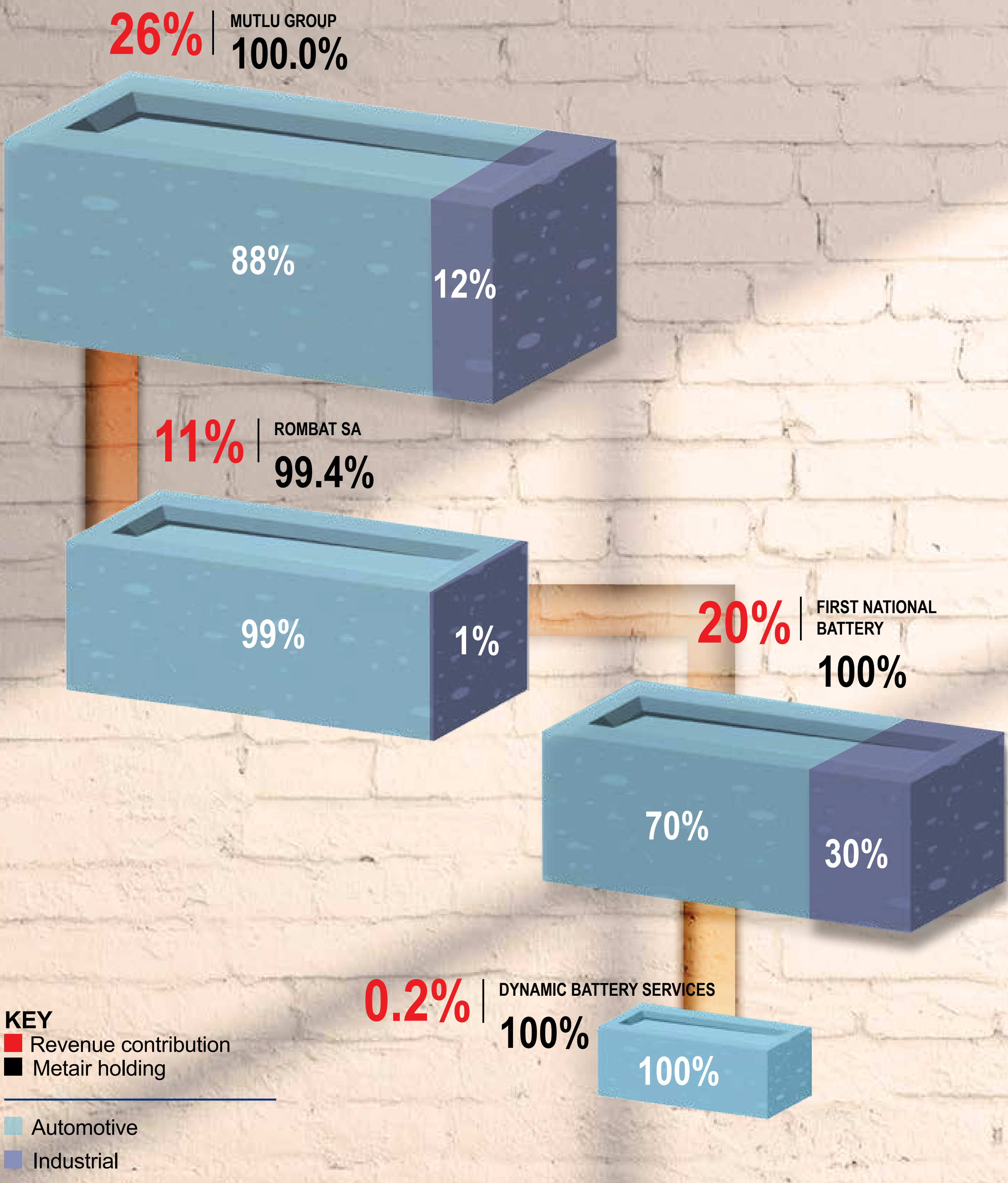


Share price at 31 December (cents)
4 500
4 000
3 500
3 000
2 500
2 000
1 500
1 000
500
0
2011
2012
2013
2014
2015

WHAT WE DO

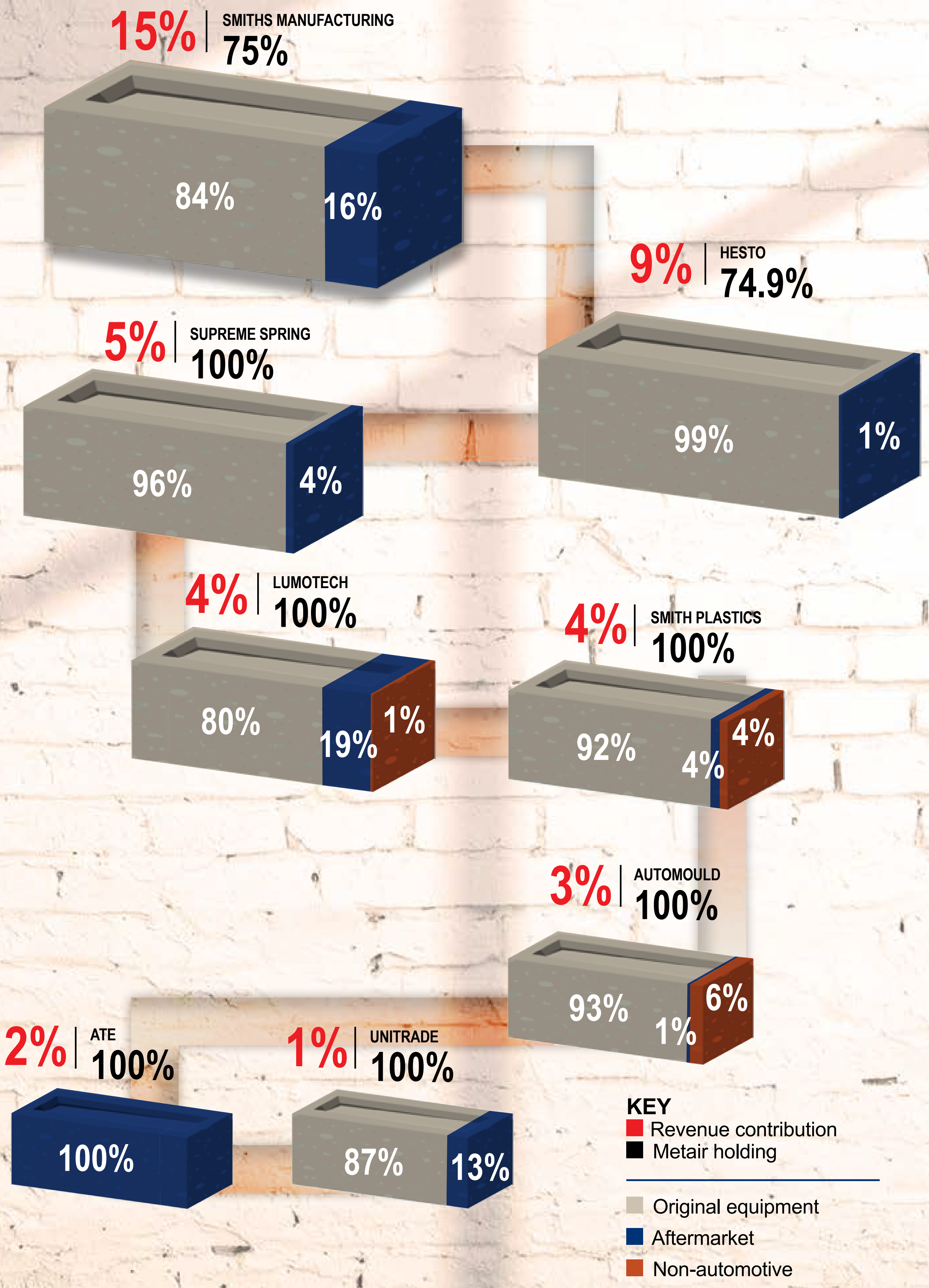
MATERIAL OPERATIONS AND MARKET SEGMENTS

ENERGY STORAGE



THE BRICKS SHOW THE RELATIVE REVENUE CONTRIBUTION, MARKET SPLIT AND METAIR'S HOLDING IN THE SUBSIDIARIES.

AUTOMOTIVE COMPONENTS



CHAIRMAN'S STATEMENT

METAIR REMAINS COMMITTED TO THE PRINCIPLE OF

SUSTAINABILITY

AND TAKES AN INCLUSIVE APPROACH TO SUSTAINABLE VALUE CREATION FOR ALL STAKEHOLDERS

SG Pretorius

We initiated a process to identify new non-executive directors to strengthen the board, with a particular focus on transformation, gender diversity and succession requirements. The culmination of this process resulted in the appointment of Portia Molefe and Thandeka Mgoduso to our board as independent non-executive directors with effect from 1 March 2016. I am very pleased to welcome them and look forward to their contribution to the continued success of the company.

It is a great privilege to present this, my first report to stakeholders, in my capacity as chairman of Metair. While I took up the position in July 2015, my association with Metair dates back many years to my tenure at Toyota SA. I have seen how the work that the board, Theo and his team have done over the last ten years, has transformed the group.

I am committed to serving the interests of all stakeholders to the best of my ability. Since my appointment as a non-executive director in 2014 I have been very impressed with the quality and commitment of the board and executive team. They are the epitome of passion, initiative and drive. I have also been impressed with their depth of understanding of the industry, their high level of determination and their excellent execution skills. Metair is indeed fortunate to have such innovative and results-driven leadership, serving with the highest integrity.

Operating environment

Operating conditions have been extremely challenging over the last twelve months, impacted by the global and local political and economic environments. South Africa faces a range of challenges including poor political leadership, policy confusion, power outages, labour instability and ongoing exchange rate depreciation. Consequently, business and consumer confidence are at very low levels. Metair's automotive components business also had to deal with the disruptive impact of model changes and, in some instances, reduced volumes. Our Turkish business, Mutlu Akü, was affected significantly by the loss of Russian export business due to currency weakness and geopolitical tensions in the region.

Metair produced a creditable performance under difficult circumstances, in line with our cautious outlook statements made in last year's integrated report and when we announced our interim results in August 2015. Management demonstrated their creativity, responsiveness and agility in the corrective actions they took, which cushioned the impact of the negative developments to some extent.

The '3 by 50' strategy remains in place

We are very focussed on entrenching our '3 x 50' strategy, which aims to generate 50% of our business from OEMs, 50% from aftermarket, and 50% of both in batteries. This was achieved at a group level with the integration of Mutlu Akü and we aim to achieve it in the South African operations too.

The successful attainment of our goal to produce 50 million batteries a year in the next five years, which will take the group to the next level, will necessitate acquisitions or global consolidations. We continue to assess opportunities globally and in the rest of Africa to exploit growth opportunities, mitigate SA country risk and ensure an effective earnings hedge against the ongoing depreciation of the Rand.

We have changed our segmental reporting to better meet market requirements and now report on an energy storage vertical and an automotive components vertical. This is discussed further on pages 18 and 19 of this report.

Highlights

Despite the difficult trading conditions, the group achieved some significant milestones during 2015. We completed the integration of Mutlu Akü into Metair International Battery (MIB) and made meaningful progress to meet OEM technical criteria, pricing requirements and supply logistics. We concluded the final buyout of minorities in Mutlu Akü that allowed us to delist the company and convert it into a wholly owned subsidiary. The acquisition of Dynamic Battery Services extends the group's reach into the UK and we continue to entrench the RARE marketing excellence program in the aftermarket business. There was a substantial capital investment in the First National Battery upgrade, which included the construction of a standalone manufacturing facility specifically for OE customers.

Sustainability

Metair remains committed to the principle of sustainability and takes an inclusive approach to sustainable value creation for all stakeholders. This includes the creation of tangible social value and our commitment to use natural resources sparingly, particularly energy and water, and to reduce our carbon footprint.

We have a particular focus on human capital development, maintaining appropriate labour standards, demonstrating our commitment to human rights and business ethics, supporting the health and safety of our employees, minimising our environmental impact, ensuring effective waste management and supporting socio-economic development.

Metair is particularly appreciative of the favourable and stable policy environment created by the APDP and the African Growth and Opportunity Act (AGOA), which support the sustainability of the South African automotive sector and therefore the sustainability of Metair. The automotive industry is a key sector in South Africa, and while local sales volumes face challenges along with the rest of the domestic economy, export sales are showing significant potential to expand.

Governance

Good corporate citizenship and ethical behaviour is an important aspect of our core principle of custodianship. We are currently in the process of revising and updating our code of conduct and are conducting a review of the social and ethical environment at an operational level as part of this process.

Our commitment to the principles of good corporate governance is demonstrated in the necessary governance structures we have established, which meet the legal requirements and the recommendations of King III. The board and its committees meet regularly and both the attendance and contributions of directors have been excellent. The committees met their respective terms of reference and discharged their responsibilities in accordance with their charters. The board also participated in a full four-day review of group strategy in November 2015.

Changes in shareholding and directorate

The acquisition of Mutlu Akü allowed for the entry of new shareholders into Metair, triggering a number of changes in the company's shareholding structure. Subsequently Royal Bafokeng Holdings (RBH) disposed of the remainder of their holding in Metair in April 2015, and CoroCapital sold down to a holding of 3.8% in June 2015. Foord Asset Management increased its institutional shareholding to 16.7%, Kagiso Asset Management to 12.7%, the PIC grew its shareholding to 10.5% and Sasol Pension Fund to 2.6%. We welcome these new shareholders and thank them for their confidence.

The change in strategic shareholders also resulted in changes to our directorate, as RBH and CoroCapital no longer required board representation. Mpueleng Pooe who served as chairman of the Metair board since April 2007 stepped down. We thank him for his contribution to the group as well as to the broader industry and wish him well as he pursues his career in Royal Bafokeng Platinum.

Allan Joffe resigned as a director with effect from January 2016. We sincerely thank him for the valuable contribution that he has made to the Company over the past nine years and wish him well in his future endeavours.

We initiated a process to identify new non-executive directors to strengthen the board, with a particular focus on transformation, gender diversity and succession requirements. The culmination of this process resulted in the appointment of Portia Molefe and Thandeka Mgoduso to our board as independent non-executive directors with effect from 1 March 2016. I am very pleased to welcome them and look forward to their contribution to the continued success of the company.

A key risk identified during the year is the level of strain on top management in Metair, particularly taking into account the group's size, geographic spread, complexity and the demands inherent in successfully implementing our strategy. This risk is being addressed urgently, as is the group's succession plan

to ensure continuity in key positions. A positive development in this regard is the recent appointment of a new MD with a strong marketing background at Mutlu Akü, Mr Goksel Paker. The company also established a high level and suitably qualified team to provide technical and financial expertise and assistance across the group.

Because of the critical importance of management retention, the remuneration committee is currently reviewing the company's retention mechanisms and long-term incentives to ensure that these effectively align the interests of all stakeholders.

Transformation

Metair regards transformation as a moral, strategic and business imperative and we remain committed to improving our performance under the more stringent requirements of the revised Department of Trade and Industry B-BBEE Codes. Metair lost strategic transformation partners with the sell down by Royal Bafokeng Holdings (RBH) that arose from changes in their circumstances. Fortunately, the group has made good progress over the last ten years in improving its B-BBEE levels and under the inclusion principle will continue to enjoy the fruits of the RBH empowerment transaction for a number of years. In an effort to improve gender equality and transformation on the Metair board of directors, Ms Thandeka Mgoduso and Ms Portia Molefe have been appointed as independent non-executive directors, with effect from 1 March 2016.

Outlook

Metair expects the international and local business environment to continue to be volatile and challenging, but the group remains committed to making further progress in its strategic redesign. Metair continues to seek acquisitions, however such acquisitions will only be considered provided they meet Metair's returns criteria and the board has comfort regarding the group's gearing and funding capacity.

MIB is confident that it can record volume growth in both OEM and aftermarket segments, and every effort is being made to regain access to the Russian aftermarket. There is potential for new opportunities to emerge from the resolution of the AGOA negotiations as well as from the lifting of sanctions against Iran. Metair expects the synergistic benefits from the formation of MIB to deliver positive results.

The South African economy, however, is on the brink of a recession and new vehicle sales fell 4% to 589 000 units in 2015. Margin pressure in the OEM components business is expected to intensify further. An additional risk lies in the three-yearly wage negotiations with unions, which are proposed to commence shortly and may result in labour unrest.

The favourable environment created by the APDP resulted in a boom in investment in South Africa by OEMs in 2015. Vehicle exports, at a record level of 337 748 units in 2015, are anticipated to increase by 12,5% to 380 000 vehicles in 2016. Metair secured substantial new model business during the year and volumes are busy ramping up. The weak Rand could also lead to an increased level of local content in new vehicles and support export growth, and Metair's automotive component business will pursue growth opportunities vigorously. The group-wide focus on cost management will continue.

The first six months of the new financial year will be particularly tough as new model launch production ramp-up takes effect during this period. Earnings growth is unlikely in 2016 as the group is still in the process of redesign and product renewal driven by model changes. Every effort will be made to both optimise return on invested capital as well as cash flow.
The board remains confident that successful implementation of our strategy will deliver sustainable growth and quality earnings over the medium term. Performance measurement in the group with the new segmental reporting will move away from return on equity (ROE) to return on invested capital (ROIC), targeting returns above the weighted average cost of capital (WACC) for each vertical and the group as a whole, as well as total shareholder return measures.

Dividend

In light of Metair's sound financial position, the board has approved a dividend of 70 cents per share for the year ending 31 December 2015.

Appreciation

In conclusion, I would like to thank the Metair board for their wise counsel, sound governance and high level of commitment. I would also like to thank Theo, Sjoerd and the management team for their quality leadership and focused management – their tremendous effort to produce encouraging results under difficult circumstances and their many sacrifices are truly appreciated.

I thank all our employees for their valuable contributions, dedication and loyalty, and our suppliers for their valued relationships. Finally, I would like to thank our customers, for their much appreciated support – without them, we do not have a business.

SG Pretorius
Chairman

MANAGING DIRECTOR'S STATEMENT

METAIR IS FIRMLY ON THE **STRATEGIC PATH** TO BECOMING A GLOBAL ENERGY STORAGE SOLUTIONS PRODUCER WHILE NOT LOSING SIGHT OF ITS ROOTS IN THE AUTOMOTIVE COMPONENTS INDUSTRY

Theo Loock

The redesign of the group over the last ten years has resulted in two distinct business verticals – energy storage and automotive components.

Reflecting back on Metair's performance in 2015 and our history in the year in which Mutlu Akü, one of our major international acquisitions, celebrated its 70th anniversary, and as First National Batteries approaches its 85th anniversary, our ability to continuously redesign and renew ourselves is very evident.

Metair's ability to renew itself was further tested as our major customer in South Africa reached the end of the life of a model that was launched in 2005 and which went on to become the leading volume model in the country, with more than a million vehicles produced across all platform derivatives.

Fortunately, the group managed to secure all targeted business on the new model replacement and thereby refreshed 85% of our automotive component business in South Africa during this period.

Metair's redesign process was premised on the desire to bring balance to our business through reducing our dependence on the traditional highly cyclical OE business by shifting to the annuity type aftermarket maintenance product offering.

Presently, Metair manufactures, distributes and retails products produced in South Africa, Turkey and Romania through a dedicated retail network, and sells to original equipment manufacturers (OEMs) primarily in Africa, Europe, Turkey, the Middle East and Russia.

The company redesign continues to progress well

Metair made good strides in the redesign of the business in 2015, despite the challenging business environment, both globally and locally, combined with the unique geopolitical and socio-economic challenges evident in our countries of operation. The group managed to broaden its customer base and product range, while balancing our legacy OEM business with the establishment of the energy storage segment driving us to our goal to become a global manufacturer of energy storage solutions.

In October 2015, the group acquired a battery distribution company, Dynamic Battery Services, which extends our reach into the United Kingdom in the energy storage segment.

The redesign of the group over the last ten years has resulted in two distinct business verticals – energy storage and automotive components. In prior reporting periods, segmental information was disclosed in the then dominant market segments – original equipment, aftermarket, non-automotive and a property segment. From 2015, segmental information will be presented according to the two new verticals, which better aligns with the way we manage our business.

Results

Consolidated revenue grew 6.3% to R7.7 billion, as the energy storage business grew its market share in Turkey, both in the aftermarket and OE sectors. The automotive component business grew its product offering through the establishment of the instrument cluster facility. However, the upfront costs and production inefficiencies involved in supporting the new model launches at OEM clients, the loss of recycling margin at Rombat due to lower lead market prices, increased R&D spend to support technology advancement and the loss of exports to Russia from Mutlu, resulted in an operating profit margin decline to 10.2% (2014: 11.4%).

GROUP SEGMENTAL TURNOVER 2005 – R2.1 BILLION

ORIGINAL EQUIPMENT

Traditional Metair business relating to components sold to OEs and used in the assembly of vehicles

Automotive components sold to OE customers

Automotive batteries sold to OE customers

AFTERMARKET

Annuity type aftermarket products sold to owners of vehicles during the maintenance life-cycle of a vehicle

Automotive components sold to aftermarket customers

Batteries sold to aftermarket customers

NON-AUTOMOTIVE

Mostly battery products sold to mining, telecoms, standby and retail industry

Non-automotive batteries sold to other customers

PROPERTY

Property owned by group subsidiary companies with installed facilities producing the group product range

GROUP SEGMENTAL TURNOVER 2015 – R8.6 BILLION*

STRATEGIC REDESIGN PROCESS
2005 – 2015

ENERGY STORAGE

- Batteries sold to aftermarket customers
- Batteries distributed to retail network
- Batteries sold to OE customers
- Industrial batteries sold to customers
- Property

TURNOVER
R5 BILLION

AUTOMOTIVE COMPONENTS

- Automotive components sold to OE customers
- Automotive components sold to aftermarket customers
- Property

TURNOVER
R3.6 BILLION

** Includes Hesto*

MANAGING DIRECTOR'S STATEMENT CONTINUED

Metair believes it delivered a good operational performance that resulted in satisfactory results for 2015 as we dealt with extreme emerging market currency fluctuations during the period.

The group delivered earnings before interest, tax, depreciation and amortisation (EBITDA) of R1.1 billion, a decline of 6% from R1.2 billion in 2014. Headline earnings decreased to R488 million and headline earnings per share decreased 18% to 248 cents per share.

Our capital structure remains conservatively leveraged at a net debt/equity ratio of 29%, ensuring an efficient capital structure without introducing increased levels of financial risk. At year end, group borrowings from third parties increased slightly to R2 billion and the group was, and continues to remain, in compliance with all of its lenders' covenants. The group had access to unutilised facilities of approximately R3.9 billion as at 31 December 2015.

Energy storage

The energy storage vertical proved to be the strongest business for the second consecutive year with R4.9 billion turnover representing 58% of the group total. Operating profit for the segment reached R546 million.

The energy storage business manufactures batteries for automotive, telecoms, utility, mining, retail and materials/products handling applications. Automotive batteries are supplied to the aftermarket mainly through our unique aftermarket distribution channels and franchised retail networks. Metair supplies batteries to all major OEMs in South Africa, Europe, Romania, Turkey and Russia through subsidiaries in Romania (Rombat) and Turkey (Mutlu Akü). Key territories include Romania, Russia, South Africa and Turkey.

We also export aftermarket products to nearly 50 destinations across Africa, Europe, Middle East, Russia and Turkey, while the main markets for our non-automotive products are sub-Saharan Africa and Turkey.

Metair International Battery (MIB) was launched during the first half of the year. MIB is both a brand and the international battery sales company for Mutlu Akü, Rombat and First National Battery aimed at strategic OEM customers in the region. MIB is one of the key focus areas for our RARE marketing programme and also accommodates the group Battery Technology Centre research and development facility established in Turkey.

Metair secured future business from new vehicle launches in 2016 and 2018 requiring its Start/Stop battery technology in Turkey and Europe, including Renault, Honda, Ford, Toyota and Fiat. These developments will absorb at least one third of the group's spare capacity depending on final vehicle volume demand and technology requirements. Further projects are in progress to gain approval from BMW, Mercedes Benz, Hyundai and VW.

MIB is working closely with several OEMs in Europe to partner in developing the future energy technologies for the next generations of cars. Our products successfully attained the higher specification testing requirements of the second generation of Start/Stop batteries now being designed and tested, making us one of the first battery companies worldwide to achieve this objective.

Automotive components

Automotive components include original equipment components used in the assembly of new vehicles by OEMs as well as spare parts and other products used in the automotive aftermarket. These include 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 major focus in the South African market was on achieving a flawless model launch at one of our OEM customers. Model changes lead to increased costs and lower volumes in the short term, but could offer growth opportunities in the long term as long as market acceptance and penetration achieve their targets. The new launch also introduced new manufacturing technology to South Africa and we opened a new technology, state-of-the-art static- and dust-free instrument panel manufacturing facility at Hesto.

We were successful in winning new OE business and expanded ranges with existing clients. The further model changes planned for the next two to three years will offer further opportunities for new business.

The revisions to the APDP were another positive and several OEMs announced plans for further investments in the South African industry, including BMW, Isuzu, Volkswagen and other new entrants.

Turnover for the automotive components segment (as disclosed in the segmental review) increased 4% to R3.6 billion, contributing 42% to group segmental revenue and 39% to segmental operating profit.

Human capital

We focused on improving communication between management and the workforce, to build trust and ensure that concerns are identified and can be addressed before they become problems. The restructuring of our plastics business continues with a Section 189A process and 27 employees were retrenched during the year. Discussions with labour regarding the need for headcount reductions have been challenging but constructive as labour has a sound understanding of the current realities of the industry in South Africa.

In Turkey, we successfully negotiated a new two-year wage agreement as new owners of Mutlu Akü with virtually no disruptions.

Political developments have the potential to lead to a very volatile labour situation in the coming year as power shifts between old and new unions. We have seen that labour issues can quickly spread into communities when the issues are taken home from the workplace. This is compounded by the imminent wage negotiations for the next three-year agreement which will commence in 2016. While our labour situation is currently stable, a strike at any of the component manufacturers across the industry has the potential to halt the industry and affect volumes for everyone.

Transformation

We are very conscious of the urgent need for the socio-economic challenges facing South Africa to be addressed and we view transformation as an integral part of addressing these challenges. The group assessed the list of demands the EFF submitted to the JSE in October 2015 as an indicator of key pressure points. Of the issues raised that are under our control as a company, many are already being addressed in the group, particularly the wage demands, school and academic support and a robust corporate social investment programme.

The environment

We believe that we have to be responsible custodians of the natural capital available to us. Our focus on operational excellence drives production efficiencies which improve the efficiency with which we use inputs such as energy and water, emphasises recycling and minimises the waste we generate. While the new processes and products introduced to support new model launches include initiatives to increase efficiency, many of these are only likely to be fully realised after the launch of the new models and once planned volumes are reached. Consequently, group carbon footprint and electricity use per person hour worked decreased during the year, while water use per person hour worked increased. We remain committed to managing efficiencies so that resource use and waste generated per person hour worked continue to improve.

Looking ahead

The strategic developments discussed throughout this report demonstrate that Metair is firmly on the strategic path to becoming a global energy storage solutions producer while not losing sight of its roots in the automotive components industry. Strategic acquisitions will continue to be an important part of our growth where these have the potential to improve our geographic spread, and leverage the group's technology, expertise and balance sheet.

New model launches in our OE customer base will continue in 2016 and with the correct market penetration could offer additional future volumes. 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. The OE volume outlook for 2016 is complicated by the launch and ramp up of production volumes related to the new model introduction. New model introduction production volumes depend on market acceptance, desire and demand for the vehicle product offering. Subject to such factors, we expect 2016's financial performance to be challenging especially in the first half of the year during the new model launch phase. Our short-term focus remains on closely managing working capital, preserving cash and taking out costs. Efficiency improvements are extremely important for future returns, particularly as the legislative burden continues to increase for companies in South Africa, including new initiatives such as carbon taxes and the possibility of education levies. Cost structures must be aligned with volumes and while rationalisation is always painful, resetting our cost base will bring future benefits especially if volumes surprise on the upside.

CT Loock
Managing director

GROUP STRUCTURE

METAIR INVESTMENTS LIMITED

Inalex (Pty) Ltd 100%

Nikisize (Pty) Limited 100%

Unitrade 745 (Pty) Limited 100%

Automould (Pty) Limited 100%

Eye2square Innovations (Pty) Ltd 20%

Smiths Plastics (Pty) Limited 100%

Lumotech (Pty) Ltd 100%

Smiths Manufacturing (Pty) Limited 75%

Smiths Electric Motors (Pty) Limited 100%

Metindustrial (Pty) Limited First National Battery Division 100%

First National Battery Industrial (Pty) Limited 100%

Tlangi Investments (Pty) Limited 100%

Honeypenny (Pty) Ltd 100%

Climate Control Properties (Pty) Ltd 100%

ILM Investments (Pty) Ltd 100%

SMSA Property (Pty) Ltd 100%

KEY:

- Subsidiaries
- Indirect subsidiaries
- Property companies
- Associates

Metair Share Trust
100%

Tenneco Automotive Holdings (Pty) Limited
25.1%

Valeo Systems South Africa (Pty) Limited
49%

Vizirama 112 (Pty) Limited
33%

Alfred Teves Brake Systems (Pty) Limited
100%

NETHERLANDS
Metair International Holdings Cooperatief U.A
100%

Metair Management Services (Pty) Limited
100%

Business Venture Investments (Pty) Limited
100%

Alfred Teves Brake Systems Division
100%

Hesto Harnesses (Pty) Limited
74.9%

Supreme Spring Division
100%

TURKEY
Mutlu Akü Holding Anonim Şirketi
100%

ROMANIA
Rombat SA
99.426%

UNITED KINGDOM
Dynamic Battery Services Limited
100%

Mutlu Holding Anonim Şirketi
100%

Mutlu Akü ve Malzemeleri Sanayii Anonim Şirketi
100%

Metropol Motorlu Tasitlar Kiralama Anonim Şirketi
100%

Mutlu Plastik ve Ambalaji Sanayi Anonim Şirketi
100%

GROUP STRUCTURE CONTINUED

ENERGY VERTICAL

THE INFORMATION ON THE PAGES THAT FOLLOW SHOWS THE MAJOR OPERATIONS AND THE PERCENTAGE OF METAIR'S HOLDING IN THE SUBSIDIARIES/ASSOCIATES.

MIB
Metair International Battery

METINDUSTRIAL

First National Battery division | 100% HOLDING

FIRST NATIONAL battery
WORLD CLASS BATTERY MANUFACTURER

Products:

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

Location:

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

ROMBAT

99.4% HOLDING

Products:

Batteries

Battery distribution networks

Location:

Bistria and Copsa Mica, Romania

MUTLU AKÜ

Metair Akü Holding Anonim Şirketi which owns 100% of Mutlu Holding and 25% of Mutlu Akü.

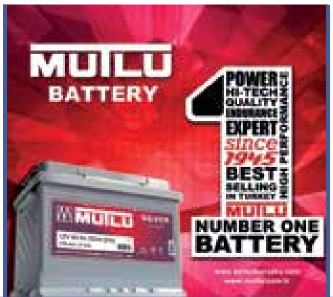
100% HOLDING

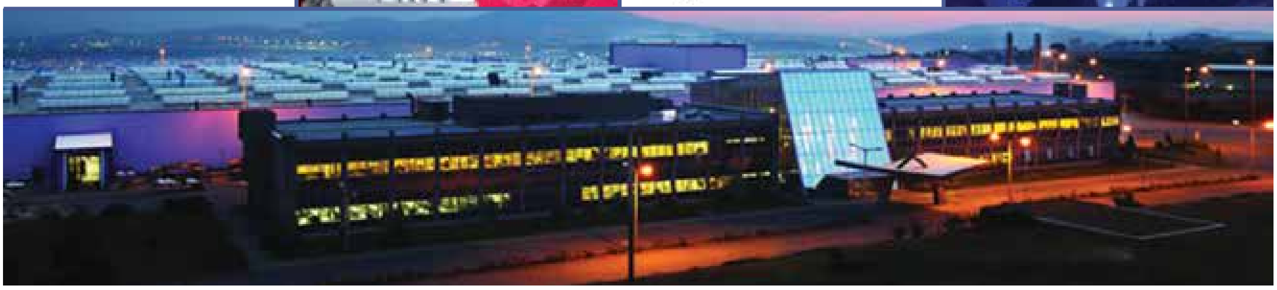
Products:

Automotive and industrial batteries

Location:

Istanbul and Gediz, Turkey





MUTLU HOLDINGS

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

100% HOLDING

Location:

Tuzla, Istanbul, Turkey

ENERGY VERTICAL CONTINUED

MUTLU PLASTIK

Production of plastic battery boxes

100% HOLDING

Products:

Plastic parts of batteries, covers and lids

Location:

Tuzla, Istanbul, Turkey

METROPOL

Car fleet management

100% HOLDING

Location:

Tuzla, Istanbul, Turkey

DYNAMIC BATTERY SERVICES LTD

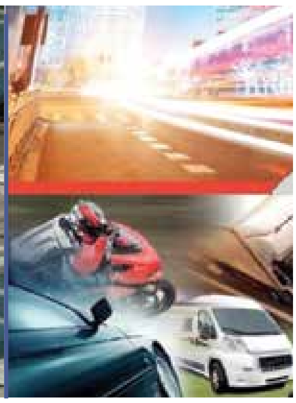
National and international distribution of key battery group products

100% HOLDING

DYNAMIC BATTERY SERVICES LTD

Location:

Lancashire, United Kingdom



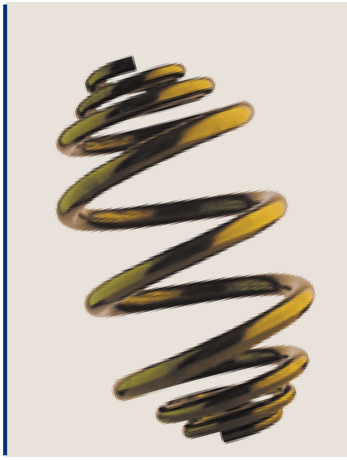
GROUP STRUCTURE
AUTOMOTIVE COMPONENT VERTICAL

ALFRED TEVES BRAKE SYSTEMS
including
Supreme Spring

100% HOLDING

Products:

Brake pads
Brake discs
Brake shoes
Hydraulics
Other braking components
Coil springs
Leaf springs
Stabiliser bars
Torsion bars



Location:

Nigel, Boksburg

LUMOTECH

100% HOLDING

Products:

Headlights
Tail lights
Reflectors
Plastic injection mouldings
Commercial lighting
Streetlights
Warehouse lights

Location:

Uitenhage

GROUP STRUCTURE CONTINUED

AUTOMOTIVE COMPONENT VERTICAL CONTINUED

SMITHS MANUFACTURING

75% HOLDING

Products:

Air-conditioning and climate control systems
Washer systems
Reserve tanks
Charge air coolers
Radiators
Air cleaners
Wiper systems
Electronic control units
Starter motors

Location:

Pinetown, Durban

SMITHS PLASTICS AND AUTOMOULD

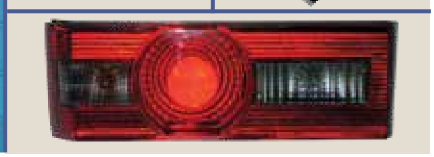
100% HOLDING

Products:

Plastics injection moulding
Chrome plating on plastics
Soft touch and body colour painting
Interior and exterior trim
Instrument panel assemblies
2K moulding technology
Side injection technology
Engine components and cooling systems
Plastics bins, crates and storage solutions
Green energy systems

Location:

Pinetown, Westmead, East London



UNITRADE

100% HOLDING

Unitrade 745 Pty Ltd

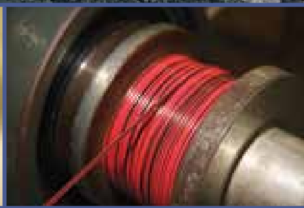
Products:

Automotive cable

Automotive wire

Location:

Stanger



HESTO

74.9% HOLDING

HESTO HARNESSES

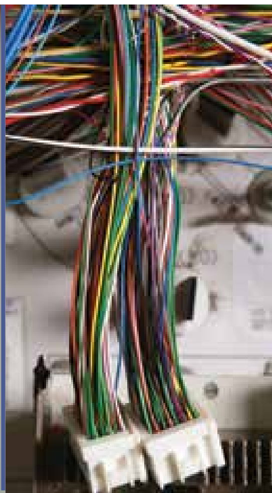
Products:

Wiring harnesses

Combination meter/ instrument cluster

Location:

Stanger



TENNECO AUTOMOTIVE HOLDINGS SA

25.1% HOLDING

Products:

Shock absorbers

Struts

Track control arms

Location:

Port Elizabeth

VALEO SYSTEMS SOUTH AFRICA

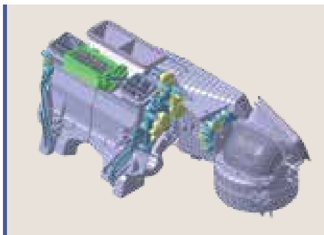
49% HOLDING

Products:

Front-end modules

Location:

Uitenhage



MATERIAL ASPECTS

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

These aspects are initially identified as part of the risk assessment process. Monitoring and oversight of risk management in the group is the responsibility of the audit and risk committee. A register of key risks is drafted annually at each operation, or more frequently when required, and these are consolidated to create a group risk register. These risks include a review of economic, environmental and social impacts, risks and opportunities.

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;
- sustainability and integrated reporting guidelines and best practice;
- 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 aspects 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 aspects, the stakeholders these affect, how we manage the aspects, where in this report we discuss them and how our combined assurance model supports them.

Aspects	Relevance	Strategy component	Stakeholder	Governance structure	Report section
Material aspect: 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 ***GRI Material aspects:*** ***– Economic performance***	Metair competes in a global industry against competitors in low cost manufacturing countries. 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. Target balance in the business 2. Nurture and expand OEM business 3. Focus intently on costs	All stakeholders	Board and executive committee monitor efficiencies.	Managing director's report page 17 Financial sustainability page 48 Human capital page 54
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).					

MATERIAL ASPECTS CONTINUED

Aspects	Relevance	Strategy component	Stakeholder	Governance structure	Report section
Material aspect: Macroeconomic factors and geopolitical factors					
● Slow economic recovery in Europe ● Currency volatility ● Continuity of supply ● Socio-economic stability in key markets ***GRI Material aspects:*** ***– Economic performance***	International developments affect Metair's customers and the economic environments in which they operate in and export to. 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 result 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 develop and execute strategies to respond to international developments and business interruptions.	Managing director's report page 17 Group risk management page 66
Combined assurance: Policies and procedures, internal controls, risk management function and regular management reviews					
Material aspect: Balanced business					
● Balance across customers, industries, geographies and between customer requirements and the need to earn a sustainable economic return ● Successful integration of acquisitions ***GRI Material aspects:*** ***– Economic performance***	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	● All shareholders ● Analysts ● Customers (existing and potential) ● Government ● Employees and trade unions	Board and executive committee monitor balance and develop and execute strategies to balance the business.	Managing director's report page 17 Our strategy page 6 Operational review page 42 Environment page 58
Combined assurance: Operational reviews, risk management function, internal audit, external assurance of financial information.					
Material aspect: Business partnerships					
● International business partners ● Customer relationships ● Government relationships ● Supply chain relationships ● Governance ***GRI Material aspects:*** ***– Economic performance***	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. Bilateral trade agreements such as AGOA and special trade agreements secure access to potential export markets and form part of government's business platform staging.	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 manage relationships with key stakeholders.	Stakeholder relationships page 45 Corporate governance report page 62
Combined assurance: Regular management review, risk management function, internal audit, policies and procedures.					

Aspects	Relevance	Strategy component	Stakeholder	Governance structure	Report section
Material aspect: Transformation					
• Finding suitable long-term empowerment shareholders to replace RBH • Representative board, management, shareholding and workforce • Corporate social investment ***GRI Material aspects*** ***– Diversity and equal opportunity*** ***– Procurement practices*** ***– Indirect economic impacts*** ***– Economic performance***	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. In a competitive market, strong B-BBEE performance can be a competitive advantage. Shareholder movement in the Metair share register brought about by the sale of shares of its empowerment partner Royal Bafokeng Holdings brings new focus to transformation of the Metair board.	2. Nurture and expand OEM business 3. Focus intently on costs 7. Custodianship	• 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 page 17 Transformation page 51 Governance report page 62 Human capital page 54
Combined assurance: Regular management review, policies and procedures, external verification of B-BBEE information, OE supplier reviews.					

Aspects	Relevance	Strategy component	Stakeholder	Governance structure	Report section
Material aspect: Human capital					
• Labour productivity and efficiency • Labour relations • Labour cost • Health and safety • Skills retention and staff development • Management retention and succession ***GRI Material aspects*** ***– Employment*** ***– Labour/ management relations*** ***– Occupational health and safety*** ***– Training and education***	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. The management layer in the group needs to be deepened in certain areas to avoid overstretching current capacity. Retention of Metair executives is of utmost importance as the group concludes its redesign and focus shifts to building the energy storage vertical.	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 page 54
Combined assurance: Regular management review, policies and procedures, risk management function, internal audit, external verification of B-BBEE information, external accreditation (OHSAS 18001, ISO 14001) and external assurance of sustainability information.					

MATERIAL ASPECTS CONTINUED

Aspects	Relevance	Strategy component	Stakeholder	Governance structure	Report section
Material aspect: The environment					
• Energy consumption • Carbon footprint • Waste management • Water • Environmentally friendly products • Environmental impacts ***GRI Material aspects*** ***– Energy*** ***– Emissions*** ***– Effluents and waste*** ***– Water*** ***– Products and services*** ***– Overall*** ***– Compliance***	Metair's alignment with the principle of custodianship aims to ensure that we actively manage our impact on the environment by reducing usage of scarce resources: • energy • water • raw materials Develop a support structure to enable the recycling of scarce resources above.	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 page 58
Combined assurance: Regular management review, risk management function, internal audit, policies and procedures, external accreditation (ISO 14001, ISO 50001), external preparation of carbon footprint data, external assurance of sustainability information.					

PROGRESS IN 2015

The table below reports our performance in 2015 against the operational goals we set last year.

Goals for 2015	Performance in 2015	Goals for 2016	Strategy leg
All companies that have not achieved OHSAS 18001* accreditation to achieve it in 2016	Four companies have already achieved accreditation and the remainder are currently on track to achieve it in 2016	All companies that have not achieved OHSAS 18001* accreditation to achieve it by the end of 2016	7-Custodianship
Continue to develop appropriate industrial usage indicators for carbon footprint, electricity consumption, waste management and water usage	Measures are in place at most operations and usage indicators are regularly reported and monitored	All companies to target achievement of ISO 50001# accreditation by the end of 2018	1-Balance 2-OE business 3-Costs 7-Custodianship
Zero fatalities and reduce LTIFR** to 1	There were no fatalities in the group in 2015. LTIFR declined to 1.39 but did not achieve the target rate of 1	Zero fatalities and reduce LTIFR to 1	7-Custodianship
Group absenteeism rate to average below 3% (excluding contractors)	Absenteeism increased to 3.2%, slightly above our target	Group absenteeism rate to average below 3% (excluding contractors).	3-Costs 7-Custodianship
Maintaining and improving our level 3 B-BBEE target	Three companies are at level 2, five at level 3 and one at level 4. Plans are in place to address the fall in levels likely to occur under the revised dti Codes	Maintaining and improving our level 4 B-BBEE target going forward on the new codes	1-Balance 3-OE business 7-Custodianship
Maintain group training spend at a minimum of R10 million	Group training spend was R15 million for 2015	Maintain group training spend at R15 million and training to be expanded to Turkey and Romania	2-OE business 6-Battery technology 7-Custodianship
Maintain or improve on 138 learnerships in the group and engage in post graduate learning opportunities in battery technology	There were 422 recruits participating in non-artisan learnership programmes in 2015	Continue involvement in offering of learnership programmes to 300 learners group wide	7-Custodianship
1% of net profit spent on CSI projects	The group spent R21.4 million on CSI projects, which is 3.9% of net profit	1% of net profit spent on CSI projects	7-Custodianship
Continue to refine processes to increase efficiency and reduce scrap	Ongoing. Efficiency and scrap are monitored at most operations	Target 1% improvement on site specific production scrap percentages	7-Custodianship
Keep the increase in group electricity consumption per person hour worked below 10%	Electricity consumption per person hour worked decreased 4.7% in 2015	All companies have to target achievement of ISO 50001# accreditation by the end of 2018	7-Custodianship
Increase the proportion of waste recycled by 10%	Not achieved. The proportion of waste recycled declined from 67% in 2014 to 51% in 2015	Energy storage businesses to improve yield at recycling facilities by 5% especially at lead recycling facilities	7-Custodianship
Reduce municipal water consumption per person per hour worked by 10%	Water consumption per person hour worked increased 5.5%	Target a 5% improvement in consumption of water per person hour worked	7-Custodianship

** Occupational Health and Safety Standard.*
*** Lost-time injury frequency rate per 200 000 man-hours.*
 # Energy management standard

PROGRESS IN 2015 CONTINUED

Performance against 2015 Key Performance Indicators

Pursue Africa strategy – target 10% of group turnover from Africa (excluding South Africa)	**Strategy leg**
We continue to assess opportunities in the rest of Africa to exploit growth opportunities and broaden our footprint. A number of acquisitions are under investigation but will only be considered provided they meet our returns criteria and the board has comfort regarding the group's gearing and funding capacity.	1-Balance 2-OE business 4-Aftermarket 5-Africa
Develop group marketing excellence and brand strategy	
Rombat was successfully re-branded, Mutlu Akü launched fighter brands in the Turkish aftermarket and Metair International Batteries was launched to represent Metair in the marketing, coordination and negotiation of contracts with Original Equipment Manufacturers through a central location.	1-Balance 2-OE business 4-Aftermarket
Finalise integration and management structure of Mutlu Akü. Optimise synergies between Mutlu Akü, Rombat and FNB	
The Mutlu Akü acquisition has been fully executed and integrated into the group. A group battery research and development (R & D) centre was established with Dr Denner as the head to drive the optimisation of synergies in the battery companies. The Mutlu Akü operating structure has been finalised. Goksel Paker joined Mutlu Akü on 8 September 2015 and assumed the role of MD.	1-Balance 3-Costs 6-Battery technology
Better balance in the South African market – right-size SA platform in optimising group production profile	
Aftermarket acquisitions are being looked at to right-size the SA platform. Right-sizing at some subsidiaries is also in progress, i.e. the Smiths Plastics and Automould restructure.	1-Balance 3-Costs 4-Aftermarket
Develop an OE economic recovery strategy	
Two key activities are being discussed: ● 100% recovery of internal inflation was achieved at the expense of the agreed exchange rate adjustment as mentioned above. ● Critical going forward will be the agreement of start of production (SOP) pricing that will protect the quoted margin position. Metair is also involved in the settlement of outstanding recoveries and has achieved success in this regard at an acceptable level, but the issue of timing remains under discussion and negotiation.	2-OE business 3-Costs
Effect minority shareholder takeout at Mutlu Akü and delisting process	
The minority squeeze out was finalised on 20 March 2015 and the company was automatically delisted from the Borsa Istanbul in Turkey the same day.	1-Balance
Ensure continuous performance of SA businesses	
SA businesses performed well despite project costs, reduced customer volumes and a sensitive labour environment. In addition, extreme exchange rate volatility remains a concern.	2-OE business 3-Costs
Develop group Start/Stop business plan and develop international OE customer base	
As a new approach to our interaction with OE customers, Metair decided to support our sale of the spare battery manufacturing capacity with a physical technical data room for all three plants, supported by a Merrill Datasite virtual data room. Extremely positive feedback was received from prospective customers on the uniqueness of this innovation, who expressed that this innovation is the first in the industry and is exactly what they are looking for in a differentiated business partner relationship. First developmental Lithium Ion Start/Stop program started in conjunction with a major customer. First prototype Li-Ion starter batteries under testing at Mutlu Akü and will be used as the reference for the first commercial offerings. Future trends indicate a move toward 48-volt Li-Ion systems supplemented by a redesigned 12-volt non-starter lead acid battery. OEMs want MIB to join the development of both systems.	1-Balance 2-OE business 6-Battery technology
Unify Metair responsibility matrix, service delivery objectives and timelines	
Internal structures are being established for the technical and financial expertise assistance to subsidiaries which will allow Metair management additional capacity to focus on strategic delivery.	All strategy legs
Focus on social and ethics behaviour with the objective of ensuring that group ethical principles are adhered to	
The social and ethics committee charter, plan and procedure were rolled out at the Metair level as well as to the subsidiaries. The sustainability information in the integrated annual report, which forms the basis of reporting into the social and ethics committee, was also rolled out to the subsidiaries in more detail by way of a sustainability conference that was held to explain the principles and calculation methods of the various aspects of sustainability, including social and ethics principles. Custodianship as Metair's ethical principle has also been rolled out to the subsidiaries. In terms of Metair head office, sustainability and social and ethics principles, Metair reported according to the GRI G4 core level of compliance in 2014, achieving a sustainability data score of 85,7% on the Sustainability Data Transparency Index (SDTI), as audited by IRAS (Integrated Reporting and Assurance Services), an independent service provider. This score was an improvement of 4.4% from a score of 81.3% on a GRI G3 level in 2013. Against its peers, Metair achieved first place in the general industry sector of the SDTI in 2014 on its 2013 results. The 2015 research information is still being finalised which is based on the 2014 results.	7. Custodianship

AWARDS

Metair Group
- Media24-USB Integrated Reporting Award – 2nd Place
- IRAS – Integrated Reporting & Assurance Services General Industry – Sustainability Data Transparency Index (SDTI)
- IRAS – Integrated Reporting & Assurance Services Highest Sustainability Data Transparency Index (SDTI)
- Sunday Times Top 100 Companies 2015 – 29th Place

Mutlu Akü 2015
- Ford – Manufacturer of the Year Gold Star Award
- Isuzu – 30th Annual Unity Plaque
- Ministry of Education – Plaque of Appreciation for Ege Basım Book Sponsorship
- Ministry of Education – Plaque for National Education Text Book Sponsorship
- Turkish Radio Oscars – Jingle of the Year Award

First National Battery
- NAPA supplier of the year award

Smiths Manufacturing
- Toyota Motor Company Certificate of Appreciation – VA Award 2014
- 2015 Toyota Global Contribution Award (contribution to Denso global award)
- Toyota South Africa – Supplier Award for Achievement in Value Analysis Recognition (2014)
- Toyota South Africa – Supplier Award for Achievement in Quality Management (2014)

Hesto
- Toyota Regional Contribution Award - one of seven suppliers globally invited to receive the award at the Toyota Suppliers Convention In Japan.
- Toyota Achievement Award for Cost Management.
- Toyota Achievement Award for Value Analysis/Value Engineering
- DAC Automotive Manufacturing Excellence award

Dynamic Battery Services Ltd
- Several intercompany performance awards

Some of the Mutlu Akü awards

Ford – The Manufacturer of the Year Award Gold Star 2015

30th Annual Unity Plaque 2015

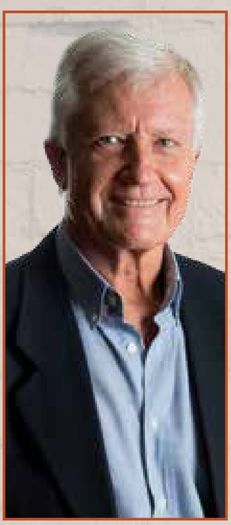
Jingle of the Year – Radio Oscars 2015

Ministry of Education – Book Sponsorship Plaque – 2015

Some of the Hesto awards

Regional Contribution awards

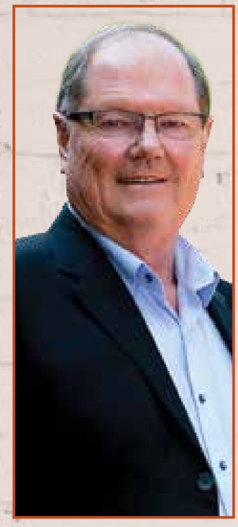
DIRECTORS
AND OFFICERS OF THE COMPANY



SG Pretorius (68)
Independent non-executive chairman
M Comm (Business Economics)

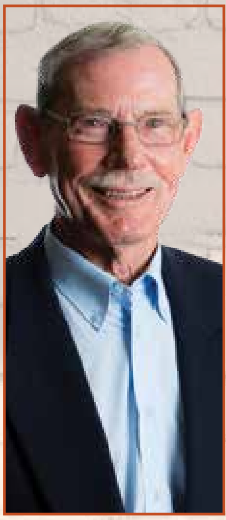
CT Loock (51)
Managing director
B Eng (Industrial)

S Douwenga (36)
Finance director
B Comm (Hons) CA (SA)



JG Best (67)
Independent non-executive director
AICMA ACIS MBA

TN Mgoduso (59)
Independent non-executive director
MA (Clinical Psychology)



RS Broadley (83)
Independent non-executive director
Advanced Technical Certificate (Engineering)

L Soanes (79)*
Independent non-executive director
National Certificate of Engineering

PPJ Molefe (45)
Independent non-executive director
BSc (Hons) (Economics), MBA

DR Wilson (45)
Independent non-executive director
CA (SA)

SM Vermaak (50)
Company secretary
B Comm (Fin M)
AIRMSA

* British

Note: As announced on 15 December 2015, Mr A Joffe resigned as non-executive director with effect from 1 January 2016.

Company secretary	**Transfer secretary**	**Registered office**	**Registration number**
SM Vermaak	Computershare Investor Services (Pty) Ltd 70 Marshall Street, Johannesburg 2001	10 Anerley Road, Parktown, Johannesburg 2193	1948/031013/06

SG Pretorius
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 boards of the READ Educational Trust, the Motor Industry Ombudsman of South Africa and the business incubator InvoTech. Mr Pretorius serves as non-executive director on the boards of Tongaat Hulett, Reunert, Tata Africa Holdings, Agrinet and Italtile Ltd. Mr Pretorius was appointed as an independent non-executive director to the Metair board in January 2014 and as chairman on 1 July 2015.

CT Loock
Mr Loock is a professional industrial engineer with supplementary business and economic studies. He obtained his engineering degree from the University of Pretoria in 1986. His 25 years of manufacturing experience started at Dorbyl Automotive Technologies combined with mining experience at Sasol Coal. The listing of two family businesses on the local securities exchange gave him insight into managing and growing publicly owned businesses. He served as operational director of various local listed companies. Before his appointment to the Metair board as managing director in March 2006, he was group divisional director at Aveng Ltd-owned Trident Steel.

S Douwenga
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.

JG Best
Mr Best has spent most of his career in the mining industry in various senior financial and managing roles. When he retired in July 2005 he was an executive director and chief financial officer of AngloGold Ashanti. He has served on a number of boards as a non-executive director and is currently a non-executive director of AngloGold Ashanti Holdings plc where he is a member of the audit committee, and 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. 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.

TN Mgoduso
Ms Mgoduso started her career as a clinical psychologist, during which time she lectured at universities and practiced both in South Africa and abroad. She then joined Transnet SOC Ltd, where she served as Group HR Executive and then as Chief Executive Officer of freight dynamics. She later joined Imperial Logistics as Group Transformation Executive and then served as managing director of Ayavuna Women's Investments. After her time at Ayavuna, she spent time in strategic consulting and infrastructural development. She is currently on the boards of the South African Reserve Bank (where she chairs the remuneration committee), Tongaat Hulett Ltd, BIOSS Southern Africa, Ayavuna Trust and Assore Ltd. She is the chairman of Jojose Investments and a commissioner on the Independent Commission for the Remuneration of Public Office Bearers. Ms Mgoduso was appointed to the Metair board on 1 March 2016 and replaces Mr Broadley as chairman of the remuneration committee from that date.

RS Broadley
After completing 21 years of service with Ford Motor Company, Mr Broadley joined Toyota South Africa in 1972 as director in charge of assembly and manufacturing. He retired as managing director of the manufacturing arm of Toyota South Africa in 1997 having served in that capacity since 1988. After retirement he continued as a consultant to the company until 2002. He served on the main board of Toyota South Africa from 1984 to 2002. He was appointed to the Metair board as a non-executive director in April 2001 and is now classified as an independent non-executive director. He is chairman of the Metair social and ethics committee and a member of the remuneration committee, having served as chairman of the latter committee until March 2016.

L Soanes
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.

PPJ Molefe
Ms Molefe's wide range of expertise has been shaped by her experience as an entrepreneur as well as senior strategic positions held in government over a period of 20 years. She served as Chief Operating Officer of Trade and Investment South Africa, Chief Operating Officer in the Department of Trade and Industry, and as the Director-General of the Department of Public Enterprises. She is co-founder and was Chief Executive Officer of Ubu Investment Holdings (2010-2014), a company focusing on investments in infrastructure and advanced manufacturing and strategic advice in the development of key economic infrastructure and strategic sectors in Africa. She is also a non-executive Director of Ubank and NPN Economists Pty Ltd, is on the Africa Advisory board of Alexander Proudfoot and serves on the board of Ubu Investment Holdings and its subsidiaries. Ms Molefe was appointed to the Metair board on 1 March 2016 and is a member of the social and ethics committee.

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

SM Vermaak
Mrs Vermaak joined the company in 2001 and was appointed as company secretary and group finance manager in March 2001. She completed her B Comm Financial Management degree (cum laude) in 2005 on a part time basis and has more than 13 years' experience in the listed company environment.

FINANCIAL REVIEW

	2015 R million	2014 R million	% Change
Revenue	**7 732**	7 279	6.2
Gross profit	**1 548**	1 583	(2.2)
EBITDA	**1 092**	1 158	(5.7)
EBIT	**790**	829	(4.7)
EBIT %	**10.2**	11.4	(1.2)
Profit before taxation	**745**	803	(7.2)
Profit attributable to ordinary shareholders	**527**	601	(12.3)
Total equity	**4 975**	4 239	17.4
Interest-bearing debt excluding cash and overdrafts	**1 965**	1 740	12.9
Property, plant and equipment	**3 327**	2 855	16.5
Net working capital	**2 304**	1 883	22.4
Current assets	**4 115**	3 541	16.2
Total assets	**9 040**	7 935	13.9
Net asset value per share (cents)*	**2 468**	2 102	17.4
Basic earnings per share (cents)	**267**	308	(13.2)
Headline earnings per share (cents)	**248**	303	(18.3)

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

Group operating performance

Group revenue increased by 6% to R7 732 million (2014: R7 279 million) largely due to internal inflation price recoveries offset by slightly lower production volumes at key customers in the automotive components business. Operating profit decreased 4.7% to R790 million (2014: R829 million) as a result of increased costs related to new model preparation at a number of key automotive component business clients, lower lead commodity prices which reduce recycling margins, and the continuation of geopolitical and currency instability in Russia, Ukraine and the Middle East which severely constrained exports into key export markets. Group operating margin declined to 10.2% (2014: 11.4%).

As reported in the previous year's results, the group restructuring led to a decrease in the group's effective tax rate, which has now normalised to 25.5% (2014: 21.3%). The group's effective tax rate is influenced by lower rates of corporate taxation in Romania (16%) and Turkey (20%).

During the first half of the 2015 financial year, the group increased its shareholding in Mutlu Akü from 98.5% to 100%, which increased group debt by approximately R39 million. Net finance expenses increased to R103 million (2014: R96 million) as a result of the Mutlu minority shareholder buy-out and funding applied to finance capital expenditure in the group.

Headline earnings decreased 18% to R488 million (2014: R593 million), which translated into a decrease in headline earnings per share of 56 cents to 248 cents per share (2014: 303 cents). The largest contributors to headline earnings adjustments was the recognition, in terms of IFRS 3, of a bargain purchase gain on the acquisition of Dynamic Battery Services in the UK for R29 million, as well as a R6 million profit after tax on the sale of our 20% share in South Africa associate, Toyoda Gosei (Pty) Ltd, specialising in products such as airbag modules and rubber sealing products.

Mutlu Akü

While trading conditions in its major export markets continued to be extremely challenging, Mutlu Akü delivered an excellent result as it managed to secure additional OE business and demand increased in the local aftermarket as local vehicle production in Turkey increased strongly. Trading was affected by the dramatic collapse in the value of the Ruble and the sharp decline in exports to Russia as local geopolitical tensions escalated.

The group successfully negotiated a new two-year wage agreement, the first as a foreign owner, in the first half of 2015. The integration of Mutlu Akü is progressing well and continued cost disciplines and sharing of technology and expertise continue to benefit the group.

Group financial position

Group net asset value per share increased to 2 468 cents per share (2014: 2 102 cents). The group's investment in working capital increased by R421 million due to:

- The weaker Rand significantly increasing the carrying value of working capital at Mutlu Akü and Rombat;
- Increased inventory in the automotive components business to support new model launches;
- Stock build-up in the energy business due to a strategic decision to move the South African OE automotive battery facility to a new site; and
- The acquisition of Dynamic Battery Services also added R45 million to working capital.

Cash generated from operations decreased 3% to R819 million (2014: R847 million). Cash and cash equivalents increased to R567 million from R472 million in 2014. Net debt (borrowings less cash and cash equivalents) increased to R1.4 billion at year-end (2014: R1.3 billion), with the increase largely attributable to the additional funding used to fund capital expenditure.

The group's net debt/equity ratio of 29% reflects our relatively conservative capital structure, and we remain in compliance with all of our lenders' covenants. As at 31 December 2015, the group had unutilised facilities of approximately R3.9 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 R497 million (2014: R267 million), with R172 million spent on maintenance and R325 on expansion, improving the group's competitive position and efficiency. Our capital investment policy aims to balance investments for future growth with the need to ensure optimal utilisation of the group's resources.

Capital expenditure for 2016 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.

Capital allocation for 2016

(R'000)	Maintenance	Expansion/competitive and efficiency improvement	Total
Automotive components	35 198	58 696	93 894
Energy storage	62 949	222 066	285 015
Total	**98 147**	**280 762**	**378 909**

OPERATIONAL REVIEW

Important note: *The turnover and profit figures quoted in this section include the group's associate, Hesto, consistent with the presentation in the segmental review on page 121. The reconciling items, which relate to Metair head office and corporate activity, have not been eliminated in the turnover and profit graphs. With the change in segmental reporting to two verticals, comparative figures are not shown for years before 2014.*

The reported businesses and operational segments have been changed to better reflect the operational management and strategic goals of the company. Instead of reporting OE, aftermarket, non-automotive and property segments, from 2015 all automotive parts (whether supplied to OEMs or to aftermarket customers) are reported together in the automotive component business. All batteries, whether automotive batteries supplied to OEMs for incorporation into new cars, sold to aftermarket customers or industrial batteries are grouped into a new energy storage business.

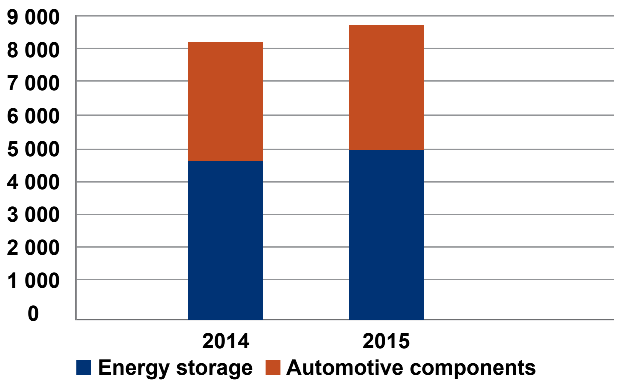
The group owns property assets in the form of strategic manufacturing properties in South Africa, Turkey and Romania. Internal property rental is generated from market-related rents based on properties used. While income from property assets was previously reported separately, this is not a core function or revenue stream for the group, and is now reported as part of the relevant segment to which it relates.

Both segments supply customers in their local markets (South Africa, Romania and Turkey) and export to customers in other markets (mainly Europe, the Middle East, sub-Saharan Africa and Russia).

The change in segmental reporting structure is explained further in the diagram on the next page.

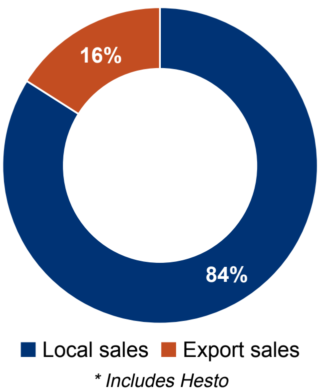
The automotive component segment contributed 42% to group turnover in 2015 and the energy storage segment 58%, compared to a 43% to 57% split in 2014.

Revenue* (R million)



* Includes Hesto

Local and export sales 2015*



* Includes Hesto

Energy storage

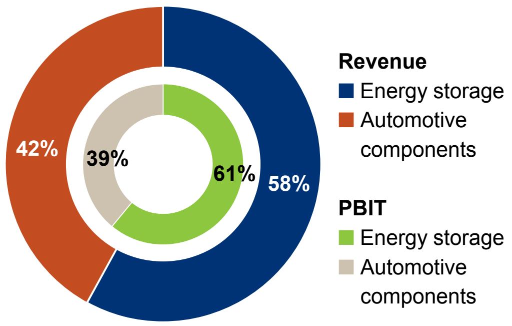
Turnover from the energy storage business grew 7% to R4 928 million (2014: R4 602 million) due to price increases to recover internal inflation, largely stable automotive volumes and increased industrial business due to increased demand especially in South Africa. A good performance in aftermarket and OEM volumes ensured overall volume stability, despite the loss of our Russian and other CIS country exports. Operating profit declined to R546 million (2014: R615 million) and the operating margin decreased to 11.1% from 13.4% in 2014. Although volumes were stable, the loss of our CIS country exports volumes in excess of 500 000 units, impacted profitability significantly. We estimate the negative impact on profitability at c. R55 million. Apart from the challenged export environment out of Mutlu Akü, margins were lower in the aftermarket as we increased dealer rebates and scrap battery pricing to gain market share and strengthen our dealer network. Research and development expenses of R14 million were incurred in 2015.

Sales of industrial batteries improved by R146 million to R799 million (2014: R653 million) as activity in the mining industry returned (albeit sluggishly), while power outages in South Africa fuelled demand for stand-by energy systems.

Automotive components

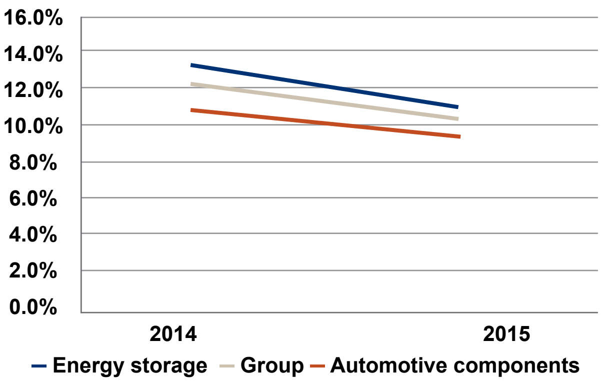
Turnover from the automotive component business grew by 4% to R3 625 million (2014: R3 497 million) due to price increases to recover internal inflation while overall production volumes in our main South African customer declined year-on-year by 8%, largely due to model run-out in preparation of a new model launch in 2016. Operating profit declined to R345 million (2014: R378 million) and the operating margin decreased to 9.6% from 10.8% in 2014. The decline in margins and profitability was mainly due to project costs incurred in preparation of the new model as well as the decrease in production volumes. Operating profit from exports in the automotive component segment increased marginally to R23 million (2014: R19 million).

Revenue and PBIT contribution 2015*

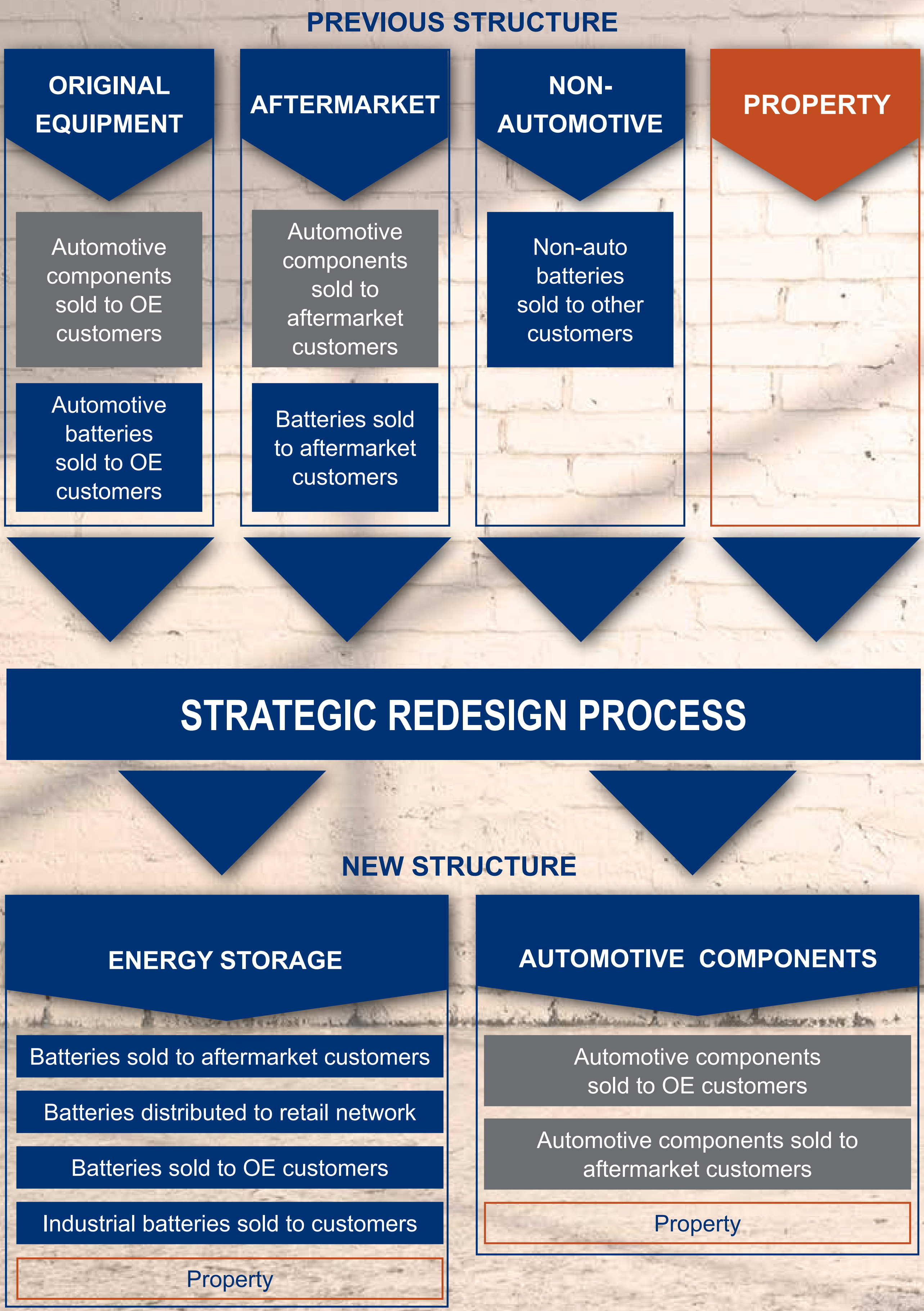


* Includes Hesto

PBIT Margin



SEGMENTAL REPORTING STRUCTURE



OUR APPROACH TO SUSTAINABILITY

Metair's core social and ethical values are built around the principle of custodianship and we strive to be exemplary custodians of the capitals available to us. This is evident in our focus on building a business that is sustainable by incorporating long-term consideration of not only financial returns, but also ensuring that our conduct responsibly manages our social and environmental impacts, and that we conduct our business in an ethical way.

As custodians, we manage the capitals – natural, human, financial, intellectual, social and relationship, and manufactured – in a responsible way for the benefit of our stakeholders. We take a precautionary approach when considering our impacts on the environment and the communities around us.

It is a fact that business focussed purely on generating a financial return is not sustainable business. In South Africa, recent events demonstrating the increasing socioeconomic distress evident in the country make it clear that businesses do not operate apart from the society around them. Increasing social activism can affect companies in a range of ways, from direct impacts on individual operations to the effects of broader policy decisions that arise to address these concerns.

Sustainability considerations form an integral part of Metair's strategy and day to day operations. Manufacture of the batteries at the core of our energy storage business is an energy intensive process and uses substantial quantities of water. It is our duty as responsible corporate citizens to manage our use of these increasingly scarce commodities. The lead used in these batteries can have a significant environmental and social impact if not managed responsibly.

At the same time, our batteries play a critical role in the automotive industry's commitment to reduce automotive emissions to address global warming. They also have applications in alternative power solutions including solar energy. We aim to maximise the use of recycled lead in our manufacturing processes, which helps to ensure that lead is managed responsibly throughout the battery lifecycle. Our consistent focus on manufacturing excellence not only ensures that our products are cost competitive, but also supports financial returns, improves energy and water efficiency, reduces our environmental impact and minimises waste generated. Sustainability aspects – particularly environmental, social, supply chain and (in South Africa) B-BBEE status – are also important considerations for OEMs when assessing suppliers.

How we manage sustainability

The board is ultimately responsible for sustainability. The board has delegated this function to the social and ethics committee, of which the managing director is a member. The group's social and ethics framework defines and guides our approach to integrating sustainability into our strategy and operations.

Sustainability is managed at an operational level in terms of group policies and principles and reported quarterly to the group social and ethics committee. A sustainability conference was held during the year to brief subsidiaries on the sustainability information that is required for the reporting process.

The non-financial sustainability information disclosed in this report was subjected to external assurance, which included site visits to various operations and an assessment of data collection techniques and controls. The report of the external assurance provider is available on page 84 of this report.

Our sustainability initiatives have been developed using the guidance of local and international 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.

STAKEHOLDER RELATIONSHIPS

Understanding and responding to the legitimate interests and concerns of our key stakeholders is an important aspect of our commitment to exemplary custodianship. 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. When trying to address the legitimate interests and concerns of a particular group of stakeholders, these are balanced against those of other stakeholders and against the long-term interests of the company.

The group stakeholder engagement policy and Metair's code of conduct guide management and employees in their dealings with stakeholders to ensure their equitable treatment. Stakeholder relationships are managed by the management team, which has been delegated this task by the board. Key stakeholders are identified in the course of the engagements that take place regularly in the running of the business. No specific engagements were conducted specifically as part of the preparation of this report.

Metair's key stakeholder groupings, the way we engage with these, their chief concerns and how we address these are shown in the table below.

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 • Pre- and post-results feedback	Acceptable return on equity Sustainability of the business	Awareness of shareholder expectations Establishing well defined return targets Implementation of strategy Balancing business by customer, product and geography
Analysts	• Annual and interim results presentations • One-on-one meetings • Site visits • Website • Research papers	Acceptable return on capital Sustainability of the business Access to management	Awareness of analyst needs Improved disclosure Frequency of interactions Participation in industry forums
Customers (existing and potential)	• Contract negotiations • Ongoing interactions in the ordinary course of business • Quality reviews • Performance reviews • Industry forums • Trade shows and exhibits • Customer reward systems • Customer visits	Product quality Delivery standards Cost competitiveness Sustainability of our business B-BBEE and transformation	Focus on manufacturing and marketing excellence Focus on costs Implementation of strategy ISO 9001 and ISO/TS 16949 accreditation Participation in industry forums Effective ESG management Flawless model launches Zero delivery of quality incidents Innovative product offering 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 • Industry forums • Trade shows and exhibits • Annual meetings	Fair payment terms Fair treatment	Metair's payment terms align with industry norms. We take an ethical approach to doing business Participation in industry forums
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 RELATIONSHIPS CONTINUED

Stakeholder	How we engage	Stakeholder concerns	How we address these
Government and regulators	● Engagements on specific policy issues ● Representation on industry bodies ● Regular regulatory submissions ● Interactions as required	Transformation Health and safety Environmental responsibility Regulatory compliance Sustainable employment Corporate social responsibility	CSI projects Employee development Responsible and sensitive adjustments to required employment levels in line with all regulatory requirements Implementation of strategy We take an ethical approach to doing business Metair has policies and procedures to ensure compliance with all relevant regulations
Employees and trade unions	● Operational performance reviews ● Feedback sessions ● MD site visits ● Electronic communication ● Anonymous Tip Offs hotline ● Company website ● Union interactions as required ● Induction programmes ● Job grading systems ● Job specification requirements ● Training and skills development	Minimum wage demand Health and safety Transformation Shareholding participation expectation Banning of labour brokers Equal work equal pay demands Preferred procurement from BEE accredited parties Education, training and skills development demands Company involvement in secondary and tertiary education in communities Rural area economic development expectation Deliverable and sustainable corporate social investment programs Anti-internationalisation and globalisation demands for South African businesses	Focus on health and safety standards and procedures Acceptable working conditions including work stations, canteen facilities, ablution facilities and meeting areas 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 Formal job grading and evaluation Transformation commitment and focus Stakeholder feedback and communication CSI projects focus on rural and company specific areas of support for schools, clinics, NGO's and any other feasible projects or entities Internationalisation and globalisation driven by local sustainability needs in order to retain or gain international supply contracts and business opportunities

Stakeholder	How we engage	Stakeholder concerns	How we address these
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

PROJECT RECHARGE

With First National Battery approaching its 85th anniversary in South Africa, Project Recharge was officially launched in April 2015. The project aims to rejuvenate the entire company and started with a new logo and image. The new look signifies a new and exciting phase for First National Battery and aligns with our vision to excite and inspire both employees and customers.

In addition to a new logo, this comprehensive project includes the establishment of a stand-alone OE battery manufacturing facility to service all seven South African motor manufacturers supplied by the company. This significant investment, which has been exceptionally well received by our local motor manufacturers, demonstrates Metair's commitment to ensuring continuous supply of world class products.

Since the launch, First National Battery has sent a number of teams to Mutlu Akü to observe the world class processes in use as well as to gain critical skills for implementation in the new South African plant.

First National Battery is also in the process of streamlining its existing operations to enhance efficiencies and introduced Six S programme training and a new health and safety programme. The implementation of Project Recharge will take place over two years, but the benefits to the company will be realised for many years to come.

FINANCIAL SUSTAINABILITY

The financial imperative for Metair to generate an economic return for shareholders and providers of funding must be balanced with our role as responsible custodians of our natural environment and the communities around us, while creating value for our broader stakeholder grouping. Failure to ensure that we conduct ourselves according to our environmental, social and ethical standards could result in business interruptions, fines and other sanctions, and the loss of our legal and social licences to operate.

The economic return created by sustainable business practices benefits a broad range of stakeholders. Of the more than R9.9 billion in cumulative total value Metair has created over the last five years, R7.4 billion has been paid out to employees, government, providers of capital and other stakeholders. Over the same period, the company also invested R59 million in skills development initiatives and spent R46 million over the last three years on socioeconomic development programmes for the benefit of communities.

Cost competitiveness

The markets for automotive components and energy storage solutions are highly competitive. OEM production decisions compare manufacturing costs – for their own operations as well as for component suppliers – across manufacturing destinations around the world. Many of these have input metrics, such as labour costs, labour efficiency and energy costs, that are far more favourable than in South Africa.

Where a region becomes less cost competitive, or when continuing labour and socio-political challenges raise concerns, OEMs may be prompted to move future production to more stable and lower cost manufacturing destinations such as Thailand. Countries such as India and China not only offer competitive cost bases, but are also strategically attractive due to their large domestic markets for new vehicles.

South Africa's Automotive Production and Development Programme (APDP) provides stability for OEMs until 2020 and was broadened in 2015 to include lower volume OEMs. There have also been undertakings that the programme to follow the APDP will be structured to provide continuity. The programme offsets to some degree the negatives of the ongoing instability in the South African manufacturing sector, but there remains a risk that the instability will limit the sustainable volumes the South African automotive industry will be able to achieve.

The launch of new vehicles is a challenging time for component manufacturers as there is a considerable investment in tooling, machinery, time and management attention in preparing to meet the requirements of a flawless launch. Components are priced at a Start of Production (SOP) pricing and it is critical that this price is a realistic reflection of the cost of production over the entire production cycle of the model. Where costs in emerging markets are tightly linked to hard currency inputs, recovery on foreign exchange fluctuations is particularly challenging. There is also a risk for component manufacturers attached to OEM production figures for a new model that undershoot the OEM forecasts on which the capital investments and planned economies of scale benefits were based. Metair participated in new model launches in both Turkey and South Africa during 2015 and will participate in further launches in 2016 and 2018 in Turkey and Europe.

Energy storage and aftermarket components

Components and batteries sold into the aftermarket are also subjected to extremely competitive conditions, with a rapidly expanding range of products in the market, particularly from imports from low cost and subsidised manufacturers in China and Korea. This competition would increase further with the entry of one of the major international battery players into one of our local markets.

Metair's RARE marketing excellence programme aims to raise the profile of the group's brands in the aftermarket and to combat pressure from new market entrants. During April 2015, the International Trade Administration Commission of South Africa (ITAC) took action against the dumping of automotive batteries in South Africa by raising the import duty on these units to 30%.

The tight margins arising from the high levels of competition in our target markets make the manufacturing excellence that is one of Metair's core focus areas essential to ensure we can generate a financial return. Identifying cost-saving measures is a key performance measurement for all group companies. However, efficient production is only possible when the manufacturing environment is relatively stable.

A stable manufacturing environment is essential for the industry

In a stable manufacturing environment, consumers determine market demand for products and producers manage production to ensure stocks are sufficient to meet this demand. In such an environment, 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.

Labour disruptions, socio-economic and geopolitical developments, and unpredictable availability of key inputs like materials, water and electricity, reduce stability and predictability, and vehicle stocks cannot be matched to market demand. This makes it 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.

Currency volatility

Volatility in the currencies in which we produce (South African Rand, Turkish Lira and Romanian Lei) makes planning challenging. Local currency strength increases the relative cost of production compared to production in a country with a weaker currency. A weaker currency makes products more competitive in a global sourcing environment, but also makes Dollar denominated inputs more expensive and pressures margins. The current weakness in the Rand may open up opportunities for new export markets from South African production facilities.

Continuity of supply and production

Cost competitive production requires a reliable supply of high-quality raw materials. 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.

With margins on OEM components extremely tight, it may be challenging to submit cost-competitive quotes where 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.

In the highly competitive markets in which we operate, market share can be quickly lost when production is interrupted. Metair has increased electricity standby capacity at our production facilities to minimise the impact of power supply interruptions on continuous manufacturing processes. We are currently taking steps to secure water storage facilities to address water supply disruptions at certain operations. There is a risk that upstream suppliers may not have similar contingency plans in place, which could interrupt raw material supplies.

Given the nature of our operations, there is a risk of production interruption from natural disasters, explosions, fires or IT and other electronic system failures. Our operations have controls in place as well as recovery plans to minimise the impact of such disasters should these occur.

Product quality

Product quality is a key concern for both OEM and aftermarket customers. Metair's operating philosophy is based on a commitment to manufacturing excellence across all facilities. All operations are externally certified in the quality management systems relevant to their business, including ISO 9001 and ISO/TS 16949, and a list of certifications is available in Appendix I on page 87 of this report. Warranty claims again declined marginally on the prior year.

Carbon tax

South Africa's draft carbon tax bill was released for comment in November 2015 and looks likely to come into effect in 2017. In principle, we are in favour of initiatives that encourages responsible use of natural resources and reduces carbon emissions. However, it is important that any such initiative is implemented responsibly to avoid further eroding South Africa's manufacturing cost competitiveness.

Based on the current draft legislation our production facilities will not be impacted as our carbon emissions are below the threshold emission levels. However, our raw material suppliers may be impacted and may have to recover the CO_2 tax from their customers, and ultimately the consumer. Based on the draft legislation, we do not anticipate these pass-through cost increases to be material for the group.

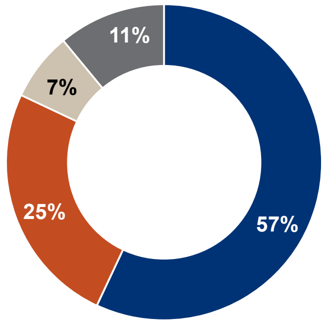
VALUE-ADDED STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2015

The value-added statement reports the value created by the activities of a company and its employees. It also shows the value that is distributed to stakeholders or reinvested in the business in the 'Wealth Distribution' section of the statement.

57% of the wealth created was distributed to employees in the form of remuneration and benefits, 7% to government in the form of taxes and 11% to providers of capital. R642 million (25%) was retained in the group and of this, 15% was set aside for future expansion.

Distribution of value added %



	%	%	GROUP 2015 R'000	GROUP 2014 R'000	GROUP 2013 R'000
WEALTH CREATED					
Revenue			**7 732 479**	7 278 815	5 227 426
Less: Net cost of products and services			**(5 245 941)**	(4 820 683)	(3 648 523)
Value added			**2 486 538**	2 458 132	1 578 903
Add: Income from investments			**91 397**	92 704	77 345
Wealth created			**2 577 935**	2 550 836	1 656 248
WEALTH DISTRIBUTION	% 2015	% 2014			
Employees					
Salaries, wages and other benefits (note 1)	57	54	**1 452 240**	1 369 926	990 028
Providers of capital	11	10	**294 101**	255 757	166 937
Interest on borrowings	5	5	**136 277**	118 935	27 888
Dividends to shareholders	6	5	**157 824**	136 822	139 049
Government taxation (note 3)	7	7	**189 843**	170 845	121 172
Retained in the group	25	29	**641 751**	754 308	378 111
To provide for the maintenance of capital	10	10	**244 681**	258 825	143 261
To provide for expansion	15	19	**397 070**	495 483	234 850
	100	100	**2 577 935**	2 550 836	1 656 248
1) Salaries, wages and other benefits			**1 452 240**	**1 369 926**	**990 028**
Wages and salaries			**1 255 440**	1 164 284	860 124
Share based payment expenses			**8 031**	15 348	9 747
Termination benefits			**3 668**	10 162	
Social security costs			**108 525**	113 088	60 058
Pension costs - defined contribution plans			**62 441**	58 495	57 417
Defined benefit plans			**3 111**	5 633	
Post-employment medical benefits			**11 024**	2 916	2 682
2) Value added ratios					
Total number of employees at year end			**5 526**	5 651	5 870
Hourly			**3 401**	3 385	3 837
Monthly			**2 125**	2 266	2 033
Revenue per employee			**1 399**	1 288	891
Value added per employee			**450**	435	269
Wealth created per employee			**467**	451	282
3) Monetary exchanges with governments					
SA normal tax/Income tax			**189 843**	170 845	121 172
South Africa			**139 952**	100 572	96 518
Romania			**4 827**	6 993	10 510
Turkey			**45 064**	63 280	14 144

TRANSFORMATION

The societal response to the slow progress in addressing the socioeconomic challenges facing South Africa is becoming more strident. The principles of transformation and broad-based black economic empowerment (B-BBEE) offer a solution to increasing the financial inclusion of previously disadvantaged race groups and creating a more demographically representative business environment. Without addressing these challenges, the future stability of the South African economy may be compromised. At a company level, failure to embrace transformation risks being sidelined by customers, suppliers, government and communities.

Metair is committed to the principles of transformation and views the continued demonstration of this commitment through the performance of our operations as a potential competitive advantage. In South Africa, supplying energy storage solutions to parastatals like Eskom and Transnet requires full transformation credentials. This is also true for local municipality energy projects for clinics and schools. Most South African businesses across the manufacturing and mining industry also require a minimum level 4 status when evaluating sourcing decisions.

Transformation is monitored and managed by the employment equity and transformation committees, which report to the board. Transformation in the group is guided by the group transformation policy and the equal opportunity policy. 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.

The group monitors transformation performance by totalling the points from the annual B-BBEE certification process for each major South African subsidiary (as well as Hesto) to give an aggregate score for the group. Our target for 2015 was for all certified entities to achieve level 3. At the end of December 2015, three of the nine operating companies achieved level 2 contributor status, five achieved level 3 and one achieved level 4. The group's combined B-BBEE scorecard is shown in Appendix II on page 88.

The group's cumulative B-BBEE score improved 28 points to 722.36 (2014: 693.92) due mainly to improvements in the enterprise development, skills development and employment equity categories.

Revised B-BBEE Codes were gazetted in the first half of 2015, which significantly increase the requirements to achieve level 4 contributor status. These revised codes will apply to the next round of B-BBEE certifications and will be reported in next year's integrated report. We are committed to ensuring that our operations retain level 4 status under the revised codes.

Ownership

Royal Bafokeng Holdings (RBH), the group's empowerment shareholder partner, disposed of their remaining shareholdings in Metair during 2015. The disposed shares are still recognised in the current ownership calculation using the sale/loss of share principle. The impact of the sale will reflect in next year's B-BBEE assessments. For the 2015 ownership assessment, the group achieved 22.21 points, which flows down to subsidiary level.

The table below shows the results of an independent analysis of Metair's ownership at 31 December 2015.

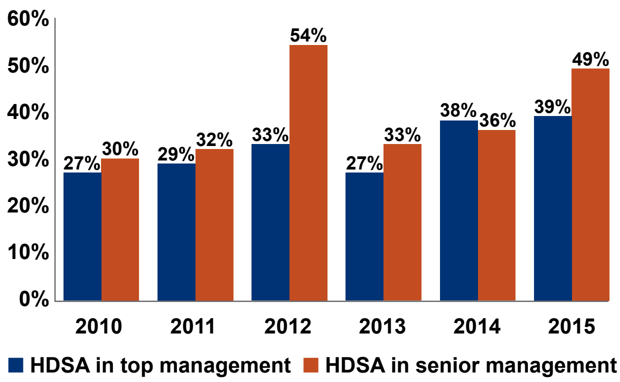
	Economic interest	Voting rights
B-BBEE shareholders	35.53%	34.73%
Female B-BBEE shareholders	17.32%	13.06%
Designated group B-BBEE shareholders	2.21%	2.21%

Management control

The technical challenges of the manufacturing operations in Metair's operating companies require managers with engineering or other technical qualifications, or skills built up 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. While this makes transformation at management level difficult to achieve in the short term, our skills development and employment equity programmes aim to achieve this goal over time.

Historically disadvantaged South Africans (HDSAs) comprised 92% of the total permanent workforce (excluding Mutlu Akü and Rombat) at the end of 2015. HDSA in top management increased slightly to 39% in 2015 (2014: 38%) and HDSA in senior management improved to 49% (2014: 36%). The group's aggregate B-BBEE score for management control improved 2.65 points to 189.62.

HDSA in workforce (excluding Rombat and Mutlu Akü)



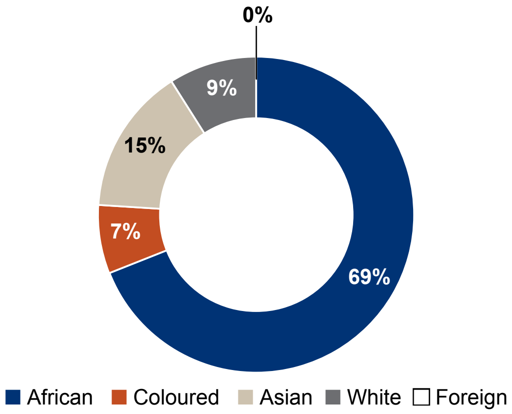
Employment equity

Employment equity faces a similar challenge in identifying, attracting and retaining qualified candidates to support our transformation targets. The South African operations have five-year employment equity plans as well as accelerated skills development programmes, learnerships and internal and external training programmes that aim to develop the required skills in the correct demographic groups to achieve plan targets. Group employment equity and transformation committees monitor and measure performance against these plans. Annual reports are submitted in accordance with the Employment Equity Act.

The group's aggregate employment equity score improved 9.65 points to 85.25 in 2015 (2014: 75.60).

TRANSFORMATION CONTINUED

Staff composition (SA) only



Skills development

The group makes a significant investment in skills development to develop and sustain the technical skills to support manufacturing excellence in our operations. Our aggregate skills development score increased 6.30 points in 2015 to 94.07. Total skills development spend increased 10% to R15.0 million in 2015 (2014: R13.6 million), representing 2.8% of group net profit after tax (NPAT) (2014: 2.2%).

Preferential procurement

Preferential procurement aims to support the development of black-owned businesses by encouraging increased procurement spend with these businesses. Total group preferential procurement from HDSAs was R1 621 million in 2015 in the South African operations (2014: R324 million), which represents 73.5% of total discretionary procurement spend. Group aggregate preferential procurement score improved 2.39 points to 146.44.

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 improve cash flow in these small businesses.

Specific ED programmes in the group include First National Battery's support of HDSA owners of Battery Centres through the provision of discounts and rebates, and ATE's support for HDSA owners of Midas stores through the National Automobile Parts Association.

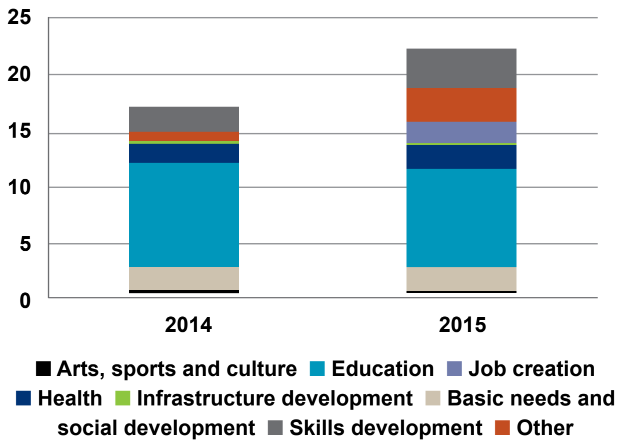
The group invested R27.3 million in enterprise development projects during 2015 (2014: R28.6 million) and the aggregate group ED score improved 5.22 points to 123.18.

Socio-economic development

Metair's investment in socio-economic development/corporate social investment projects in 2015 was R21.4 million (2014: R16.3 million). 40% of total CSI spend was allocated to education, 13% to skills development and 10% each to basic needs and social development and health projects. The group's aggregate socio- economic development score decreased 1.63 points to 40.73.

Socio-economic development projects are funded at both group and operating company levels. Each operating company allocates 1% of net profit after tax to various initiatives in their host communities. The group also commits 1% of group net profit after tax to community projects.

Allocation of CSI spend 2015 (R million)



Community socio-economic development

The projects funded by the operations aim to develop and uplift community members, and to increase the skills available in local communities. Most of these projects focus on addressing pressing health issues, skills development and improving facilities and tuition at schools. Initiatives supported during 2015 included:

- ATE's mobile training units conducted 244 training sessions at spares shops and fitment centres around the country, reaching 1 881 individuals, most of whom are HDSAs. ATE also sponsored school uniforms, supplies, books and three water tanks for Oliver's House children in Grade 1.
- First National Battery supports the READ Project and ITEC's Community Library Project, which aim to maximise literacy benefits for schoolchildren. The company sponsored reading materials, library fittings and training at four schools in the Eastern Cape, supported the ITEC Library facility in East London and sponsored a Maths and Science club to improve the subject skills and confidence of Grade 4 children. The company also supported the renovation of Encotsheni Primary School in Mdantsane.
- First National Battery also donated eight batteries to the Off Road Rescue Unit organisation for use in their Mobile Command Post trailers, which are used in remote and inaccessible areas.
- Hesto supports a Solar Powered Internet School at Siyavikelwa Senior Primary School, KwaZulu-Natal, in partnership with Samsung Electronics. Built in a 40-foot container, the smart school provides access to notebooks/ tablets for students, local small business owners and community members from the company's primary labour sending area.
- Lumotech supported the We Care Project, which focusses on youth leadership and development, and community feeding schemes. The company also contributed to the AAA Safehouse to support the care of abandoned babies.

- Rombat employees supported the rehabilitation and modernisation of the town park in Copsa-Mică as well as the renovation of a roof and provision of household appliances for the benefit of six orphan children.
- Smiths Manufacturing supported construction of classroom libraries for Grade 0 to Grade 3 students at Marianhill Primary School, construction of four classrooms at Westmead Secondary School and supplied a generator to Ethembeni School for disabled children. The company also sponsored scholarships for 11 students at Fulton School for the deaf.
- Supreme Spring supported a local feeding scheme and a community youth shelter.
- Unitrade partnered with the local municipality to assist a home that cares for the disabled and elderly, including the donation of food and household appliances. The company also trained around 30 community members and small business owners in child care, home-based care and cooking.
- 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 to create new jobs for the community.

During the year, employees from various operations volunteered their time to support local community programmes, either as part of the Mandela Day initiative or on an ad-hoc basis. These include supporting Food for Life feeding schemes (Hesto and Unitrade), donations of food and blankets (Lumotech), participation in a Community Chest day to upgrade an orphanage (Smiths Manufacturing) and providing ongoing counselling in communities (Supreme Spring).

Group socio-economic development

Group socio-economic projects are carefully chosen to ensure that they 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

Khaya Community Centre

Metair head office funded the renovation and extension of the Khaya Community Centre in Lehae, Johannesburg, in 2013 and 2014. The project is a partnership with Orange Babies and involves the local municipality to ensure the sustainability of the facility and the project. The Khaya Centre includes an early childhood learning facility, educational facilities for school-going children, a bakery and kitchen, 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 computer room, a secure play area, two counselling rooms and a library. The renovation and extension supported a range of community benefits in 2015, including:

- Ten new jobs created;
- More than 200 000 nutritious and healthy meals served;
- 120 children and 20 young staff members acquired basic computer skills;
- 80 children received quality early childhood development;
- 138 youngsters and members of staff received training;
- Five teachers received further education and qualification;
- 248 victims of abuse received support from the Victim Support Unit;
- 939 client visits to the wellness centre;
- 2 620 home visits to screen for HIV, TB, diabetes, high blood pressure, malnutrition, eye and hearing tests;
- 222 people tested for TB and HIV over and above the home visits;
- 80 healthcare students received practical training;
- The centre has been able to attract new donors as well as funders to upgrade the wellness facility further and staff it with a medical doctor and a registered nurse.

Progress against 2015 transformation target

- **Regain and improve on our 2012 employment equity position under the new B-BBEE codes.**
  While the group's B-BBEE position remains strong, the full impact of the new codes will be evident in 2016. We are committed to maintaining our positive transformation performance to date.

Transformation target for 2016

- Maintain and improve our level 4 B-BBEE target going forward on the new codes.

FIRST NATIONAL BATTERY DROUGHT RELIEF

In January 2016, First National Battery (FNB) joined forces with Avonlea Transport, JoJo Tanks, Eco Tanks and Scale Mate to assist communities in drought-stricken areas.

Avonlea and FNB trucks departing from East London delivered more than 150 000 litres of bulk and bottled water donated by FNB and other local businesses, schools and communities to assist the communities in and around Lady Grey.

FNB trucks also transported 56 500 litres of water from Benoni to Winburg over three weekends.

HUMAN CAPITAL

Metair's strategy is built around manufacturing and marketing excellence to meet our customers' high quality expectations while generating a sustainable financial return for the benefit of our broader stakeholders. The success of this approach is critically dependent on the skills, diligence and commitment of our employees. Our investment in our human capital aims to ensure that we attract, develop and retain the skills we need to execute our strategy. We also have a duty to ensure that the workplace environment is safe, that we provide the facilities to support employees to manage their health and wellness, and that we promote gender equality.

Human capital is managed at an operational level by the human resources function. Transformation is a key HR consideration, and is monitored by the employment equity and transformation committees, which report to the board.

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 50.

Total headcount increased 5% to 8 218 (including contractors), with increases at Hesto and Mutlu Akü offsetting headcount declines at most other operations. In 2015 80% of our employees worked in our South African operations, 11% in Turkey and 9% in Romania. Contractors comprised 7% of the total staff complement in 2015 compared to 7.5% in 2014. Employment numbers may vary during the year due to the impact of model changes, seasonal volume adjustments and strikes.

First National Battery and Hesto together employ 48% of the group workforce, with Mutlu Akü employing 11% and Rombat 9%. Historically Disadvantaged South Africans (HDSA) represent 93% of the South African workforce (2014: 92%) and women comprise 33% of the total group workforce (2014: 31%).

Labour relations

Maintaining good relationships with all our employees and unions is a critical aspect of effectively managing our human capital. Breakdowns in employee relationships can lead to loss of critical skills and labour disruptions, which destabilise production and undermine the company's cost competitiveness and reliability in the eyes of our customers. Union engagement takes place at national, provincial and company level through formalised recognition agreements.

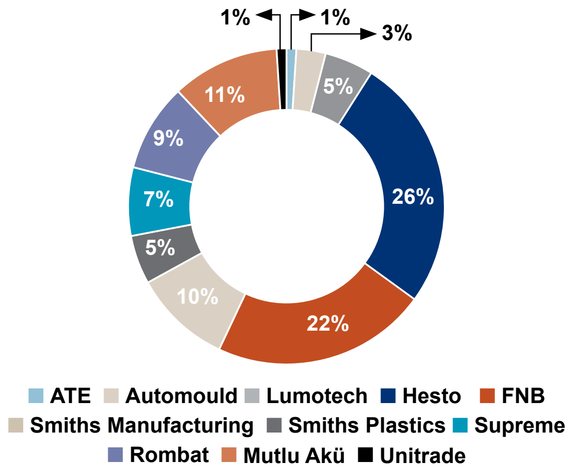
Most South African operations fall under Chapter III of the motor industry bargaining council, while First National Battery is covered at plant level. Across the group, 58% of employees belong to a union (2014: 67%).

There were shifts lost to industrial action during the year at ATE, First National Battery, Mutlu Akü, Smiths Manufacturing and Smiths Plastics. In total 7 407 person days were lost to industrial action during 2015.

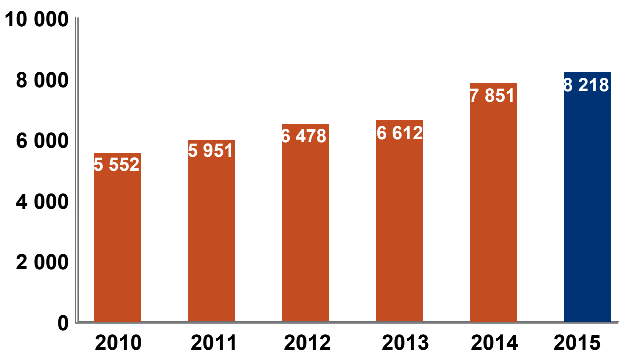
Minimum notice periods regarding operational changes range from 48 hours to four weeks, with most subsidiaries having two- to four-week notice periods. Notice periods and provisions for consultation and negotiation are specified in collective agreements at nine of the eleven subsidiaries.

There were 27 retrenchments in the group during 2015. Smiths Plastics is still in the process of a Section 189A labour restructuring exercise and two employees took up voluntary severance packages during the year. There is also a voluntary severance package process currently underway at Automould.

Staff by operation

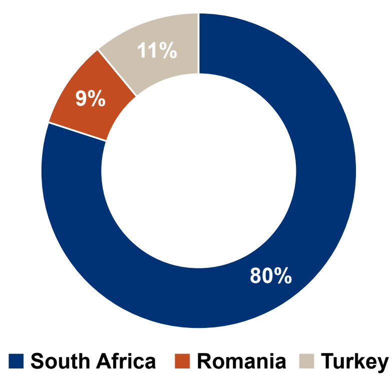


Staff complement (including Hesto)*



**Includes temporary workers and contractors*

Staff by region



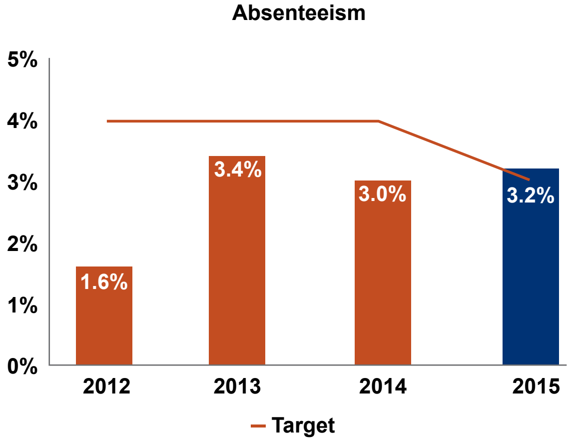
Companies in the group do not currently provide transition assistance programmes to facilitate continued employability and assist the management of career endings. Employee assistance programmes at certain subsidiaries provide counselling to employees and appoint financial consultants to offer investment advice on withdrawal of retirement benefits. Smiths Plastics is applying for a training lay off scheme and a retrenchment assistance programme through the CCMA to support those affected by the Section 189A process.

Attraction, retention and development

The world class technical and engineering skills Metair aims to attract, retain and develop are in global demand. We aim to be the employer of choice in our industry and to attract and 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 21% in 2015 (2014: 19%) with the majority of terminations relating to employees reaching the end of their contract term. Excluding these terminations, staff turnover averaged 8%. Absenteeism averaged 3.2% (2014: 3.0%), marginally above our target rate of 3.0%.

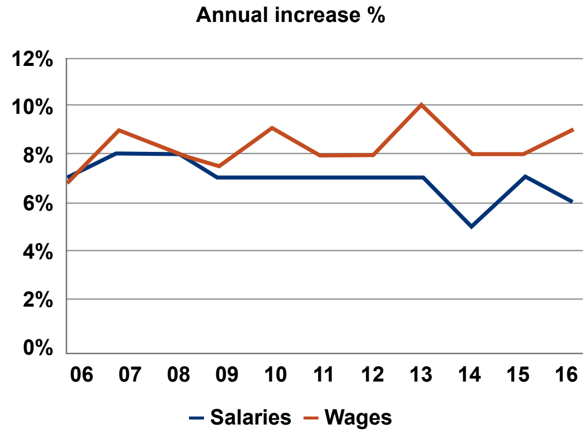
Metair is committed to ensuring workers receive fair and competitive remuneration. Remuneration benchmarks for the group were updated in October 2015. For the last decade, the percentage annual increase in hourly wages has exceeded the increase in salaried pay.



Skills development

The group invested R15 million in skills development initiatives during 2015. This represents 2.8% of net profit after tax (2014: 2.6%). Training spend per permanent employee increased to R2 206 from R2 058 in 2014. In total there were 10 450 training interventions during the year, including both internal and external training interventions, and 87% of training spend was directed to HDSA candidates in 2015.

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 learnership programmes, apprenticeship programmes, candidate technician internships, a candidate engineers' programme and 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 is accredited with MERSETA. Various operations also run adult basic education and training (ABET) courses.

There were 422 participants on non-artisan learnerships in the group in 2015, (2014: 215), exceeding our target of 138 for the year. There were also 212 new recruits to artisan apprenticeship programmes. The group also supported 93 promising bursary students studying in engineering, finance and technical fields (2014: 100).

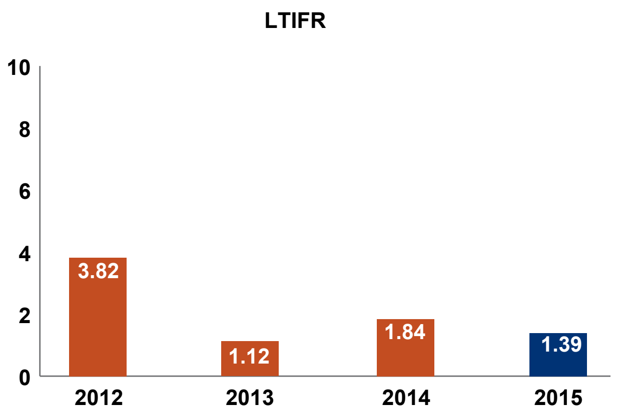
Health and safety

Each subsidiary has its own safety, health and environmental (SHE) policy that aligns with the group SHE policy, which is available on our website at www.metair.co.za/health_safety.asp. Metair's health and safety policies align our approach with the relevant legal frameworks, including the Occupational Health and Safety Act. Health and safety is managed at operational level and supported by the group safety slogan: 'Safety is as simple as ABC – Always Be Careful'.

We monitor health and safety incidents and near-misses, and each company has a benchmark lost-time injury frequency rate (LTIFR) against which it is measured. Lost-time injuries are defined as those workplace injuries that cause an employee to be deemed unfit to return to work the next day. Our target is zero fatalities, disabling injuries and lost-time incidents.

Four of our thirteen operations are accredited in terms of OHSAS 18001, the international health and safety standard. Our goal is for all group companies to be OHSAS 18001 accredited by 2016.

There were no fatalities in the group in 2015 and 115 lost-time injuries (2014: 145) and the lost-time injury frequency rate (LTIFR) improved to 1.39 per 200 000 person hours (2014: 1.84). Common workplace injuries in the group operations include cuts, bruises, back and muscle strains, falls from heights and burns.



Hazardous substances

Some of our manufacturing processes involve potentially dangerous substances and standard health and safety procedures are applied around each such substance. The health and safety procedures comply with both South African legislation and the standards governing our OE customers in other jurisdictions.

EU directive 2000/53/EC classifies lead as a banned substance and requires producers to limit these substances in the manufacture of new vehicles. 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 are 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 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 at company clinics and refer patients to government clinics where they can access ARVs should they need them. Several operations offer nutritional supplementation for HIV positive employees. 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.

HIV/Aids prevalence rates at our South African operations are around 5.3%. 772 employees and contractors received counselling for HIV/AIDS in 2015 (2014: 1 002) and 902 were tested (2014: 972).

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 against 2015 human capital targets

- **Zero fatalities and reduce LTIFR to 1.0 or below.**
  There were no fatalities in the group in 2015. LTIFR improved to 1.39, but did not achieve our target of 1.0 or below.
- **Absenteeism and staff attrition rate for the group should average below 3.0%.**
  Absenteeism reduced to 3.2% which is above our 2015 target of 3.0%. Staff attrition remains significantly above our 3% target at 21% due to the current labour restructuring at various operations in the group.
- **Maintain group training spend at a minimum of R10 million.**
  Group training spend for 2015 increased to R15 million.
- **Maintain or improve the target of 138 learnerships in the group and engage in post-graduate learning opportunities in battery technology.**
  There were 422 learnerships in the group in 2015.

Human capital targets for 2016

- Zero fatalities and reduce LTIFR to 1.0 or below.
- Absenteeism and staff attrition rate for the group should average below 3.0% (excluding contractors).
- Maintain group training spend at a minimum of R15 million. Training to be expanded to Turkey and Romania.
- Continue involvement in offering of learnership programs to 300 learners group wide.

HESTO'S NEW COMBIMETER MANUFACTURING FACILITY

On 7 December 2015, the new purpose-built combination meter manufacturing facility at Hesto was officially opened by the Minister of Trade and Industry, the Honourable Dr Rob Davies. The opening ceremony was attended by government, Toyota South Africa, Yazaki Corporation, the Japanese Embassy, JICA and Metair.

These combimeters were previously imported but will now be manufactured in South Africa and fitted as local content on the new generation Toyota Hilux scheduled to commence production in January 2016. The nature of the component necessitates extremely high levels of quality to be built into the facilities. This involved highly sophisticated equipment with built in failsafe technology and completely dustfree and antistatic facilities. The high quality levels also demanded high skill levels from the operators producing the meters, who received seven months of training before production started.

Technology transfer from Yazaki Corporation also included Hesto combination meter employees visiting Japan for extended periods and many visits to South Africa by Yazaki technical staff. A Yazaki expatriate plant manager has been appointed to train up a South African replacement over the next three years.

Cost studies also indicated that it was essential that the injection moulding facility be alongside the meter assembly to reduce logistics costs, and the new purpose built factory design was modified to accommodate on site moulding. With Hesto having no experience of moulding, Yazaki and Automould, another Metair company, provided the technical expertise to set up the moulding facility to the high standard required.

This project shows that through collaboration – in this case between Toyota South Africa, the government, our technology partner (Yazaki) and shareholders – it is possible to successfully diversify into new areas of manufacture, creating sustainable growth and jobs.

ENVIRONMENT

The group remains extremely sensitive to our effect on the environment and believe that formal measurable and auditable systems are of utmost importance to allow objective measurement of performance against world class standards. We expect our businesses to adhere to the highest standards regarding their environmental impact and have chosen the ISO 14001 (environmental management) and ISO 50001 (energy management) standards as our management system.

Metair's main impacts on natural capital and the environment are through our carbon footprint, energy consumption, water consumption, waste management and recycling facilities. We actively manage our impact on the natural environment in line with our value of custodianship. Taking a responsible approach helps to maintain a positive reputation with customers, communities and regulators, while failing to do so risks reputational damage, fines and the loss of our social licence to operate. We also make a positive contribution to responsible environmental management through products that help customers to reduce their energy consumption, carbon emissions 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 managing director is a member of the social and ethics committee. The group's operating subsidiaries are accredited under ISO 14001.

Climate change

The world's response to climate change and particularly the effort to reduce the carbon footprint present a significant opportunity to the energy storage vertical with the group Start/Stop battery technology.

Climate change has the potential to have a significant impact on society, on our industry and directly on our business. 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 are committed to making a contribution to addressing the challenges posed by climate change.

Stringent motor vehicle emission regulations, led by the EU, arose from climate change concerns. These have a direct bearing on the automotive industry, our OE customers and the vehicles they produce. OEMs are required to carefully vet suppliers in terms of human rights, health and safety, environmental impact and (in South Africa) transformation.

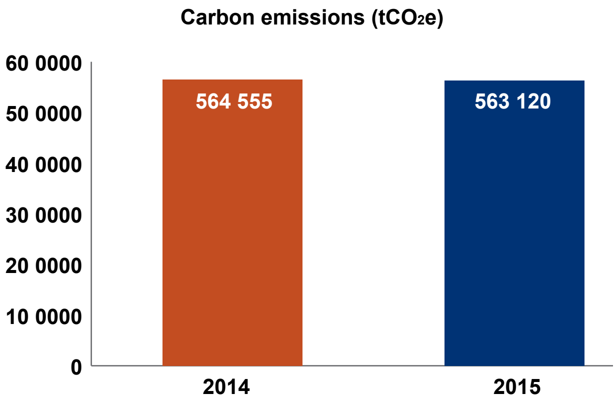
Metair is a significant global manufacturer of automotive batteries for use in Start/Stop systems, which provide a cost-effective way of reducing fuel consumption and carbon emissions.

Carbon footprint

The group's total carbon footprint decreased 0.3% to 563 120 tCO_2e in 2015 (2014: 564 555 tCO_2e). While Scope 1 (direct emissions) and Scope 2 (indirect emissions from electricity) emissions decreased, Scope 3 emissions increased 1.6%.

Emissions embedded in raw materials accounted for 58% of the group's total carbon footprint and electricity for 26%.

	2015	2014	Change
Scope 1	**46 353**	50 747	(8.7%)
Scope 2	**146 046**	149 015	(2.0%)
Scope 3	**370 722**	364 793	1.6%
Total	**563 120**	564 555	(0.3%)



The manufacture of batteries in our energy storage segment 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. Together, the three battery manufacturing operations – First National Battery, Rombat and Mutlu Akü – contribute 72% of the group's carbon footprint.

Nearly 90% of the group's carbon footprint is attributable to the consumption of raw materials, electricity and stationary fuels. Our focus on improving manufacturing efficiencies (including energy use) and reducing waste is therefore our best way of managing our carbon footprint.

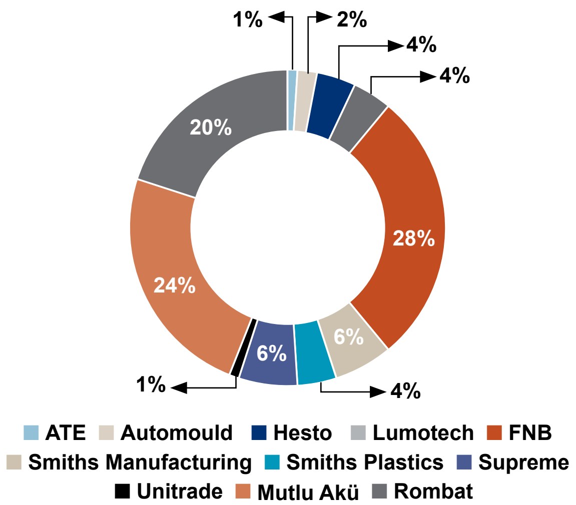
The carbon footprint was calculated using the GHG Accounting Protocol (WRI, WBCSD) as a guideline, and the equity share approach to consolidate carbon emissions. The relevant DEFRA emissions factors were used for the 2015 and 2014 emissions calculations. For 2015, the grid emission factor of 1.01 kg/CO_2e per kWh was used (Eskom 2015). The calculation included CO_2, CH_4 and N_{20}. Refrigerant gases included hydrofluorocarbons (HFCs) and hydrochlorofluorocarbons (HCFCs R22).

Scope one and two emissions per person hour worked decreased 8.3% in 2015 compared to 2014.

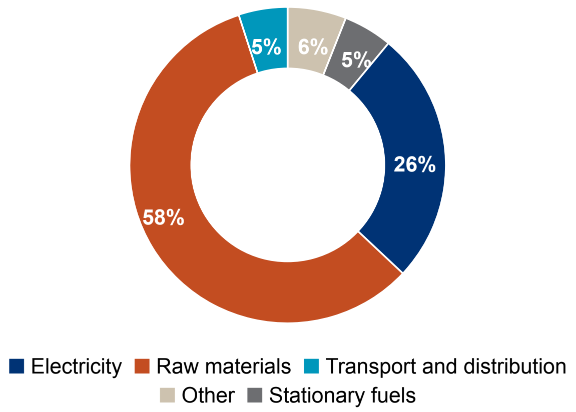
Metair continues to monitor developments in the proposed carbon tax regime. This is discussed in more detail in the financial sustainability section on page 48.

Due to competitive concerns, carbon footprint and energy consumption were previously not publically reported. Metair has therefore not prepared a CDP report, but may consider doing so in the future.

2015 Carbon footprint by operation



2015 Carbon footprint by source



Energy consumption

Energy consumed in our operations includes fuels, such as petrol and diesel, gases and electricity. Electricity is a key input in both our manufacturing facilities and our costings. Rapid increases in the cost of electricity in South Africa in recent years have emphasised the importance of constantly improving production efficiencies to use machinery and energy more efficiently. Initiatives include the redesign of processes to improve efficiencies, the installation of more energy efficient machinery and maintaining a high awareness among employees about the need to minimise inefficiencies.

Examples of initiatives to improve energy efficiency in our operations during 2015 include:

- Installing more efficient variable speed compressors;
- Installing energy efficient LED lighting
- Resizing capacitor banks and electrical motors;
- Resizing boilers for water heating.

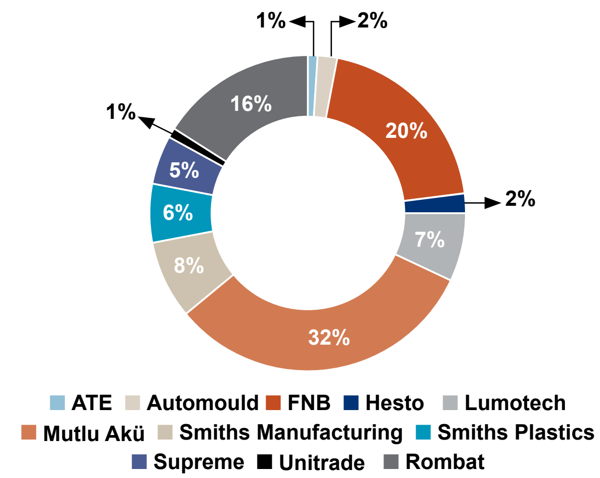
The focus of much of the operations has been on supporting the new vehicle launches in 2015, with numerous new processes/ lines and additional products added to these operations. New methods to improve efficiency of production and reduce scrap are an important consideration in the design of these processes.

In the year ahead, the focus will be on realising these planned improvements.

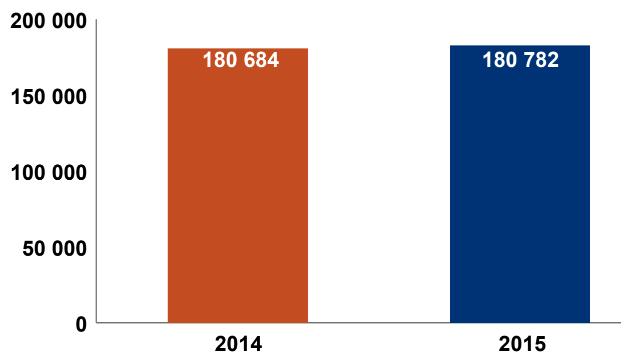
The redesign of our lead acid battery range has set very ambitious targets not only to further improve technical performance, but also to reduce lead consumption per unit, minimise scrap and nonconforming products in the manufacturing process, and to reduce environmental impact by improving the collection and recycling of scrap batteries.

The group measures improvements in electricity consumption per operation against the representative products they produce.

Electricity consumption by operation



Electricity consumption (MWh)



Group electricity consumption in 2015 increased marginally (0.1%) to 180 782 MWh or 650 817 Gigajoules (2014: 180 684 MWh or 650 4563 GJ). Electricity consumption per person hour worked decreased 4.7% despite First National Battery adding a dedicated OE manufacturing facility. First National Battery, Mutlu Akü and Rombat together account for 68% of group electricity consumption, but 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 operations is being sold in the battery, rather than used.

Note that electricity consumption reported in this section is based on 12-month consumption data, while electricity consumption in the carbon footprint calculation may include estimates for some months and therefore may not tie back to the figures disclosed above.

Metair's operations are planning to implement the ISO 50001 energy management system by the end of 2018. 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.

Waste management

We aim to minimise waste from production processes as an important aspect of improving production efficiency and sustaining manufacturing excellence. Scrap reduction targets are set at each subsidiary for primary and secondary materials. We track yield on lead recycling and plastic recycling percentage as measurement criteria for waste management.

Waste is reused or recycled where possible, with the remainder being separated into waste streams at most operations. Waste is disposed of in a responsible manner and according to the relevant legislation. Hazardous waste is disposed of using registered disposal companies.

During 2015, First National Battery changed the Barium effluent treatment process at the Benoni facility, cutting out the need for carbon dioxide in the process, reducing the quantity of disposable waste solids, improving the quality of effluent and generating significant savings.

The group recycled 51% of its non-hazardous waste (5 999 tonnes) in 2015 (2014: 4 470 tonnes) mainly in the form of plastic, cardboard and metal. We also recycled 58 098 litres of used oil during the year.

Batteries and recycling

Car batteries are nearly 100% recyclable and First National Battery, Rombat and Mutlu Akü all have recycling plants. 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 batteries removes potentially harmful substances from the environment – particularly plastic, lead and acid. It is also cheaper to access recycled lead, although at the current low lead price the benefit is diminished. Recycling lead also saves energy and reduces emissions as it uses around a third of the energy needed to produce virgin lead from ore.

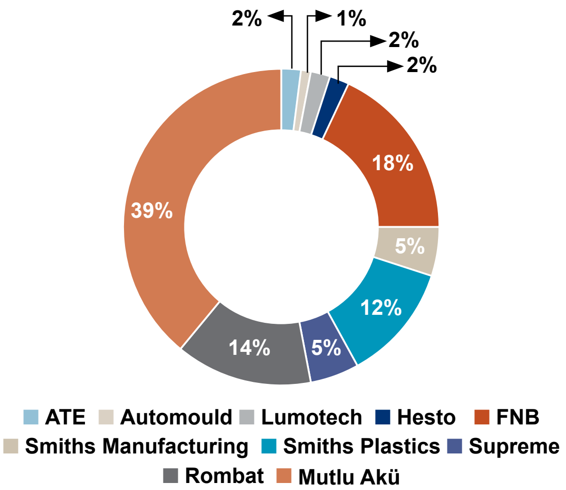
Our goal as a battery manufacturer is to take more lead out of the environment than we put into it and dispose of the other components of a battery in a responsible way. We incentivise customers to return old batteries when buying new ones.

The group recycled nearly 70 000 tonnes of lead in 2015.

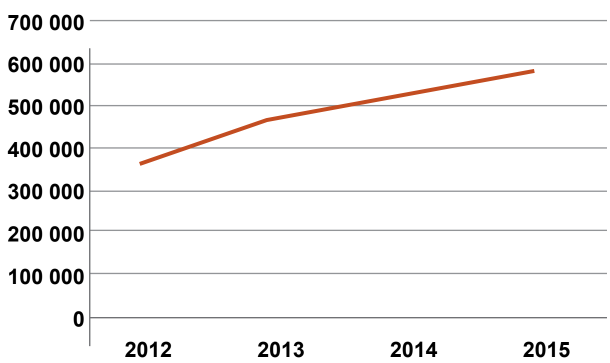
Water consumption

Water consumption is calculated from municipal meter readings, corroborated by readings from internal meters where these are installed. The group withdrew 587 363m³ of water in 2015 from municipal sources, an increase of 11% on 2014 (530 386m³). Group water consumption per person hour worked increased 5.5% to 35.6 litres (2014: 33.6).

Water consumption by operation



Water consumption (m³)



Battery manufacturing uses a lot of water and the three battery operations together account for 71% of group consumption.

The increasing risk to business of poor quality or interrupted water supply was highlighted during the year by water supply disruptions in Stanger and Pinetown that affected production at Hesto and Unitrade. A water tanker was placed on site at Hesto to address the supply interruption.

Various water saving initiatives are in place at operations including:

- Rainwater collection tanks at First National Battery's Fort Jackson and Buffalo View facilities, which supply cooling towers, battery washing machines and toilets.
- Smiths Manufacturing installed a reverse osmosis water purification plant to recycle and recover 90% of the water used in the wet fluxing and evaporation coating processes.

- Supreme has installed meters in paint lines to monitor water consumption and enforce reduction in water usage.
- Lumotech has installed two water tanks to hold effluent water from the spraying process for reuse.

Metair does not currently participate in the CDP water programme.

Environmentally friendly products

Metair's culture of innovation and technical expertise position the group well to develop energy efficient and environmentally friendly products. In addition to Start/Stop batteries, the group offers 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 longer lasting.
- Durable M Solar batteries for solar powered installations.
- Spill-proof Gel VRLA batteries.

Environmental impacts

The environmental impact of our products is closely monitored as a result of the stringent environmental regulatory regimes in Europe and Japan which apply to our OEM customers. 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.

Our OE products end up as components in vehicles that may be manufactured in, or exported to other countries and we therefore 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.

Given the strategic nature of lead as an input for our energy storage businesses, we prioritise recycling of used batteries in all of our markets, which reduces potential environmental impacts if they are not disposed of correctly.

There were no spills or other environmental incidents at any of the group's subsidiaries during 2015.

Environmental protection expenditure totalled R6.3 million in 2015.

	R million
Waste disposal, emissions treatment and remediation costs	5.9
Prevention and environment management costs	0.4

Progress on 2015 environmental targets

- **Continue to refine processes to increase efficiency and reduce scrap.**
  Improving production efficiencies and reducing scrap are ongoing focus areas in line with the group's focus on manufacturing excellence. Many of the new processes linked to the new product lines supporting our OEM customers' new model launches have been designed to improve efficiencies. As the new model are launched and volumes start to ramp up during 2016, we aim to realise these planned efficiencies.
- **Keep the increase in group electricity consumption per person hour worked below 10%.**
  Electricity consumption per person hour decreased 4.7% in 2015.
- **Increase the proportion of waste recycled by 10%.**
  The proportion of non-hazardous waste recycled decreased to 51% from 67% in 2014.
- **Reduce municipal water consumption per person hour worked by 10%.**
  Municipal water consumption per person hour worked increased by 5.5%.

Environmental targets for 2016

- Target 1% improvement on site specific production scrap percentages.
- All companies to achieve ISO 50001 accreditation by the end of 2018.
- Energy storage businesses to improve yield at recycling facilities by 5% especially at lead recycling facilities. Increase usage of recycled plastic by 10%.
- Target a 5% improvement in consumption of water per person hour worked.

CORPORATE GOVERNANCE

Ethical leadership and corporate citizenship

In line with this year's theme of creativity and innovation, the foundation of the company's business is not only built on design, but also on principles as reflected on the factory walls of the report's cover image - respect for people and the environment, and ethical and effective leadership to name a few. As business operates in a fast and continually changing environment, being rooted in sound principles and an environment that stimulates creativity and innovation ensure that we can adapt quickly and align to new trends, requirements and expectations in order to be a sustainable business.

The board continues to provide 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, and to adhere to all legal requirements. The core principle of the group's ethical policy is for all employees to strive to be exemplary custodians in their respective areas of responsibility in their workplace, home, community, country and the world. This policy was reinforced throughout the group during 2015. The group also has an anonymous whistleblowing 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's code of ethics incorporates corporate citizenship and ethical leadership policies. The group is involved in a number of corporate social investment projects which are discussed on page 52.

The board also ensures that the company's ethics are managed effectively. Training and awareness programmes were successfully held during the year to enhance the company's ethics management.

Refer to the social and ethics committee section on page 69 for more information.

Governance framework

The group's governance framework is illustrated on the next page. The principal decision maker is the board, assisted by the various committees as well as executive management. The board is responsible for the strategic direction of the group assisted by the managing director who sets the strategy in conjunction with the board. Executive management is responsible for the day to day management of the company assisted by executive management teams for each of the subsidiaries. The board is accountable to all stakeholders.

The main focus areas of the governance framework of the group is as follows:

- Focus on Metair vision and strategy
- Corporate responsibility and ethics
- Sustainability
- Cost, delivery, quality and competitiveness
- Health, safety and environment
- Finance – budget and forecast
- ROA / RONA / ROE / ROIC / HEPS
- Wellness of employees
- Being a supplier of choice

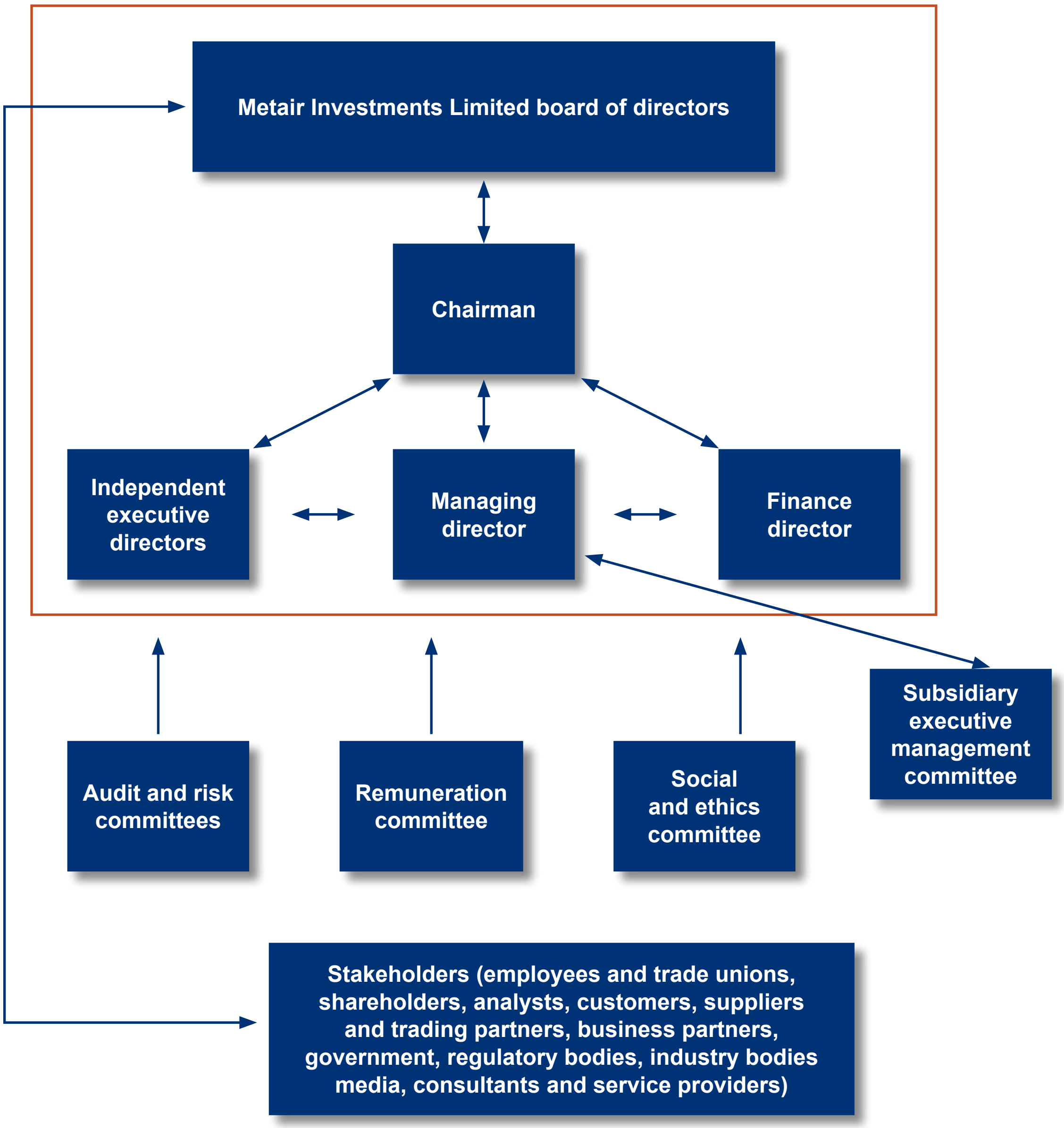
Corporate governance compliance

King III is used to make sure that the company complies with the highest standards of corporate governance. 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.

The group complied with all the principles of King III during the 2015 financial year and continues to strive to improve on the application of the recommended practices in our governance systems, processes and procedures. Refer to the King III checklist on page 92 indicating the level of compliance.

The group ensures that it complies with all applicable laws and regulations in each jurisdiction in which it operates including, where applicable, non-binding rules, codes and standards. 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, publishing interim and annual reports and publishing any share dealings by directors. The company secretary and sponsor are responsible for assisting the board in monitoring compliance with relevant legislation including the JSE Listings Requirements. The company's sponsor is One Capital. Mutlu Akü became a wholly owned subsidiary of Metair in March 2015 and subsequently was delisted from the Borsa Istanbul in Turkey.

Metair is in the process of enhancing its compliance program and will be rolling out a compliance dashboard during 2016. The aim is to enhance compliance governance in terms of establishing the culture of compliance flowing through from setting the tone at board level through top management, middle management and all employees. A compliance report was rolled out during 2015 which was included in both the audit and risk committee as well as the social and ethics committee meeting packs on this subject. This report also included changes and developments in various matters in the compliance sphere. The aim of this report is to keep committee members abreast with what is happening in terms of legislation, the JSE Listing Requirements and general compliance in the industry.



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 key role and responsibilities as set out in the charter are to:

- Act as the focal point for, and custodian of, corporate governance.
- Provide effective leadership on an ethical foundation.
- Contribute to and approve the strategy.
- Ensure that the company is seen to be a responsible corporate citizen.
- Ensure ethics are managed effectively.
- Ensure the company has an effective and independent audit committee.
- Be responsible for the governance of risk and information technology (IT).
- Ensure that the company complies with applicable laws and considers adherence to non-binding rules and standards.
- Ensures effective risk-based internal audit.
- Ensure that the company has an effective and compliant social and ethics committee.
- Appreciate that stakeholder's perceptions affect the company's reputation.
- Ensure the integrity of the integrated report.
- Act in the best interest of the company at all times.
- Commence business rescue proceedings as soon as the company is financially distressed.
- Elect a chairman of the board that is an independent non-executive.
- Appoint and evaluate the performance of the managing director.
- Perform the role of the nominations committee for appointments to the board.

The board comprises nine directors, of whom two are executive directors (the managing director and the finance director), and seven independent non-executive directors (one being the chairman). The average age of directors is 59.2 years and the average length of service is 8.5 years. No employees aside from the executive directors are deemed to be prescribed officers.

Mr OME Pooe decided to step down as chairman of the company with effect from 30 June 2015 and was replaced by Mr SG Pretorius as chairman from 1 July 2015. Mr A Joffe resigned from the Metair board on 1 January 2016. The board recognised the need to appoint additional non-executive directors and the company initiated a recruitment exercise to appoint at least two additional independent non-executive board members, with a focus on supporting diversity. A sub-committee was formed to assess the nominations which led to the appointment of Ms PPJ Molefe and Ms TN Mgoduso to the board with effect from 1 March 2016. The newly appointed directors are required to retire at the company's first annual general meeting as per the company's memorandum of incorporation, and will be presented for re-election by the shareholders.

In terms of the memorandum of incorporation all new directors appointed during the year, as well as one-third of the existing non-executive directors, have to retire on a rotational basis each year, but they may offer themselves for re-election.

The board meets at least once a quarter and is responsible for strategic direction and policy decisions and control of the company, through, among other activities, the approval of budgets and the monitoring of group performance. The meeting dates are communicated to the board on a meeting plan and are normally agreed by the end of the previous year or the beginning of the current year. Agenda items for each meeting are carefully planned and put together by the company secretary in conjunction with the chairman and the executive directors. Other non-executive directors also have an opportunity to add to the agenda. Detailed meeting packs are prepared and sent out to the board at least one week before the meeting date to enable board members to prepare for the meeting.

The independent board members meet at least once per annum for a non-executive directors meeting to discuss matters without the presence of executive management.

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 December 2015. The chairman concluded that the board is functioning well and noted areas that require improvement. This process is coordinated and repeated annually to assess board functionality and to track progress on areas requiring improvement. In future this will be done twice per annum. 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. This evaluation is due to be done again in 2016.

The chairman reviewed the managing director's performance appraisal after which it was discussed by the board in the December 2015 board meeting. The board confirmed that they were happy that the managing director carried out his duties with due care, skill and diligence. The chairman expressed his sentiment, supported by the board, that the company is privileged to be led by such a visionary, competent and committed managing director. On behalf of the board, sincere appreciation was expressed for a job well done in difficult circumstances.

Board members are required to regularly declare any shareholding and any interest that they might have in transactions with the group. A disposal of shares in June 2015 by CoroCapital, in which Mr Joffe holds an indirect beneficial equity interest resulted in Mr Joffe's indirect beneficial interest in Metair shares decreasing by 942 919 shares.

Board meeting attendance

	16 Jan 2015	28 Mar 2015	22 May 2015	17 Jun 2015	13 Jul 2015	18 Aug 2015	16 Sept 2015	4 Dec 2015	Board attendance
SG Pretorius	P	P	P	P	P	P	P	P	100%
OME Pooe*	P	P	A	A					50%#
CT Loock	P	P	P	P	P	P	P	P	100%
S Douwenga	P	P	P	P	P	P	P	P	100%
A Joffe**	P	P	P	P	P	P	P	A	88%
RS Broadley	P	P	P	P	P	P	P	P	100%
L Soanes	P	P	P	P	P	P	P	P	100%
JG Best	P	P	P	P	P	P	P	P	100%
DR Wilson	P	P	P	P	P	P	P	P	100%
Overall director board attendance									96%

P = Present A = Apologies

* Mr Pooe resigned on 30 June 2015.

** Mr Joffe resigned on 1 January 2016.

\# Attendance percent calculated on board attendance during the tenure of directorship.

The board confirmed the independence of the non-executive directors and specifically reviewed the independence of directors whose tenure is nine years or longer. Messrs Soanes and Broadley's tenure are both in excess of nine years, however, the board were satisfied that they are still of an independent mind.

Succession planning was highlighted as one of the important leadership issues that needed attention. Management addressed the issue and a lot of work went into preparing succession plans for all subsidiaries and Metair head office. The remuneration committee is in the process of reviewing all succession plans for the group and will be addressing weaknesses and the way forward. The board is engaged in addressing succession planning for the executive directors and the chairman.

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/internal trainers. During 2015 the following training programmes were delivered:

Trainer	Training Topic
IRAS	Sustainability
Brand Pretorius	Leadership

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 Metair board ratifies 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 board established its board audit and risk committee on 3 November 2003.

The committee comprises three independent non-executive directors, namely Mr JG Best (audit and risk committee chairman), Mr L Soanes and Mr DR Wilson. For the experience and qualifications of the audit committee members, refer to the directors and officers of the company section on page 38 for brief write-ups on the audit committee members.

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 as contained in the audit and risk committee charter. A copy of the charter is available on the company's website. The committee also performs an annual self-evaluation of its effectiveness. The results of the self-evaluation confirmed that the committee is functioning well and that the information presented to the audit committee is satisfactory.

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
- group risk management including identifying the significant risks facing the group and formulating the risk response thereto.

The group reviews its combined assurance model annually based on identified key risks and the committee confirmed that all areas are adequately covered by either/or external audit, internal audit, management and specialist consultants. Key strategic risks were included in the combined assurance model. Management assurance on the combined assurance model will be expanded to include a control self-assessment questionnaire that all subsidiaries have to complete to confirm that assurance was done. A regulatory universe, set up by subsidiary, is being monitored and compliance affirmed by the relevant responsible person on a regular basis. The company is in the process of expanding the regulatory universe into a compliance dashboard to enhance awareness and compliance with relevant laws and adherence to other non-binding rules and standards.

The competence of the finance function was evaluated and approved by the committee as being sound.

The committee reviews the interim results, annual financial statements, 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, after performing an effectiveness review, confirms that it is satisfied with their performance and that PricewaterhouseCoopers Incorporated met the test of independence. PricewaterhouseCoopers Incorporated rotates partners every five years and has been appointed as the company's lead auditors since 1998. Mr G. Hauptfleisch, the current designated audit partner, has been appointed since 2012 and will be rotating in 2016.

The committee also sets the policy for the provision of non-audit services. Non-audit services are reviewed and approved at each audit and risk committee meeting.

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 with their performance following an effectiveness review and that they met the test of independence.

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

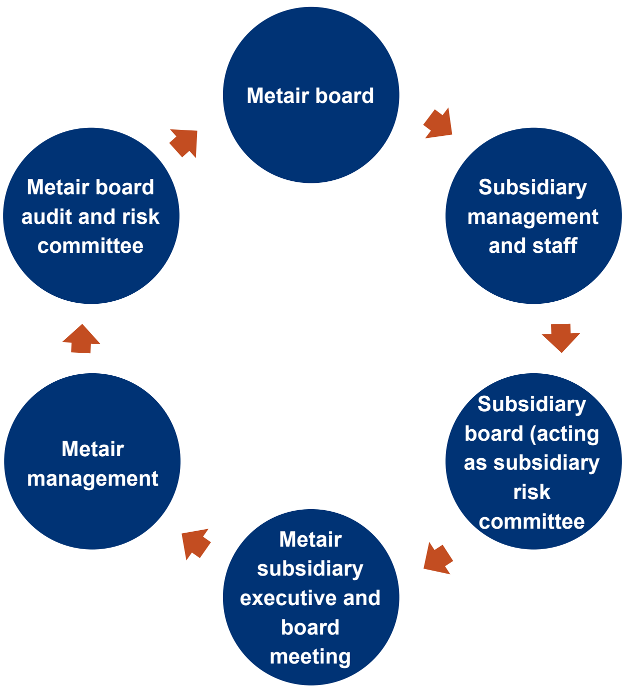
Five meetings were held during the year as indicated in the table below. The chairman reported to the board after each meeting. External and internal auditors meet with the audit and risk committee separately at least once per annum in order to discuss matters without the executives being present.

The first meeting of 2016 was held in March.

Audit and risk committee meeting attendance

	23 Mar 2015	26 May 2015	18 Aug 2015	16 Sept 2015	5 Nov 2015	Committee attendance
JG Best	P	P	P	P	P	100%
L Soanes	P	P	P	P	P	100%
DR Wilson	P	P	P	P	P	100%
Overall director board attendance						100%
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 which is available on the company's website.

The risk reporting structure is illustrated bottom left.

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 the risk management system and control processes within the organisation and presents its findings to the board.

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

- Identify and agree the risk profile of the group;
- Establish and maintain a common understanding of the risk universe that needs to be addressed in order to achieve corporate objectives;
- Ensure that management has effectively identified the key business risks and incorporated them into their activities;
- Assess the appropriateness of management responses to significant risks;
- Consider the control environment directed towards the proper management of risk;
- Co-ordinate the group's assurance efforts – to avoid duplication, ensure adequate coverage of the risks and decide on what assurance efforts are appropriate;
- Assess the adequacy of the assurance provided by management, internal audit and external audit, and specialist consultants (as and when used);
- Keep abreast of all changes to the risk management and control system and ensure that the risk profile and common understanding is updated, where appropriate;
- Report to the board on the work undertaken in establishing and maintaining the understanding of the risks that need to be managed and the adequacy of action taken by management to address identified areas for improvement;
- Satisfy the corporate governance reporting requirements; and
- Use AAA grade insurance underwriters as a lead 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 to ensure a sustainable future. 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 these inherent risks to arrive at residual risks. Compliance with laws, rules, codes and standards form an integral part of the company's risk management process. Risks are continuously reviewed by management to ensure that responses to risk remain current and dynamic. The audit committee reviews the risks bi-annually. The control effectiveness element of the risk assessment was expanded to differentiate between direct and indirect control. This aspect will be further developed and expanded to include measures that are in place for direct control effectiveness.

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

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

The group 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. The current year's risk assessment showed a significant movement in the top ten risks of the company compared to last year as a result of the changing environment that Metair operates in. Last year's main focus was cost, quality and competitiveness, compared to this year's focus on management retention, shareholder expectations and increased dominance and related practices by world dominant players as can be seen with the top two new risks.

The following table sets out the top ten risks of the group:

Previous rank	Rank	Move	Risk name	Risk category	Residual vs inherent risk exposure Low High	Link to strategy	Material aspect affected
New	1	↑	Metair management leaving due to unrealistic shareholder expectations and capacity pressure	Strategic		1/2/3/4/5/6/7	Human capital
New	2	↑	Increased dominance and related practices by world dominant players	Strategic		1/4/5/6	Competitiveness
3	3	→	Mismatch of labour and management expectations resulting in protracted strikes/volatile labour market with political overlay	Strategic		2/3/7	Human capital, Competitiveness
2	4	↓	Successful execution of the Metair redesign process linked to the integration execution of acquisitions in foreign jurisdictions with challenging geopolitical environments	Strategic		1/2/4/6/7	Competitiveness, Balanced business
20	5	↑	Management and implementation of sourcing decisions for new models and production volume volatility	Continuity of supply		1/2/3/4	Competitiveness, Business partnerships
8	6	↑	No effective stabilisation mechanism for currency volatility and alignment with customer requirements and views in a continuing devaluation of Rand	Financial/ Strategic		2/3/4	Competitiveness
11	7	↑	SA battery industry consolidation and M & A activity allowing entry of international players in local markets	Financial/ Strategic		1/2/4/5/6	Competitiveness
28	8	↑	Manufacturing process control systems and product quality deterioration	Continuity of supply		2/3/4	Competitiveness
34	9	↑	Consolidation of plastics businesses to address manufacturing cost competitiveness	Financial/ Continuity of Supply/ Strategic		2/3/7	Competitiveness, Human capital
21	10	↑	Impact on trading environment due to geopolitical instability	Financial		1/2/3/4/6/7	Competitiveness

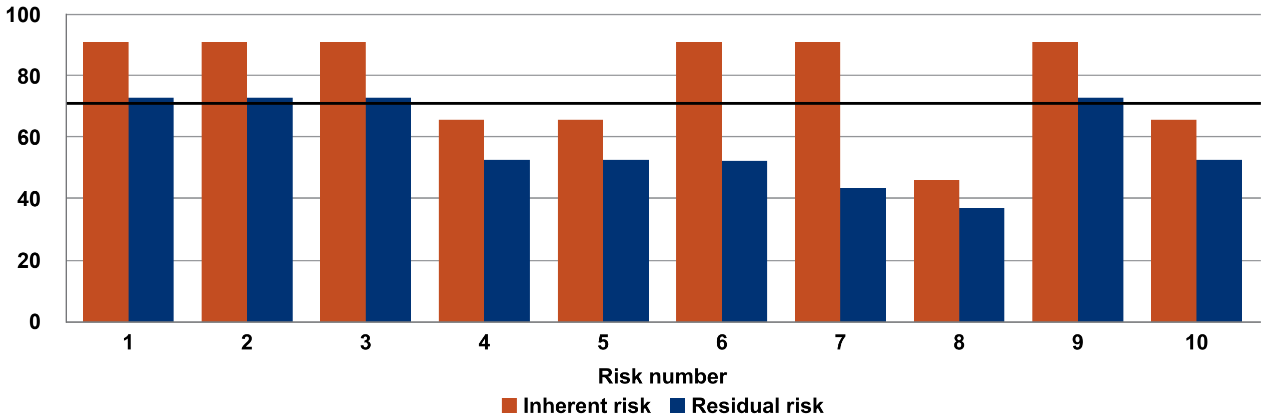
◆ Residual risk ◆ Inherent risk

Action plans in place for the top two new strategic risks are as follows:

1. Market competitive remuneration strategy
- Implement retention programme
- Monitor work environment
- Workload management

2. Market intelligence
- Greater stakeholder engagement
- RARE marketing programme

Top ten risks relative to the overall tolerance level of 70+ (effect on revenue/asset base of between 5% and 10%)



Top ten risk indicators relative to individual tolerance levels

Rank	Risk indicator	Individual risk tolerance levels
1	Number of resignations	Zero
2	Market share in local market – SA	50%
	Market share in local market – Turkey	50%
	Market share in local market – Romania	45%
	Number of M & A activities in market	Zero
3	Cumulative internal incident counter	Zero events
	Cumulative external incident counter	Zero events
	(Protected and unprotected incidents that creates work stoppage)	
4	HEPS performance	150 cps
5	Measurement of planned vs actual production volumes	1% variance
6	Rand/Dollar actual against budget	Budget Q3 13.04
	Euro/Rand actual against budget	Budget Q3 14.47
	TL/Rand actual against budget	Budget Q3 4.53
	Rand/Yen actual against budget	Budget Q3 8.98
	Thai Bhat/Rand actual against budget	Budget Q3 2.76
	Ron/Rand actual against budget	Budget Q3 3.38
7	SA market share in aftermarket	50%
	SA market share in OE	100%
	Overall SA market share	60%
8	Quality incident warnings issued by customer and recall campaigns	Zero
9	No plant or industry labour disruption	Zero
10	Monitoring of performance against budgeted production volumes per major market segment	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 by the group as a whole for financial reporting which will contribute greatly towards standardisation. The successful implementation of this new system was the main IT focus in 2015.

During 2015, Cognos was embedded and automated and all reporting, including monthly and quarterly results, budgets, interim and annual reporting, are being prepared on Cognos by all subsidiaries with the exception of two subsidiaries as mentioned hereafter. The only subsidiary where full implementation was not achieved was Mutlu Akü as a result of finance team changes, however this situation is currently being addressed and is one of the key focus areas of Metair. Dynamic Battery Services was acquired by the company at the end of October 2015 and implementation will be addressed in 2016.

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, Mr RS Broadley (chairman),two executive directors, Messrs CT Loock and Mr S Douwenga and a subsidiary representative Mr S. Khan. Ms Portia Molefe joined the committee with effect from 1 March 2016.

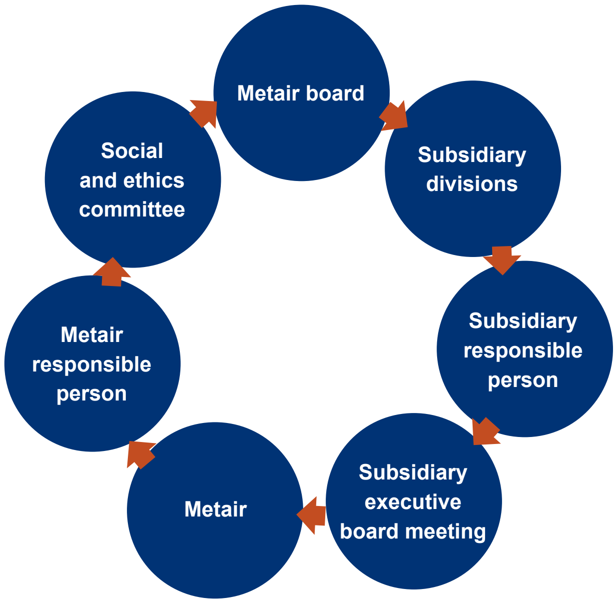
Mr K.E. Lello resigned on 22 May 2015. The committee decided to appoint a subsidiary representative onto the committee on a rotational basis hence the appointment of a new member, Mr S. Khan, to the committee on 5 November 2015.
The reasoning behind this decision was to enhance awareness and implementation of the social and ethics programme in the group as well as to use that subsidiary as an incubator for testing new ideas before rolling them out to all the group subsidiaries.

The committee functions according to its terms of reference included in the social and ethics committee charter, which has been approved by the Metair board. The committee performed its first annual self-evaluation of its effectiveness this year. The overall results of the evaluation is that while a lot of work has been done in the area of social and ethics in the group and progress has been good, a lot of work still needs to be done. A specific responsible person has been appointed at each of the subsidiaries with specific responsibility for social and ethics, governance and sustainability matters. Social and ethics committee handbooks are also in the process of being prepared by all subsidiaries with some subsidiaries already using them.

Currently the committee assesses ethics performance by sending out an ethics questionnaire to subsidiaries to complete to ensure that ethics are rolled out and adequately addressed at the subsidiary companies. A sustainability template including non-financial narrative information is also completed bi-annually by the subsidiaries, consolidated and presented to the social and ethics committee. Going forward, this template will be compared to prior period information, and performance will be judged on that basis. A King III gap analysis is done annually and the principles relating to social and ethics matters are checked to ensure the company is compliant as well as to identify areas of weakness and to put action plans in place. Report back on the annual work plan is also used to ensure that all actions indicated on the work plan are being done. The social and ethics committee self-evaluation is also used by the committee to assess the standard and performance of the social and ethics programme in the company.

A social and ethics dashboard is in the process of being developed which will enhance reporting and performance assessment going forward.

The social and ethics reporting framework is as follows:



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 safety (product and public safety)
  - Consumer relations
  - Labour and employment

- Draw matters within its mandate to the attention of the board;
- Report, through one of its members, to the shareholders at the company's annual general meeting on matters within its mandate.

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

A sustainability conference was held in May 2015 attended by all subsidiaries and across all departments within the subsidiaries. The aim of the conference was to give delegates a better understanding of what information Metair requires in terms of social and ethics and in particular sustainability. Emphasis was placed on improved accuracy of information from the subsidiaries. Updated templates for this information, including narrative questions were rolled out and discussed. This training will be rolled out to all employees at the subsidiaries by the delegates that attended the conference. The committee recognised the value that the consolidated data adds to the group in terms of comparisons between the subsidiaries which will show up weak areas that need to be attended to. The main outcome of the conference was that feedback up, down and sideways is very important, i.e. Metair to subsidiaries and subsidiaries to Metair, subsidiaries to subsidiaries and most importantly, to employees.

The company 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 sessions on the Tip Offs hotline and grievance procedures were held at all subsidiaries and were well received. Fourteen tip offs were received during 2015. All tip off reports received were investigated, resolved and where applicable, action taken and reported back to Deloitte for feedback to the whistle blower.

The first meeting in 2016 was held in March.

Social and ethics committee meeting attendance

	25 Mar 2015	17 Jun 2015	5 Nov 2015	Committee attendance
RS Broadley	P	P	P	100%
CT Loock	P	P	P	100%
S Douwenga	P	P	P	100%
KE Lello *	A			0%
S Khan **			P	100% #
Overall director board attendance				91%

P = Present A = Apologies

* Mr Lello resigned on 22 May 2015

** Mr Khan was appointed on 5 November 2015

\# Attendance percent calculated on board attendance during the tenure of membership

The chairperson reported to the board after each meeting that was held in 2015.

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 framework

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

Arising from the committee's terms of reference, a social and ethics plan and procedure is drawn up, 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 2015 was approved and implemented by the committee.

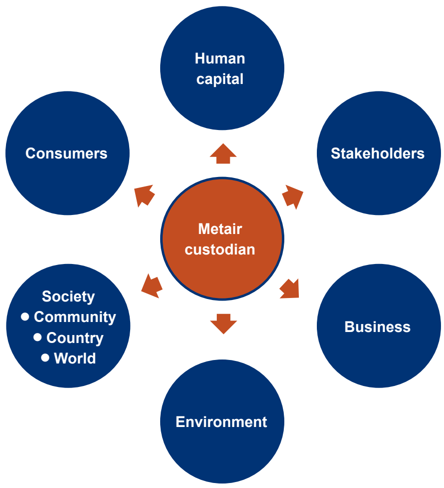
The core principle of the social and ethics framework is custodianship and the core values are unity, harmony, equality, respect for human dignity and doing what is right, fair, reasonable, lawful and just. Metair has expanded the definition of custodianship to include not only business but society as well.

The word custodian comes from the Latin word "Custos" meaning a "guardian". Being a custodian refers to a person who has responsibility for taking care, protecting and looking after something. So the aim is to inspire all employees to strive to be exemplary custodians in their area of responsibility at the workplace, home, community, country and world. This applies to all levels of the organisation from the least skilled employee to the managing director, each making a different but invaluable contribution to the success of the business. Custodianship thus fits in perfectly with this year's theme of creativity and innovation, leading to a sustainable business.

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

Custodianship encompasses the key elements of long-term sustainability and continuity. It elevates the focus beyond individual or personality interests, to build a sustainable legacy, whilst 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 responsibility assigned with being a custodian also requires accountability, and evaluation against the measures set for attaining excellence.

Metair's social and ethics framework is the soft thread that runs through the business that is intertwined with the hard threads associated with financial 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
- Growing an international footprint
- Excellence through brands

and the 2016 theme creativity and innovation provide the specific focal points for the social and ethics framework.

Metair is in the process of developing a compliance framework and dashboard to enhance reporting on the regulatory universe and general compliance.

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 respective half yearly 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 2015), 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 51.

Broad-based black economic empowerment

Metair commissioned an independent verification of the company's B-BBEE shareholding at the end of 2015. As a result of the disposal by RBH of its shares in 2014, Metair chose the inclusion principle to conduct its BEE verification. The verification showed total BEE shareholding and voting rights of 34.73% and total female BEE shareholding of 17.32% with voting rights of 13.06%. Designated group BEE shareholdings comprised 2.21% of the share register.

Metair achieved a score of 22.21 points for the ownership element on the generic Broad-based Black Economic Empowerment scorecard (2014: 20.97). 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 achieved in 2013. All subsidiaries with the exception of one are on levels 2 or 3. 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 51 for more information. 2015 will be the last year that reporting will be done on the old BEE scorecard. From 2016 it will be very difficult for subsidiaries to achieve the budgeted level 4 compliance. A gap analysis from the old to the new scorecard has been done and action plans are in place to endeavour to meet the new level 4 requirement.

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, has been 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 the company secretary.

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

Sponsor

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

King III Compliance

The company performed a review of the requirements of King III, the full results of which are shown in Appendix VI on page 92. At the date of the report the group applied all the principles of King III.

BOARD AUDIT AND RISK COMMITTEE REPORT

The audit committee is constituted as a statutory committee of Metair Investments Limited in respect of its statutory duties in terms of section 94(7) of the Companies Act 71 of 2008 (the Act) and a committee of the board in respect of all other duties assigned to it by the board. The committee has complied with its legal and regulatory responsibilities for the 2015 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.

Internal audit terms of reference

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

Composition

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

Meetings

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

Statutory duties

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

- Nominated and re-appointed PricewaterhouseCoopers Inc. (PwC) as external auditors and Mr G Hauptfleisch as the individual auditor, after confirmation of their independence;
- The committee confirmed that PwC and the designated auditor are approved by the JSE;
- The external auditor fees, as per note 3 of the annual financial statements, and their terms of engagement were approved.
- All non-audit services provided by PwC were reviewed and approved;
- Meetings were held with PwC after the audit committee meetings, without the executive management present, and no matters of concern were raised;
- No reportable irregularities were noted by PwC;
- The role of the committee is set out on page 65 of this report;
- The committee reviewed the annual financial statements, integrated annual report and the interim report during the year with the external auditors present before recommending these to the board for approval; and
- All trading statements were reviewed by the audit committee before recommending them to the board for approval.

Risk management

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

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

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

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

Internal financial controls

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

Regulatory compliance

The group complied with all relevant laws and regulations and considers adherence to non-binding rules, codes and standards. Compliance forms an integral part of the company's risk management process.

External audit

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

Internal audit

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

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

The committee has a good working relationship with KPMG.

Financial director review

The committee has reviewed the performance, appropriateness and expertise of the financial director, Mr 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 Limited and the group for the year ended 31 December 2015 and based on the information provided to the committee, consider that the group complies in all material respects with the requirements of the Companies Act and International Financial Reporting Standards. The committee has reviewed the integrated annual report and the committee recommends the report to the board and shareholders for approval.

On behalf of the board audit committee:

JG Best
Audit and risk committee chairman
16 March 2016

SOCIAL AND ETHICS COMMITTEE REPORT

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

The social and ethics committee is constituted as a statutory committee of Metair Investments Limited in respect of its statutory duties in terms of the Companies Act 71 of 2008 (the Act) and a committee of the board in respect of all other duties assigned to it by the board. The committee assists the board in providing effective leadership and being a good corporate citizen. The committee has complied with its statutory duties and other duties assigned to it by the board for the 2015 financial year.

Names and qualifications of committee members

RS Broadley (Chairman)	Advanced Technical Certificate (Engineering)
PPJ Molefe	Bachelor of Science Honours (Economics), MBA
CT Loock	B Eng (Industrial)
S Douwenga	B Comm B Acc CA (SA)
S Khan	B Comm (UKZN); Post Graduate Diploma in Accounting Science (Unisa); MDP (USB)

Terms of reference

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

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

The specific functions of the committee are to:

- Review the code of ethics policy document, periodically update the document if required and ensure that the company adheres to it;
- Monitor the company's activities, having regard to any relevant legislation, other legal requirements or prevailing codes of best practice with regards to:
  - Social and economic development, including, the Employment Equity Act and the Broad-based Black Economic Empowerment Act
  - Good corporate citizenship
  - Environment, health and public safety (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 two independent non-executive directors, namely Mr RS Broadley (chairman) and Ms PPJ Molefe, two executive directors, namely Messrs CT Loock and S Douwenga and a subsidiary representative, Mr S Khan.

Ms Molefe joined the committee with effect from 1 March 2016.

Meetings

Three meetings were held during the year and these were attended by all members except for the March meeting not attended by Mr Lello, who subsequently resigned.

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
16 March 2016

REMUNERATION REPORT

Preamble

The subject of remuneration and reward systems remains a sensitive matter in the group especially under the current socio-political environment where the only real measure in line with the group's corporate governance principles is fairness and justness.

Equality of pay remains a major challenge as the group recognises the requirement for different job grades with designed differentials in job specifications based on levels of work.

In order to provide the group stakeholders with business intelligence that has the ability to overlay a professional management and world best practice system over this sensitive and sometimes emotional subject, the group uses the Towers Watson global grading system (GGS) combined with the EXSYS scorecard system to manage the twenty different levels of work in the group.

The different levels of work are independently measured using a methodology to analyse each of the 7 650 permanent and temporary jobs in the group based on the following criteria:

GGS:
- Functional knowledge
- Business expertise
- Leadership
- Problem solving
- Nature of impact
- Area of impact
- Interpersonal skills
- Scope of business

EXSYS scorecard system:
- Knowledge
- People skills
- Decisions
- Planning
- Judgement
- Authority
- Structure
- Size

In line with 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, shareholders are required to pass a non-binding advisory vote on the group's remuneration policy and its implementation. As this single vote covers both current application of past approved remuneration policies that now reflect in the pay for 2015 and the application of policies for future remuneration structures, the group decided to put two separate votes to shareholders at the annual general meeting of shareholders to be held on 5 May 2016 of which the notice to shareholders is included in this integrated annual report. One vote for the approval of executive remuneration for 2015 as per note 3 on page 126 and a separate vote covering the approval of the remuneration policy application going forward as summarised in the table on page 77.

The group believes that the alignment of shareholders and management in this regard is of utmost importance as positive confirmation of support contributes greatly towards the motivation and retention of executives, which is required for long-term sustainability.

To ensure good corporate governance and application of world class practices in regards to the formulation and application of remuneration policies and reward systems, this process is managed by an independent remuneration and nominations committee.

The board remuneration and nominations committee is guided by a charter as summarised below.

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. Mr Joffe resigned from the company on 1 January 2016. With effect from 1 March 2016, Ms Thandeka Mgoduso was appointed chairman of the committee and replaced Mr Broadley, who remains a member of the committee.

The committee functions in terms of a charter which is approved and re-confirmed by the board annually. The committee also performs an annual self-evaluation of its effectiveness. The results of the self-evaluation confirmed that the committee is functioning well and no major concerns were noted except for the continued retention of Metair executives. The committee also checked itself against what King III requires of it and drew up an annual King III work plan to ensure that it remains compliant.

The main purpose of the committee is to:
- Assist the board in carrying out its responsibilities relating to all compensation and retention matters, 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. These recommendations take into account the need for diversity on the board, independence of candidates and expertise and experience, both within the automotive industry and relating

to economic, environmental and social topics. 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 for 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 subsidiary companies, the committee:
  – regularly reviews the board structure, size and composition and makes recommendations to the Metair board with regards to any adjustments that are deemed necessary.
  – ensures that formal succession plans for the board, managing director and senior management are developed and implemented and are also 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. They also oversee the development and implementation of professional training.
  – makes recommendations to the board for the continued (or not) service of any director who has reached the age of 70.
  – recommends directors that are retiring by rotation, for re-election after considering their performance as directors.

Service contracts with executive directors are reviewed and renewed on an annual basis. Employment contracts are in place for all non-executive directors.

Four meetings were held during the year, as indicated below. The quorum for transacting business as per the remuneration committee terms of reference is that at least two members need to be present. The chairman reported to the board after each meeting.

Remuneration committee meeting attendance					
	23 Feb 2015	26 May 2015	13 Oct 2015	10 Dec 2015	Committee attendance
RS Broadley	P	P	P	P	100%
L Soanes	P	P	P	P	100%
A Joffe *	P	P	P	A	75%
Overall director board attendance					92%
P = Present A = Apologies					
* Mr Joffe resigned on 1 January 2016					

The next meeting is scheduled for May 2016.

Levels of work

The group executive is required to oversee output and activities of over 20 different levels of job grades.

The managing director of Metair has the highest grade in the group at level 20 as per the Towers Watson GGS.

Employment equity and transformation is measured and actively promoted across all the levels in the group, based on the principle that at all levels of work are of equal importance as each level carries the responsibility of being the best possible custodian in that position.

Structural labour legislation including collective bargaining agreements result in levels 1 to 3 being managed in terms of labour union agreements.

Metair believes that the debate with regards to the pay levels for hourly and weekly paid associates should, in the foreseeable future, be more focused towards a liveable wage rather than a minimum wage.

Job evaluation

The updated market salary pay-line by global grade as of October 2015 is illustrated on the next page. All jobs in the group were graded in terms of the Towers Watson global grading system, an internationally recognised system. The general staff pay-line with salary scales for the Metair South African operations, using global grades and market remuneration data from comparable jobs in the automotive industry can be seen on the graph on the next page. The pay-scales, reflected in Rands 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 basis for all increases going forward.

Succession planning

Succession planning is a major focus area for the committee and the board. Management addressed the issue and prepared succession plans for all subsidiaries including Metair head office. The remuneration committee is in the process of reviewing all succession plans for the group and will be addressing weaknesses and the way forward.

Performance appraisals

The committee reviewed performance appraisals of the Metair group executive management and for the subsidiaries.

Performance appraisals are based on a generic assessment which includes the following key performance areas:

- leadership competencies
- management competencies
- interpersonal competencies
- business competencies in terms of the subsidiary company
- business competencies in terms of Metair

as well as specific shareholder objective assessments which include company and individual specific key performance areas.

The Metair managing director's performance appraisal was reviewed by the chairman and board.

Remuneration policy

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

- Remuneration will be measured against the manufacturing industry median taking into account the size and business complexity of subsidiaries for subsidiary director remuneration;
- Individual performance and the achievement of certain key performance measures will also be taken into account in determining executive remuneration;
- A market remuneration database will be used and updated every three years; and
- 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 retention of senior management, especially at Metair level has become important and is being addressed. The retention of shares by executive management will also be addressed during this exercise.

Vote on remuneration policy and application

The remuneration policy will be put to shareholders to vote on as a non-binding vote in accordance with King III and best practice principles. Shareholders are referred to the notice of the annual general meeting and ordinary resolution number 10 on page 173.

The table on the next page depicts the various components applied under the remuneration policy of:

- Base pay
- STIP
- LTIP

The methodology is that the market-related base pay referred to as cost to company (CTC) is always set as the 100% level to allow for indicative STIP and LTIP participation as a percentage of CTC as detailed in the table on the next page.

Management level	Remuneration elements	% CTC
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]	12
	LTIP[5]	47
		159
MD of subsidiary (battery and aftermarket companies)	Base pay	100
	STIP[3]	16
	LTIP[5]	47
		163
Directors of subsidiary	Base pay	100
	STIP[4]	10
	LTIP[5]	28
		138
Directors of subsidiary (battery and aftermarket companies)	Base pay	100
	STIP[4]	12
	LTIP[5]	28
		140

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

Detail of each component of total remuneration is explained below.

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.

Remuneration is based on the market median. The global grading exercise that is referred to earlier in this report and the EXSYS scores exercise carried out by PE Corporate Services assists the company in determining the correct grades that the remuneration needs to be based upon. Executive management increases have historically been based on at least 2 – 3% lower than market-related increases to assist in addressing the wage gap that there is between lower and higher earners in the company. Increases will generally never be higher than market related unless there was a change in responsibility or increase scope in the position. Performance appraisals are also taken into account when increases are decided upon and individual and company performance plays a role in this decision.

Base pay

Base pay for executive management comprises a guaranteed annual cash amount based on total cost to company. The benefits included in the base pay are travel allowances, pension and/or provident fund, medical aid, group life and 24-hour accident cover. Executive management working on an expat basis at our overseas subsidiaries also receive living and housing allowances. These allowances will lapse on their return to South Africa.

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, headline earnings per share, return on equity, return on assets and transformation targets. B-BBEE level 4 has been set to be achieved for 2016. Specific key performance indicators (KPIs) have been added for subsidiary companies and these KPIs are linked to the company's strategy and specific individually set targets that the company needs to achieve. These KPIs can be financial or non-financial and can be based on company and individual performance. This is paid out annually and is calculated as a percentage of basic salary depending on the management level. The STIP is designed to be self-funding.

Going forward, the ROE element of the STIP will be replaced by return on invested capital (ROIC).

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

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

STIP (%)									
Element	KPI's	PBIT/HEPS		ROE/ROA		Transformation	Total		Grand Total
	Target	Budget	Target	Budget	Target	Target	Budget	Target	
Metair MD	5	20	50		15	10	20	80	100
Metair FD and COO	2	20	30		8	10	20	50	70
MDs	12 (8)	12 (16)			28 (28)	8 (8)	12 (16)	48 (44)	60
Director	8 (6)	10 (12)			26 (26)	6 (6)	10 (12)	40 (38)	50
Exco	4 (3)	6 (6)			3 (3)	12 (13)	6 (6)	19 (19)	25

(The figures in brackets represent the battery and aftermarket company participation levels.)

Long-term incentive plan (LTIP)

The remuneration committee and shareholders approved The Metair Investments Limited 2009 Share Plan (the plan), which replaced all the previous long-term share incentive structures, now being phased out to completion.

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. It provides for executives, senior managers and/or key employees of the group to be annually offered a combination of share appreciation rights, bonus shares and performance shares, although bonus shares no longer form part of policy and will in future be granted purely on a discretional basis.

A brief description is given of the three elements allowed for in the plan, together with a more detailed description of the performance share element, and its currently envisaged implementation.

Share appreciation right element

Annual allocations of share appreciation rights may be made to executives and selected managers. They vest (are available to be settled), subject to the fulfilment of specified performance criteria, in equal thirds no earlier than the 3rd, 4th and 5th anniversaries of their allocation but need not be exercised until the 6th anniversary, at which time they must be exercised or they will lapse.

On settlement, the value accruing to participants will be the appreciation of Metair's share price. Settlement will be via shares, which shares may be, at the discretion of the board, allotted and issued, or acquired and transferred to participants. Alternatively, a cash bonus of equivalent value will be paid.

Performance criteria governing the vesting of share appreciation rights may be determined by the board and communicated in allocation letters to participants. Until now no performance criteria have been stipulated, however, as and when share appreciation rights are to be allocated in the future they will be formally subjected to "Malus" and "Claw back " clauses, oriented towards ESG aspects.

Bonus share element

Executives and senior managers may receive, and have in the past received, a grant of bonus shares, the value of bonus shares granted being linked to the annual cash bonus scheme, in a share-based derivative of bonus matching or deferral.

Bonus shares vest after three years, and provide shareholder alignment and share-based retention to those senior managers who through their performance on an annual basis have demonstrated their value to Metair. Settlement is, at the discretion of the board, via the issue and allotment, or acquisition and transfer to participants, or by the payment of cash of equivalent value.

However, with the grant of bonus shares on an annual basis having been discontinued, there only remain two historical grants that still have to vest.

In future bonus shares will be retained for retention or very special allocations.

Performance share element

Annual conditional awards of performance shares will continue to be made to executives, and this element will be the primary form of long-term (share-based) incentivisation.

Performance shares vest no earlier than the third anniversary of their award, to the extent that Metair has met specified performance criteria over the intervening period. Essentially the number of shares that vest will depend on whether Metair's performance over the intervening three-year period has been on target, an under performance, or an over performance, against the targets set at the award date.

The performance criteria to govern the vesting of performance shares are determined by the board and communicated in award letters to participants.

The performance curve governing vesting can potentially take various forms. However, the following fundamental inflexion points are generally employed:

- If Metair's performance over the three-year period is at the median or average performance, then the targeted number (one third of the maximum number) of performance shares awarded will vest;

- If Metair's performance over the three-year period is at or above the upper quartile or good performance, then the maximum number (three times the targeted number) of performance shares awarded will vest;
- If Metair's performance over the three-year period is below median or average performance, then all performance shares awarded will be forfeited; and
- If Metair's performance over the three-year period lies between any of the above points, then a prorated number of performance shares will vest.

Performance shares closely align the interests of shareholders and executives by rewarding superior shareholder and financial performance in the future. Settlement of the appropriate number of shares is, at the discretion of the board, via the issue and allotment, or acquisition and transfer, to participants, or by the payment of cash of equivalent value.

In the past the performance criterion governing the vesting of performance shares has targeted return on equity ("ROE"). After feedback and various concerns expressed by shareholders, Metair has undertaken a review of its current executive reward strategy and share plan implementation policy and has decided to make a number of adjustments, in order to more fully align itself with best practice, good governance, and with the views of shareholders.

In essence the following changes are envisaged:

- Share appreciation rights will continue to be awarded;
- Awards for performance shares will predominate;
- The performance criteria governing vesting of the performance shares will move from:
  - The single metric, targeted Return of Equity ("ROE"), to
  - A weighted combination of two metrics;
    - Return on Invested Capital ("ROIC") in relation to the weighted average cost of capital ("WACC") – 50%; and
    - Comparative total shareholder return ("TSR") in relation to a peer group – 50%.
- Additionally, senior executives will be required to hold a minimum level of vested and unvested shares as a multiple of their guaranteed package at any time;
- All offers in terms of the plan will be formally subject to "Malus" and "Clawback" for unacceptable performance in terms of environment, safety and governance ("ESG") aspects, and for fraud or negligence;
- Participation in the plan will be confined to group executives; and
- A phantom, cash settled, version of the plan will be implemented for executives of the subsidiaries.

Selected performance criteria

At present the group's long-term incentive target for performance shares are governed by return on equity measurements, with the current targets being:

- ROE at 16% = 50% of targeted performance shares awarded;
- ROE at 20% = 100% of targeted performance shares awarded; and
- ROE at 20% - 24% will have a multiplier effect of 1 to 3 times targeted performance shares awarded.

The two performance criteria proposed for the future implementation of the plan, each with equal weighting in the total award, are as follows:

1. Total shareholder return (TSR) measured against a benchmark of some 24 mid-tier industrial and trading companies, very few of which can be deemed direct competitors, but collectively can be deemed to be an alternative investment portfolio for Metair's shareholders:
   - TSR is generally recognised as the most faithful indicator of shareholder value creation;
   - It is used extensively overseas and increasingly in South Africa, sometimes as a single metric but most often as one of two or three weighted performance metrics; and
   - In a few cases an absolute target is set, but most often it is targeted in relation to a peer or comparator group of "like" companies.

   If the performance curve inflexion points are:
   - below the median then none of the TSR-related maximum award will vest;
   - at the median, then 33.33% will vest ;
   - between the median and upper quartile the gradient will be from 33.3% to 100% vesting; and
   - at or above upper quartile then 100% of the full maximum TSR-related award will vest.

2. ROIC will be referenced to WACC. The ROIC metric has been adopted as there has been a shift in corporate finance and valuation in recent years towards "excess returns" – excess returns provide a more central role in determining the current and potential value of a business. More recent valuation models have noted that growth unaccompanied by excess returns creates no value. With this shift towards excess returns has come an increased focus on measuring and forecasting returns earned by businesses on both investments made in the past and expected future investments.

   Should Metair's weighted average ROIC (weighted by the denominator (book value of invested capital)) over the three-year period be:
   - at 90% of WACC or below, then none of the ROIC related maximum award will vest;
   - at WACC then 33.33% will vest; and
   - at WACC +4% normal, or +3% during Metair redesign, or above, then the full maximum HEPS related award will vest;

   (between any of these points will result in a pro-rated vesting).

   ROIC will be used in the phantom, cash settled, schemes for subsidiary executives, with the group's ROIC (50%) and the subsidiaries own ROIC (50%) being targeted.

A negative modifier will be applied to all allocations and awards to cater for both "Malus" and "Clawback" and will be based on a qualitative assessment of ESG performance, where no quantitative targets can be set, and also any incidences of fraud and negligence.

The performance criteria described above will govern vesting of all allocations and awards until further notice. Should any further adjustments be made they will govern future offers but will not be applied retrospectively.

REMUNERATION REPORT CONTINUED

Refer to note 14 in the financial statements for details of all awards/allocations and vesting. During the year exercising of share appreciation rights was deferred as they were under water. In terms of approval for the 2015 remuneration policy, the following awards/allocations were made in 2015 and will be presented for approval at the annual general meeting:

Share appreciation rights	
Metair	106 087
Group executives	296 940
Total allocation	503 027
Allocation date	26 November 2015
Allocation price	R28.30
Vesting date	From 26 November 2018 in 3 equal portions annually
Performance shares	
Metair	37 984
Group executives	207 278
Total allocation	245 262
Allocation date	2 April 2015
Vesting date	2 April 2018
Bonus shares	
Special allocation to Metair finance director (Mr S. Douwenga) for retention purposes	250 000
Allocation date	26 October 2015
Vesting date	From 26 October 2020 in 3 equal portions annually

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

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

LTIP (%)			
Element	**SAR (CTC)**	**Performance Shares (CTC)**	**Expected Total (CTC)**
Metair MD	40	19	59
Metair 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	Executive 1 R'000	Executive 2 R'000	Executive 3 R'000
Salaries and allowances	6 985	5 164	1 875
Performance bonuses	1 830	610	714
Pension and provident fund contributions	268	146	223
Company contributions	19	10	76
Gain on exercise of share options	1 065	398	820
Total	**10 167**	**6 328**	**3 708**

Non-executive management remuneration

Non-executive directors' fees will be presented for approval by shareholders' at the next annual general meeting. Directors' fees thus proposed for 2016 are as follows:

Metair board chairman	R 600 000 per annum
Non-executive directors	R 300 000 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

Non-executive directors are paid a fixed fee for their services as indicated above, but are also entitled to claim travelling and other expenses incurred in carrying out their duties back from the company. Non-executive directors do not participate in the STIP or LTIP.

Employment contracts are in place for all non-executive directors.

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:	31-Dec-15				
Issued Share Capital:	198 985 886				

SHAREHOLDER SPREAD	No of shareholdings	%	No of shares	%
1 – 1 000 shares	1 131	43.77	526 476	0.26
1 001 – 10 000 shares	957	37.04	3 307 452	1.66
10 001 – 100 000 shares	296	11.46	10 624 155	5.34
100 001 – 1 000 000 shares	163	6.31	57 996 271	29.15
1 000 001 shares and over	37	1.43	126 531 532	63.59
Totals	**2 584**	**100.00**	**198 985 886**	**100.00**

DISTRIBUTION OF SHAREHOLDERS	No of shareholdings	%	No of shares	%
Banks/Brokers	56	2.17	28 820 831	14.48
Close Corporations	36	1.39	271 938	0.14
Endowment Funds	21	0.81	1 359 635	0.68
Individuals	1 810	70.05	6 690 254	3.36
Insurance Companies	25	0.97	5 849 196	2.94
Investment Companies	3	0.12	7 804 623	3.92
Medical Schemes	4	0.15	383 108	0.19
Mutual Funds	156	6.04	70 132 301	35.25
Other Corporations	20	0.77	52 297	0.03
Private Companies	76	2.94	2 634 507	1.32
Public Companies	3	0.12	12 115 998	6.09
Retirement Funds	108	4.18	58 644 981	29.47
Treasury Stock	1	0.04	1 359 346	0.68
Trusts	265	10.26	2 866 871	1.44
Totals	**2 584**	**100.00**	**198 985 886**	**100.00**

PUBLIC/NON – PUBLIC SHAREHOLDERS	No of shareholdings	%	No of shares	%
Non – Public Shareholders	**8**	**0.20**	**30 387 523**	**15.27**
Directors and Associates of the Company	2	0.08	1 224 587	0.62
Treasury Stock	1	0.06	1 359 346	0.68
Strategic Holders of more than 10%	5	0.06	27 803 590	13.97
Public Shareholders	**2 576**	**99.80**	**168 598 363**	**84.73**
Totals	**2 584**	**100.00**	**198 985 886**	**100.00**

BENEFICIAL SHAREHOLDERS HOLDING 3% OR MORE	No of shares	%
Government Employees Pension Fund	27 803 590	13.97
Foord	17 991 595	9.04
Investment Solutions	13 051 406	6.56
Berkeley Private Wealth Ltd	12 115 948	6.09
CoroCapital	7 620 520	3.83
Investec	6 889 950	3.46
Metal & Engineering Industries	6 014 911	3.02
Totals	**91 487 920**	**45.98**

INSTITUTIONAL SHAREHOLDING 3% OR MORE	No of shares	%
Foord Asset Management	33 136 212	16.65
Kagiso Asset Management	25 184 683	12.66
Public Investment Corporation	20 897 858	10.50
Investec Asset Management	9 688 227	4.87
Sentio Capital Management	6 010 887	3.02
Totals	**94 917 867**	**47.70**

SHAREHOLDER ANALYSIS CONTINUED

BREAKDOWN OF NON-PUBLIC HOLDINGS		
Directors	**No of shares**	**%**
Soanes, L	**120 000**	**0.06**
Soanes, L	120 000	0.06
Joffe, A	**1 104 587**	**0.56**
Joffe, A (indirect via CoroCapital)	1 104 587	0.56
Totals	**1 224 587**	**0.62**
Treasury Stock	**No of shares**	**%**
Business Venture Investments No.1217	1 359 346	0.68
Totals	**1 359 346**	**0.68**
Strategic Holders of more than 10%	**No of shares**	**%**
Government Employees Pension Fund (5 Holdings MultiManaged)	27 803 590	13.97
Government Employees Pension Fund - Public Investment Corporation	20 324 328	
Government Employees Pension Fund - Kagiso Asset Management	3 259 002	
Government Employees Pension Fund - Sentio Capital Management	3 198 661	
Government Employees Pension Fund - Mvunonala Asset Management	909 104	
Government Employees Pension Fund - Perpetua Investment Managers	112 495	
Totals	**27 803 590**	**13.97**

BREAKDOWN OF BENEFICIAL SHAREHOLDERS HOLDING 3% OR MORE		
Beneficial Shareholders Holding 3% or more	**No of shares**	**%**
Government Employees Pension Fund	**27 803 590**	**13.97**
Government Employees Pension Fund - Public Investment Corporation	20 324 328	10.21
Government Employees Pension Fund - Kagiso Asset Management	3 259 002	1.64
Government Employees Pension Fund - Sentio Capital Management	3 198 661	1.61
Government Employees Pension Fund - Mvunonala Asset Management	909 104	0.46
Government Employees Pension Fund - Perpetua Investment Managers	112 495	0.06
Foord	**17 991 595**	**9.04**
Foord Equity Fund	8 337 094	4.19
Foord Balanced Fund	8 180 084	4.11
Foord Absolute Return Fund	985 790	0.50
Foord Domestic Balanced Fund	488 627	0.25
Investment Solutions	**13 051 406**	**6.56**
Investment Solutions Funds	4 223 491	2.12
Investment Solutions Funds	3 266 801	1.64
Investment Solutions Funds	1 526 807	0.77
Investment Solutions Funds	913 880	0.46
Investment Solutions Fully Discretionary Local	892 306	0.45
Investment Solutions Funds	752 021	0.38
Investment Solutions Funds - Low Equity Conserver	423 767	0.21
Investment Solutions Funds - Equity	380 329	0.19
Investment Solutions Funds - Institutional Equity	271 297	0.14
Investment Solutions Institutional Equity	124 268	0.06
Investment Solutions Funds	103 513	0.05
Investment Solutions Funds - Performer Balanced	68 410	0.03
Investment Solutions Funds	39 305	0.02
Investment Solutions Institutional Equity Unit Trust	33 241	0.02
Investment Solutions Funds- SWIX ALSI Tracker	31 970	0.02

BREAKDOWN OF BENEFICIAL SHAREHOLDERS HOLDING 3% OR MORE continued		
Beneficial Shareholders Holding 3% or more continued	**No of shares**	**%**
Berkeley Private Wealth Ltd	**12 115 948**	**6.09**
Berkeley Private Wealth Ltd	10 163 000	5.11
Berkeley Private Wealth Ltd	1 952 948	0.98
CoroCapital	**7 620 520**	**3.83**
CoroCapital	7 620 520	3.83
Investec	**6 889 950**	**3.46**
Investec Cautious Managed Fund	2 563 550	1.29
Investec Emerging Companies Fund	2 485 704	1.25
Investec Special Focus Fund	988 706	0.50
Investec Absolute Balanced Fund	851 925	0.43
Investec Securities - Proprietary STRATE A/C No 2	65	0.00
Metal & Engineering Industries	**6 014 911**	**3.02**
Metal Industries Provident Fund	2 614 248	1.31
Engineering Industries Pension Fund	2 142 344	1.08
Engineering Industries Pension Fund	518 111	0.26
Metal Industries Provident Fund	229 435	0.12
Metal Industries Provident Fund	216 720	0.11
Engineering Industries Pension Fund	91 169	0.05
Engineering Industries Pension Fund	84 224	0.04
Engineering Industries Pension Fund	48 221	0.02
Metal Industries Provident Fund	42 212	0.02
Metal Industries Provident Fund	24 111	0.01
Engineering Industries Pension Fund	2 744	0.00
Metal Industries Provident Fund	1 372	0.00
Totals	**63 684 330**	**32.00**

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 2015 Integrated Annual Report (hereafter, referred to as 'the Report'), covering the period 01 January to 31 December 2015. The assurance team consisted of Michael H. Rea, our Lead Certified Sustainability Assurance Practitioner, with more than 17 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 through 2013 Reports following AccountAbility's AA1000AS Assurance Standard (Type I, Moderate), including the identification of reporting gaps that ultimately have been incorporated into their reporting processes. From 2014, assurance has shifted to AA1000AS (Type II, Moderate) which has required assurance site visits to the following selected sites:

- 2014 – First National Batteries, Hesto Harnesses and Smiths Plastics
- 2015 – Lumotech, Smiths Manufacturing and Supreme Spring

Moreover, our assurance engagements have expanded to provide guidance – as a product of our assurance investigations – over effective sustainability data collection, collation and reporting, inclusive of the establishment of Group Sustainability Definitions and internal audit procedures. 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.

The cost of this assurance engagement was R351 000 (exclusive of VAT and expenses), with no portion of these fees assigned to tasks deemed 'advisory services'. However, fees totalling R67 500 were billed to Metair during the reporting period for assistance with the provision of updated sustainability definitions and data measurement training for sustainability managers from each of the Group's operations.

Assurance objectives

The objectives of the assurance process were to:

a) Assess the extent to which Group policies and procedures for sustainability data collection, collation and reporting are effectively applied at the following operations: Lumotech, Smiths Manufacturing and Supreme Spring.
b) Provide Metair's stakeholders an independent 'moderate level assurance' opinion on whether the company adequately applies the AA1000AS (2008) principles of Inclusivity, Materiality and Responsiveness.
c) Assess Metair's ability to provide transparent disclosure of quantitative comparable sustainability data (also referred to as "Environmental, Social and Governance", or "ESG" data) relative to IRAS's in-house developed 96 indicator Sustainability Data Transparency Index (SDTI).
d) Assess the extent to which Metair's reporting meets 23 reasonable qualitative reporting expectations, inclusive of the 16 reporting elements defined by the International Integrated Reporting Council (IIRC) Integrated Reporting (<IR>) Framework.

Scope of work performed

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;
- An "internal materiality assessment" review of Board and Committee packs to identify the material issues discussed at the highest levels of governance within the company;
- An "external materiality assessment" review of various media sources and the annual reports of more than 300 JSE-listed companies, to identify the material issues that appear to be of significant importance to external stakeholders, the physical/natural environment and the local and global economic environment in which the company operates;
- A review of data collection, collation and reporting procedures at the selected operational sites, with specific reference to 17 selected sustainability performance indicators (see table in Findings section);
- Reviews of drafts of the Report for any significant errors and/or anomalies, inclusive of any lapses in the reporting of material issues identified during our internal and external materiality assessments;
- Reviews of drafts of the Report to test for the reasonable reporting of comparable quantitative data as per the 96 indicators within our Sustainability Data Transparency Index (SDTI);
- Reviews of drafts of the Report to test for reasonable adherence to 23 reasonable reporting expectations, inclusive of the 16 elements of the <IR> Framework; 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.

Findings and recommendations

In general, Metair's sustainability reporting processes are adequate, to the extent that 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 at the selected sites.

AA1000AS (Type II)

- As per management assertions, Metair engages key stakeholders, as defined within this Report, based on the evidence reviewed, thus meeting the requirements of Inclusivity.
- The content of the Report does not differ, in any significant way, from an analysis of the material issues discussed within Metair, or within its sphere of influence, as per our internal and external materiality scans. Adequate systems and controls are in place to identify and prioritise the company's "most material issues", thereby meeting reasonable Materiality expectations.
- Metair adequately demonstrated appropriate systems and controls are in place to report back to stakeholders on matters that are deemed "most material" to the business, in the context of those issues that are deemed "material to stakeholders", thereby meeting reasonable Responsiveness expectations.

Sustainability data performance

- Metair continues to further refine systems for data collection, collation and reporting, at both the group and operation level, through the ongoing 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.
- The following table summarises our findings relative to 'Level of Reporting Concern' for the 17 selected sustainability performance indicators reviewed at the three selected operational sites:
- 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 at some sites were deemed 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.
  - Inadequate understanding of group-wide occupational health & safety definitions has led to the incomplete reporting of work-related injuries at some site, 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.
  - Despite the above, it should be noted that Metair's overall safety performance – as measured by Total Injury Frequency Rate (TIFR) and Lost Time Injury Frequency Rate (LTIFR) – are 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 – in the form of cash contributions – is accurately reported, more could be done to ensure that 'Total CSI/SED Spend' includes all operational costs, and the value of time contributed to projects.
  - Although CSI/SED project success is measured in terms of spend 'on time and on budget', more could be done to ensure that all significant projects are structured in such a way as to track the developmental outcomes of Metair's contributions.
- Through the effective use of a supplemental sustainability data table, coupled with effective inclusion of key data within the body of the IAR, Metair continues to demonstrate leadership relative to public disclosure of more than 80% of the 96 Sustainability Data Transparency Index (SDTI) indicators.

Qualitative assessment of reporting effectiveness

- Based on our assessment of Metair's Report relative to the 16 elements contained within the <IR> Framework, as well as seven additional reasonable reporting expectations, we believe that the 2015 IAR represents significant improvement over the previous report, with a benchmark score of over 80.0%. However, room for improvement still exists with respect to the presentation of comparable data over longer time series periods, improved information regarding intellectual, manufactured and natural capitals, and the presentation of risks & opportunities.

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 can be improved, this Report – inclusive of the supplemental SDTI Table (available via Metair's website) – demonstrates effective leadership with respect to sustainability data transparency.

Integrated Reporting & Assurance Services (IRAS)
Johannesburg
16 March 2016

	Indicator	Definition	Value	Location	Concern
1	Total employees	Total number of full time/permanent, temporary, and fixed contract employees, as per dti Codes of Good Practice definitions.	7 650 (8 218 incl. contractors)	p.89	No concern
2	HDSA in management	Percentage of persons in management levels – excluding non-executive directors – who are 'Historically Disadvantaged South Africans' (HDSA), within SA operations.	Top = 39% Senior = 49%	p.51	No concern
3	% Female	Percentage of women in all management and non-management levels – excluding non-executive directors – within all operations.	33.0%	p.89	No concern
4	Absenteeism	Percentage of person days lost due to all forms of absenteeism (i.e., sick, abscond, etc.), including formal/annual leave.	3.2%	p.55	No concern
5	Employee turnover	Percentage of employees that left the employ of Metair for all reasons (e.g., End of Contract, Dismissal, Retirement, Death, Permanent Disability/Medical Boarding, End of Contract, etc.).	21.2%	p.89	No concern
6	PHW	Total number of person hours worked (PHW) for all employees and contractors.	16 518 238	p.89	Low concern
7	FIFR	Fatal Injury Frequency Rate (FIFR), calculated as the total number of fatal injuries (FIs) per 200 000 PHW – for employees and contractors.	0.00	p.89	No concern
8	LTIFR	Lost Time Injury Frequency Rate (LTIFR), calculated as the total number of lost time injuries (LTIs) per 200 000 PHW – for employees and contractors.	1.39	p.89	Low concern
9	TIFR	Total Injury Frequency Rate (TIFR), calculated as the total number of injuries – FIs, LTIs, Medical Treatment Cases (MTCs) and First Aid Cases (FACs) per 200 000 PHW – for employees and contractors.	12.34	p.89	Low concern
10	Electricity	Total direct and indirect consumption of electricity for primary purposes. (MWh)	180 782	p.59	No concern
11	Petrol	Total direct and indirect consumption of petrol for primary purposes. (litres)	290 229	p.89	No concern
12	Diesel	Total direct and indirect consumption of diesel for primary purposes. (litres)	651 778	p.89	No concern
13	Water	Total volume of water consumed – from all sources (i.e., municipal sources, boreholes, etc.) – for primary purposes. (m^3)	587 363	p.60	No concern
14	Waste to landfill	Total volume of waste generated that is sent to landfill.	5 841 258	p.90	No concern
15	Waste recycled	Total volume of waste generated that is sent for recycling. (kgs)	5 999 454	p.90	No concern
16	CSI/SED spend	Total Rand value of expenditures on Corporate Social Investment (CSI)/Socio-Economic Development (SED) projects.	R21.4 million	p.52	Moderate concern
17	CSI/SED M&E	Application of policies, procedures, systems and controls to ensure that all CSI/SED projects are subject to Monitoring & Evaluation (M&E) to measure the developmental impacts of projects.	Qualitative	pp.52 and 53	Moderate concern

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	✔	Mid-year 2016 target date	✔	✔		N/A	✔	✔	N/A	N/A
Smiths Manufacturing	✔	✔	✔	✔		N/A	✔	N/A	N/A	N/A
Hesto Harnesses	✔	✔	✔	✔		N/A	✔	N/A	N/A	N/A
Smiths Plastics	✔	ISO 45001 planned for 2016-internal	✔	✔	Planned for 2016	N/A	N/A	N/A	N/A	N/A
Automould	✔	ISO 45001 planned for 2016-internal	✔	✔	Planned for 2016	N/A	N/A	N/A	N/A	N/A
Supreme Spring Division	✔		✔	✔		✔	✔	✔	N/A	N/A
Alfred Teves Brake Systems	✔	✔	✔	✔		N/A	N/A	N/A	✔	N/A
Lumotech	✔		✔	✔		✔	N/A	✔	✔	✔
Tenneco Automotive Holdings	✔	✔	✔	✔	✔	✔	✔	✔	N/A	N/A
Valeo Systems South Africa			✔	✔		N/A	N/A	N/A	N/A	N/A
Unitrade	✔		✔	✔		N/A	N/A	N/A	N/A	N/A
Rombat	✔	✔	✔	✔		N/A	N/A	N/A	N/A	N/A
Mutlu Akü	✔	Planned for 2016	✔	✔	Planned for 2016	✔			N/A	N/A

APPENDIX II– B-BBEE CERTIFICATION

Date of last verified scorecard		21/04/15	22/04/15	08/06/15	21/04/15	10/04/15	30/04/15	17/03/15	31/03/15	27/04/15	
B-BBEE ELEMENTS		**Smiths Plastics**	**Smiths Manu-facturing**	**Lumo-tech**	**Supreme**	**Hesto**	**Unitrade**	**FNB**	**Automould**	**ATE**	**Group total**
Ownership	23	20.59	20.72	22.46	21.00	20.97	20.97	20.97	20.97	20.97	189.62
Management Control	11	6.6	3.74	0.00	5.28	4.42	10.00	3.18	5.00	4.85	43.07
Employment Equity	18	9.83	9.74	8.90	7.17	16.09	15.93	3.73	10.65	3.21	85.25
Skills Development	15	0.44	12.00	15.00	9.12	10.62	12.01	11.44	11.44	12.00	94.07
Preferential Procurement	20	15.05	19.38	14.32	17.68	16.07	13.24	18.34	17.36	15.00	146.44
Enterprise Development	15	15.00	15.00	15.00	15.00	14.10	4.08	15.00	15.00	15.00	123.18
Socio-Economic Development	5	3.65	5.00	3.14	5.00	5.00	4.47	5.00	5.00	4.47	40.73
Total		**71.16**	**85.58**	**78.82**	**80.25**	**87.27**	**80.70**	**77.66**	**85.42**	**75.5**	**722.36**
Level Contributor		4	2	3	3	2	3	3	2	3	

APPENDIX III – SUSTAINABILITY DATA TABLE

Metair – Sustainability Data Table		FY2015	FY2014	FY2013	FY2012
Labour					
Total number of permanent employees	Number	**6 801**	6 607	6 457	6 223
Total number of temporary employees	Number	**849**	655	N/R	N/R
Total number of contractors	Number	**568**	589	155	255
Total employees (including contractors)	Number	**8 218**	7 851	6 612	6 478
Percentage of permanent employees who are deemed 'HDSA' (South Africa only)	%	**92.0%**	92.0%	90.0%	89.5%
Percentage of employees who are women	%	**33.30%**	31.4%	35.1%	34.4%
Percentage of employees who are permanent	%	**82.8%**	84.2%	97.7%	96.1%
Percentage of employees who belong to a trade union	%	**58%**	67.3%	79.1%	67.8%
Total number of employee terminations	Number	**1 619**	1 399	771	877
Employee turnover rate	%	**21.2%**	19.3%	6.4%	N/R
Total number of person hours worked – all employees (including contractors)	Number	**16 518 238**	15 733 797	11 832 172	N/R
Total number of person days lost due to absenteeism	Number	**60 501**	59 105	N/R	N/R
Absenteeism rate	%	**3.2%**	3.0%	3.4%	1.7%
Total number of person days lost due to industrial action	Number	**7 407**	0	65 272	N/R
Industrial action rate	%	**0.4%**	0.0%	0.6%	N/R
Total number of employees trained	Number	**6 122**	5 021	5 396	N/R
Total number of training interventions	Number	**30 633**	16 834	N/R	N/R
Rand value of employee training spend	R million	**15.0**	13.6	9.9	11.0
Rand value of research and development spend	R million	**74.7**	22.5	31.6	N/R
Health and Safety (all employees and contractors)					
Total number of fatalities	Number	**0**	0	0	0
Total number of lost time injuries	Number	**115**	145	66	160
Total number of medical treatment cases	Number	**243**	146	116	N/R
Total number of first aid cases	Number	**661**	389	N/R	N/R
Total number of recordable injuries	Number	**358**	291	182	N/R
Fatal injury frequency rate	Rate	**0**	0	0	0
Lost time injury frequency rate	Rate	**1.39**	1.84	1.12	3.82
Total injury frequency rate	Rate	**12.34**	8.63	N/R	N/R
Total recordable injury frequency rate	Rate	**4.33**	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	**772**	1 002	433	N/R
Total number of employees and contractors tested for HIV/Aids	Number	**902**	972	433	N/R
Environmental					
Carbon footprint					
– Scope 1	tCO_2e	**46 353**	50 747	N/R	N/R
– Scope 2	tCO_2e	**146 046**	149 015	N/R	N/R
– Scope 3	tCO_2e	**370 722**	364 793	N/R	N/R
– Total	tCO_2e	**563 120**	564 555	N/R	N/R

APPENDIX III – SUSTAINABILITY DATA TABLE CONTINUED

Metair – Sustainability Data Table		FY2015	FY2014	FY2013	FY2012
Environmental (continued)					
Energy					
Total electricity consumption	MWh	**180 782**	180 684	N/R	N/R
Total petrol consumption	litres	**290 229**	322 608	N/R	N/R
Total diesel consumption	litres	**651 778**	607 066	N/R	N/R
Flights					
Total number of flights taken for business purposes	Number	**4 224**	3 276	N/R	N/R
Water					
Total water consumption	m^3	**587 363**	530 386	468 285	360 177
Total volume of water discharged	m^3	**191 948**	1 769 450	N/R	N/R
Non-hazardous waste					
Total volume of non-hazardous waste sent to landfill	kgs	**5 841 258**	2 241 700		
Total volume of paper recycled	kgs	**369 592**	337 024	N/R	N/R
Total volume of cardboard recycled	kgs	**854 426**	849 805	N/R	N/R
Total volume of plastic recycled	kgs	**2 728 303**	1 653 402	N/R	N/R
Total volume of glass recycled	kgs	**1 045**	360	N/R	N/R
Total volume of metal recycled (including tin cans)	kgs	**1 323 514**	1 034 515	N/R	N/R
Total volume of biodegradable wet waste recycled	kgs	**409 980**	591 330	N/R	N/R
Total volume of other waste recycled (e-waste, wood, polystyrene, packaging foil etc.)	kgs	**312 594**	3 826	N/R	N/R
Total volume of non-hazardous waste recycled	kgs	**5 999 454**	4 470 262	3 308 000	8 318 000
Hazardous waste					
Total volume of hazardous waste sent to appropriate disposal sites	kgs	**19 274 878**	6 620 470	N/R	N/R
Total volume of lead recycled	kgs	**±68 000 000**	±60 000 000	N/R	N/R
Total volume of oils recycled	kgs	**58 098**	66 690	33 381	49 481
CSI/SED Expenditures					
Rand value of Corporate Social Investment (CSI) / Socioeconomic Development (SED) expenditures	R million	**21.4**	16.3	8.4	N/R
Rand value of CSI/SED spend on education	R million	**8.6**	9.1	3.1	N/R
Rand value of CSI/SED spend on skills development, including Adult Basic Education & Training (ABET)	R million	**2.9**	2.1	2.0	N/R
Rand value of CSI/SED spend on health, including HIV/AIDS	R million	**2.1**	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**	2.0	1.8	N/R
Rand value of CSI/SED spend on infrastructure development	R million	**0.2**	0.2	0.0	N/R
Rand value of CSI/SED spend on arts, sports and culture	R million	**0.2**	0.3	0.3	N/R
Rand value of CSI/SED spend on other	R million	**3.5**	0.9	0.3	N/R
Rand value of CSI/SED spend on environmental projects	R million	**0.0**			
Rand value of CSI/SED spend on job creation/small business support	R million	**1.9**	0.1	0.0	N/R
Enterprise development (support for small business development)					
Rand value of enterprise development spend	R million	**27.3**	28.6	32.3	N/R
Preferential procurement (South African operations only)					
Rand value of total discretionary procurement spend	R million	**2 241.4**	2 755.7	N/R	N/R
Rand value of HDSA procurement spend	R million	**1 377.9**	324.0	572.5	
Preferential procurement spend rate	%	**61.5%**	11.8%	N/R	N/R
N/R – Not reported					

APPENDIX IV – HUMAN CAPITAL

Total headcount	Male	Female	Total
South Africa			
Permanent	3 399	1 852	5 251
Temporary	187	560	747
Contractors			562
Total	**3 586**	**2 412**	**6 560**
Romania			
Permanent	616	96	712
Temporary	19	3	22
Contractors			0
Total	**635**	**99**	**734**
Turkey			
Permanent	804	34	838
Temporary	80	0	80
Contractors			6
Total	**884**	**34**	**924**
Group	**5 105**	**2 545**	**8 218**

APPENDIX V – KING III CHECKLIST

		Status	Integrated report section	Page
1.	**Ethical leadership and corporate citizenship**			
1.1	The board should provide effective leadership based on an ethical foundation.	⬆	Corporate governance report	62
1.2	The board should ensure that the company is and is seen to be a responsible corporate citizen.	⬆	Corporate governance report	62
1.3	The board should ensure that the company's ethics are managed effectively.	⬆	Corporate governance report/social and ethics committee report	62/69
2.	**Boards and directors**			
2.1	The board should act as the focal point for the custodian of corporate governance.	⬆	Corporate governance report	62
2.2	The board should appreciate that strategy, risk, performance and sustainability are inseparable.	⬆	Corporate governance report – group risk management	66
2.3	The board should provide effective leadership based on an ethical foundation.	⬆	Corporate governance report	62
2.4	The board should ensure that it is and is seen to be a responsible corporate citizen.	⬆	Corporate governance report	62
2.5	The board should ensure that the company's ethics are managed effectively.	⬆	Corporate governance report/social and ethics committee report	62/69
2.6	The board should ensure that the company has an effective and independent audit committee.	⬆	Corporate governance report – board audit and risk committee	65
2.7	The board should be responsible for the governance of risk.	⬆	Corporate governance report – group risk management	66
2.8	The board should be responsible for information technology (IT).	➡	Refer to item 5 on page 94	
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	65
2.10	The board should ensure that there is an effective risk-based internal audit.	⬆	Corporate governance report – board audit and risk committee	65
2.11	The board should appreciate that stakeholders' perceptions affect the company's reputation.	⬆	Stakeholder relationships	45
2.12	The board should ensure the integrity of the company's integrated report.	⬆	About this report	2
2.13	The board should report on the effectiveness of the company's system of internal controls.	⬆	Board audit and risk committee report	72
2.14	The board and its directors should act in the best interest of the company.	⬆	Corporate governance report	63
2.15	The board should consider business rescue proceedings or other turnaround mechanisms as soon as the company is financially distressed as defined by the Act.	⬆	The board will consider through the board audit and risk committee when required	
2.16	The board should elect a chairman of the board who is an independent non-executive director. The CEO should not fulfil this role.	⬆	Corporate governance report	64
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	62
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	64
2.19	Directors should be appointed through a formal process.	⬆	Remuneration report	74
2.20	The induction of an ongoing training and development of directors should be conducted through formal processes.	⬆	Corporate governance report	65
2.21	The board should be assisted by a competent, suitably qualified company secretary.	⬆	Corporate governance report	71

		Status	Integrated report section	Page
2.	**Boards and directors (continued)**			
2.22	The evaluation of the board, its committees and the individual directors should be performed every year.	⬆	Corporate governance report	64
2.23	The board should delegate certain functions to well-structured committees but without abdicating its own responsibilities.	⬆	Corporate governance report	65
2.24	A governance framework, including strategic objectives of the policy, should be agreed between the group and its subsidiary boards.	⬆	Corporate governance report	62
2.25	Companies should remunerate directors and executives fairly and responsibly.	⬆	Remuneration report	77
2.26	Companies should disclose the remuneration of each individual director and certain senior executives.	⬆	Remuneration report Annual financial statements – Note 3	80/ 126
2.27	Shareholders should approve the company's remuneration policy.	⬆	Notice to shareholders	99
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	65
3.2	Audit committee members should be suitably skilled and experienced independent non-executive directors.	⬆	Board audit and risk committee report/directors	72/39
3.3	The audit committee should be chaired by an independent non-executive director.	⬆	Board audit and risk committee report	72
3.4	The audit committee should oversee integrated reporting.	⬆	Board audit and risk committee report	72
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 and risk committee report	72
3.6	The audit committee should satisfy itself of the expertise, resources and experience of the company's finance function.	⬆	Board audit and risk committee report	72
3.7	The audit committee should be responsible for overseeing the internal audit.	⬆	Board audit and risk committee report	72
3.8	The audit committee should be an integral component of the risk management process.	⬆	Board audit and risk committee report	72
3.9	The audit committee is responsible for recommending the appointment of the external auditor and overseeing the external audit process.	⬆	Board audit and risk committee report	72
3.10	The audit committee should report to the board and shareholders on how it has discharged its duties.	⬆	Board audit and risk committee report	72
4.	**The governance of risk**			
4.1	The board should be responsible for the governance of risk.	⬆	Corporate governance report – group risk management	66
4.2	The board should determine the levels of risk tolerance.	⬆	Corporate governance report – group risk management	67
4.3	The risk committee or audit committee should assist the board in carrying out its risk responsibilities.	⬆	Corporate governance report – group risk management	66
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	66
4.5	The board should ensure that risk assessments are performed on a continual basis.	⬆	Corporate governance report – group risk management	66

APPENDIX V – KING III CHECKLIST CONTINUED

		Status	Integrated report section	Page
4.	**The governance of risk (continued)**			
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	66
4.7	The board should ensure that management considers and implements appropriate risk responses.	⬆	Corporate governance report – group risk management	67
4.8	The board should ensure continuous risk monitoring by management.	⬆	Corporate governance report – group risk management	67
4.9	The board should receive assurance regarding the effectiveness of the risk management process.	⬆	Corporate governance report – group risk management	66
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	67
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 are being reviewed and linked to company strategy	69
5.2	IT should be aligned with the performance and sustainability objectives of the company.	⬆	Forms part of risk management	66
5.3	The board should delegate to management the responsibility for the implementation of an IT governance framework.	⬆	Corporate governance report – group risk management	66
5.4	The board should monitor and evaluate significant IT investments and expenditure.	⬆	Forms part of risk management, Financial review	40
5.5	IT should form an integral part of the company's risk management.	⬆	Corporate governance report – group risk management	66
5.6	The board should ensure that information assets are managed effectively.	➡	Currently under review	
5.7	A risk committee and audit committee should assist the board in carrying out its IT responsibilities.	⬆	Corporate governance report – group risk management	66
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 and risk committee report	62
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	62
6.3	Compliance should form an integral part of the company's risk management process.	⬆	Corporate governance report – group risk management	62
6.4	The board should delegate to management the implementation of an effective compliance framework and processes.	⬆	Corporate governance report	62
7	**Internal audit**			
7.1	The board should ensure that there is an effective risk-based internal audit.	⬆	Board audit and risk committee report	72
7.2	Internal audit should follow a risk-based approach to its plan.	⬆	Corporate governance report	65
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	66
7.4	The audit committee should be responsible for overseeing the internal audit.	⬆	Corporate governance report	65
7.5	Internal audit should be strategically positioned to achieve its objectives.	⬆	Corporate governance report	66

		Status	Integrated report section	Page
8.	**Governing stakeholder relationships**			
8.1	The board should appreciate that stakeholders' perceptions affect the company's reputation.	⬆	Stakeholder relationships	45
8.2	The board should delegate to management to proactively deal with stakeholder relationships.	⬆	Stakeholder relationships	45
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	45
8.4	Companies should ensure the equitable treatment of shareholders.	⬆	Stakeholder relationships	45
8.5	Transparent and effective communications with stakeholders is essential for building and maintaining their trust and confidence.	⬆	Stakeholder relationships	45
8.6	The board should ensure that disputes are resolved as effectively, efficiently and expeditiously as possible.	⬆	Stakeholder relationships	45
9.	**Integrated reporting and disclosure**			
9.1	The board should ensure the integrity of the company's integrated report.	⬆	About this report	2
9.2	Sustainable reporting and disclosure should be integrated with the company's financial reporting.	⬆	Integrated annual report 2015	
9.3	Sustainability reporting and disclosure should be independently assured.	⬆	Independent assurance statement	84

ANNUAL FINANCIAL STATEMENTS

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

16 March 2016

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JSE share code: MTA

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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 annual financial statements are stated in South African Rand and are prepared in accordance with International Financial Reporting Standards (IFRS) and its interpretations adopted by the International Accounting Standards Board (IASB) in issue and effective for the Group at 31 December 2015 and the SAICA Financial Reporting Guides, as issued by the Accounting Practices Committee and financial reporting pronouncements as issued by the Financial Reporting Standards Council and the Companies Act of South Africa, 2008.

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 2015, set out on pages 98 to 171, were approved by the board of directors and signed on its behalf by:

SG Pretorius
Chairman

CT Loock
Managing director

Johannesburg
16 March 2016

The audit report of PricewaterhouseCoopers Incorporated is presented on page 101.

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 2015, 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
16 March 2016

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 December 2015

The directors have pleasure in submitting their report for the year ended 31 December 2015.

GENERAL REVIEW

The main business of the group is the manufacture and supply of motor vehicle components and batteries. The group also manufactures non-automotive products. The annual financial statements on pages 104 to 171 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 R527.4 million (2014: R601.5 million).

DIVIDENDS

The following dividends were declared for ordinary shares:

Declared and paid - 2014
Ordinary dividend - 80 cents per share
Declared and paid - 2013
Ordinary dividend - 70 cents per share

A dividend of 70 cents per share was declared on 16 March 2016 in respect of the year ended 31 December 2015.

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	485 710

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

	R'000
Additions	11 245

DIRECTORS

The composition of the board of directors is set out on page 38.

SG Pretorius (appointed January 2014)
OME Pooe (appointed April 2007 and resigned June 2015)
CT Loock (appointed March 2006)
S Douwenga (appointed March 2014)
A Joffe (appointed December 2006 and resigned January 2016)
L Soanes (appointed May 1999)
RS Broadley (appointed April 2001)
DR Wilson (appointed January 2014)
JG Best (appointed February 2009)
TN Mgoduso (appointed March 2016)
PPJ Molefe (appointed March 2016)

SECRETARY

SM Vermaak

Business address
10 Anerley Road, Parktown, Johannesburg, 2193

Postal address
PO Box 2077, Saxonwold, 2132

INTEREST OF DIRECTORS

Interest of directors in the company's 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 170.

The group concluded the minority squeeze-out process in Mutlu Akü and effectively de-listed the company from the Istanbul Security Exchange.

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 6 May 2015:

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 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 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 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 memorandum of incorporation 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 5% 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;

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

There were no significant post-balance sheet events.

APPROVAL OF ANNUAL FINANCIAL STATEMENTS

The directors have approved the annual financial statements on pages 97 to 171 which are signed on their behalf by:

SG Pretorius
Chairman

CT Loock
Managing director

Johannesburg
16 March 2016

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF METAIR INVESTMENTS LIMITED

REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

OUR 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 (the Company) and its subsidiaries (together the Group) as at 31 December 2015, 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.

What we have audited

Metair Investments Limited's consolidated and separate financial statements, set out on pages 104 to 171, comprise:

- the consolidated and separate statements of financial position as at 31 December 2015;
- the consolidated and separate statements of comprehensive income for the year then ended;
- the consolidated and separate statements of changes in equity for the year then ended;
- the consolidated and separate statements of cash flows for the year then ended; and
- the notes to the consolidated and separate financial statements, which include a summary of significant accounting policies.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements section of our report.

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

Independence

We are independent of the Group in accordance with the Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B).

OUR AUDIT APPROACH

Overview

- Overall group materiality: R37 236 900, which represents 5% of the group's consolidated profit before tax.
- Key audit matters identified are as follows:
  - Rombat and Mutlu Goodwill and Other Indefinite Life Intangibles Impairment Assessments
  - Segmental Reporting

Group audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Group materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our group audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the consolidated financial statements as a whole.

Overall group materiality: R37 236 900 (2014: R34 834 800)

How we determined it: 5% of profit before tax

Rationale for the materiality benchmark applied: We chose profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users, and is a generally accepted benchmark. We chose 5% which is within the range of acceptable quantitative materiality thresholds in auditing standards.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

(1) Rombat and Mutlu Goodwill and Other Indefinite Life Intangibles Impairment Assessments

Refer to accounting policies, page 106 (Basis of Consolidation), page 107-108 (Intangibles), and page 109 (Impairment of non-financial assets), and note 8 (Intangible assets) on page 131.

The goodwill and other indefinite life intangible assets impairment assessments in respect of the Rombat and Mutlu cash generating units (CGUs) were considered to be of most significance to the audit for the following reasons:

- The magnitude of both the goodwill balance (R643.995m) and the Mutlu brand (R366.459m).
- Although the directors have concluded that there is sufficient headroom between the current carrying values and the determined values in use of the Rombat and Mutlu CGUs, the values in use are highly sensitive to changes in future cash flows included in the models, and changes in the discount rates applied.

- There are significant judgements involved in forecasting future volumes. Original Equipment (OE) volumes are dependent on OE customers achieving their own indicated volumes, and the ability of the companies to secure ongoing business from current OE customers, and winning new OE business in future.
- The lack of formal sales agreements in the aftermarket sector which makes forecasting of volumes very difficult.

How our audit addressed the key audit matter:

The composition and magnitude of management's future cash flow forecasts for the Rombat and Mutlu CGUs were evaluated. This included testing management's assumptions (volume and price growth, margins, working capital investment, capital expenditures and long term growth rates) for reasonability by inspecting signed agreements, technical reports, comparison to external and industry benchmarks, and comparison to future market volume forecasts.

We also confirmed with management that the process followed in determining these cash flow forecasts was consistent with established controls and procedures and agreed these to board approved budgets and forecasts.

The 2014 and 2015 actual results were compared to the forecasts for those years, to identify any situations where actual results achieved were different from budgeted results. In respect of differences that were identified, we inquired of management and inspected documentation to understand the reasons for the differences. Through discussion with management and inspection of industry and economic forecasts, we obtained evidence indicating that the reasons which resulted in the differences will not recur in future periods. Based on the outcome of the procedures described above, we accepted the reasonability of management's conclusions in respect of the forecast future cash flows.

The discount rates and growth rates included in the impairment assessments were assessed as follows:

- As a reasonability test, we used our valuations experts to independently calculate the discount rates used in the models, taking independently obtained data into account. The discount rates applied were within a reasonable range.
- Long term growth rates in Romania and Turkey were independently assessed by us, by comparison to economic and industry forecasts. The growth rates applied were accepted as reasonable.

We verified the mathematical accuracy of the models and used our valuations experts to assess whether generally accepted valuation methodology was applied. We concluded that the methodology applied was reasonable.

In addition, we performed sensitivity calculations on the impairment assessments, to determine the degree by which the key assumptions (discount rates and long term growth rates) needed to change in order to trigger an impairment. We discussed these with management and considered the likelihood of such changes occurring, and accepted management's conclusion that the key assumptions applied in the models were reasonable.

(2) Segmental review

The Group changed the determination of its operating segments in the current period. Previously, operating segments were Original Equipment, After-market and Non-automotive. This is how management information was historically prepared and provided to the chief operating decision makers.

As a result of the strategic redesign of the Group's business, and the acquisitions of Rombat in 2012 and Mutlu in 2013, the impact of the battery businesses on the Group's results has become significant, and the evaluation and management of the Group's businesses by the chief operating decision makers is now focussed on the Energy Storage and Automotive Components businesses. The Energy Storage business is further broken down into the Automotive and Industrial operating segments. The Automotive Components business is further broken down into the Original Equipment, After Market and Non-Automotive operating segments.

This area was considered to be of most significance to the audit for the following reasons:

- Metair is presenting its operating segments on the new basis for the first time in the 2015 financial statements.
- There is a high degree of complexity involved in determining the figures in each business under the new segmental reporting basis.

How our audit addressed the key audit matter:

Management's conclusions in respect of the new operating segments were assessed against the criteria in IFRS8 Operating Segments.

As a result of the Group's strategic redesign of its business, and the acquisitions of Rombat and Mutlu, the Energy Storage business is now a significant portion of the Group's business.

The operating segments as presented in the 2015 financial statements are consistent with how information is provided to the chief operating decision makers and thus we accepted that management's decision to change its operating segments in the current period, and the new operating segments as defined, are reasonable.

We performed testing on the Segment Review note by agreeing the figures included in the note to the underlying accounting records of each segment and business in the Group, as well as by re-performing the split of numerical information in the report between the relevant operating segments. We noted no differences in this regard and accepted the disclosure of the operating segments in the financial statements.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate as required by the Companies Act of South Africa, and the Integrated Annual Report, which we obtained prior to the date of this auditor's report. Other information does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

The directors are responsible for the preparation and fair presentation of the 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 misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's and Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and / or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that PricewaterhouseCoopers Inc. has been the auditor of Metair Investments Limited for 18 years.

PricewaterhouseCoopers Inc.
Director: G Hauptfleisch
Registered Auditor
Johannesburg
16 March 2016

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 are stated in South African Rand and are prepared in accordance with International Financial Reporting Standards (IFRS) and its interpretations adopted by the International Accounting Standards Board (IASB) in issue and effective for the Group at 31 December 2015 and the SAICA Financial Reporting Guides, as issued by the Accounting Practices Committee and financial reporting pronouncements as issued by the Financial Reporting Standards Council and the Companies Act of South Africa, 2008.

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 2015 year-end

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 had no impact for the year ended 31 December 2015.

Annual improvements 2013 – issued December 2013 (effective date 1 July 2014): The IASB published amendments to various standards for the 2011-2013 cycle of the annual improvements. These improvements have been applied, where applicable, and there was no material impact for the group. Further details regarding annual improvements are noted in section c below.

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 16 – Leases (effective date 1 January 2019): This IFRS is part of the IASB's project to replace IAS 17. The standard applies to annual periods beginning on or after 1 January 2019, with earlier application permitted if IFRS 15, 'Revenue from Contracts with Customers', is also applied.

Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees.

We are currently reviewing the effects of the standard and will consider adoption when appropriate.

IFRS 9 - Financial Instruments (2009 & 2010) (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 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.

We are currently reviewing the effects of the standard. 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.

Amendments to IFRS 9 - Financial Instruments, on general hedge accounting (effective date 1 January 2018): The IASB has amended IFRS 9 to align hedge accounting more closely with an entity's risk management. The revised standard also establishes a more principles-based approach to hedge accounting and addresses inconsistencies and weaknesses in the current model in IAS 39.

Early adoption of the above requirements has specific transitional rules that need to be followed. Entities can elect to apply IFRS 9 for any of the following:

- The own credit risk requirements for financial liabilities.
- Classification and measurement (C&M) requirements for financial assets.
- C&M requirements for financial assets and financial liabilities.

The full current version of IFRS 9 (that is, C&M requirements for financial assets and financial liabilities and hedge accounting) The transitional provisions described above are likely to change once the IASB completes all phases of IFRS 9 and the impact on the group will then be assessed.

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 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 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 amendment 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.

This amendment currently has no impact on the group.

IFRS 15 - Revenue from Contracts with Customers (effective date 1 January 2018): 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 goods or service transfers to a customer.

We are currently reviewing the effects of the standard and will consider adoption when appropriate.

Amendments to IFRS 10 - Consolidated financial statements and IAS 28 - Investments in associates and joint ventures on sale or contribution of assets and on applying the consolidation exemption (effective date 1 January 2016): The IASB has issued this amendment to eliminate the inconsistency between IFRS 10 and IAS 28. If the non-monetary assets sold or contributed to an associate or joint venture constitute a 'business', then the full gain or loss will be recognised by the investor. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

The amendments also clarify the application of the consolidation exception for investment entities and their subsidiaries.

These amendments currently have no impact on the group.

Amendments to IAS 1 - Presentation of financial statements disclosure initiative (effective date 1 January 2016): In December 2014 the IASB issued amendments to clarify guidance in IAS 1 on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies.

These amendments currently have no impact on the group.

Amendments to IAS 16 - Property, plant and equipment and IAS 41 - Agriculture on bearer plants (effective date 1 January 2016): In this amendment to IAS 16, the IASB has scoped in bearer plants, but not the produce on bearer plants and explained that a bearer plant not yet in the location and condition necessary to bear produce is treated as a self-constructed asset. In this amendment to IAS 41, the IASB has adjusted the definition of a bearer plant, include examples of non-bearer plants and remove current examples of bearer plants from IAS 41.

These amendments are not applicable to the group.

Amendments to IAS 27 - Separate financial statements on equity accounting (effective date 1 January 2016): In this amendment the IASB has restored the option to use the equity method to account for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements.

This option is currently not used by the company as investments are held at cost.

(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 2011 - 2013 cycles have been applied and 2012-2014 cycles are not yet applicable. Management does 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 inter-relationship 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 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).

(f) Research and development

Research expenditure relating to gaining new technical knowledge and understanding is charged to the income statement when incurred. Development expenditure relating to the production of new or substantially improved products or processes is capitalised if the costs can be measured reliably, the products or processes are technically and commercially feasible, future economic benefits are probable, and the group intends to and has sufficient resources to complete development and to use or sell the asset. All remaining development expenditure is charged to the income statement. Cost includes expenditure on materials, direct labour and an allocated proportion of project overheads.

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 where 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 of 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. The group also estimates and recognises a liability for lead and scrap collections on certain products sold for recycling obligations. The provision is calculated based on past experience of return rates.

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 have been eliminated.

(a) Sales of goods – Energy storage (batteries) and automotive components

The group manufactures and sells a range of products predominantly for the automotive industry. The group produces and supplies batteries and automotive components to major OEM manufacturers in South Africa. The group also manufactures and distributes batteries and 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.

(d) Sundry and incidental income

The group generates incidental income in the form of sale of scrap such as off-cuts, rental income arising from short-term external rental of portions of owned warehouses, external committee fees and other sundry items. These items are accounted for as other operating income and are not regarded as a core revenue stream.

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 (FECs) 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.

ACCOUNTING POLICIES CONTINUED

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 12 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 12 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 re-measurements, 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 formula that takes into consideration, among 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.

TOOLING DEBTORS AND CREDITORS

The group also facilitates tooling arrangements in terms of which it sources and overseas the manufacture of certain moulds on behalf of its customers.

Deposits received from customers for tooling arrangements are recorded as tooling creditors. Prepayments paid to suppliers for tooling arrangements are recorded as tooling debtors..

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 – energy storage and automotive components. Reportable segments derive their sales from the manufacture of predominantly batteries and automotive parts.

COMPARATIVE FIGURES

The comparative figures are reclassified or restated as necessary to afford a proper and more meaningful comparison of results.

The group has changed the manner in which the segment report information is presented. The comparative period has been restated to show the historical information on the basis of the segment reporting in the current period. Refer to note 1 for further information.

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 2015

		GROUP		COMPANY	
		2015	2014	2015	2014
	Notes	R'000	R'000	R'000	R'000
ASSETS					
Non-current assets		**4 925 761**	4 393 669	**2 009 421**	2 009 660
Property, plant and equipment	7	**3 327 427**	2 855 286		
Intangible assets	8	**1 357 091**	1 269 895		
Interest in subsidiaries	9			**2 006 628**	2 006 867
Investment in associates	10	**235 890**	251 684	**2 793**	2 793
Deferred taxation	17	**5 353**	16 804		
Current assets		**4 114 699**	3 540 982	**531 124**	487 172
Inventory	11	**1 734 860**	1 508 012		
Trade and other receivables	12	**1 575 434**	1 401 928		211
Taxation		**23 969**	24 011		
Short-term loans - subsidiaries	9			**530 201**	485 475
Derivative financial assets	21.4.1	**11 250**	4 365		
Cash and cash equivalents	13	**769 186**	602 666	**923**	1 486
Total assets		**9 040 460**	7 934 651	**2 540 545**	2 496 832
EQUITY AND LIABILITIES					
Capital and reserves					
Stated capital	14	**1 497 931**	1 497 931	**1 497 931**	1 497 931
Treasury shares	14	**(13 940)**	(21 475)		
Share-based payment reserve	15.1	**75 671**	73 984	**25 921**	26 160
Foreign currency translation reserve	15.2	**466 317**	100 229		
Equity accounted earnings	15.3	**241 671**	242 640		
Changes in ownership reserve	15.4	**(21 197)**	(20 857)		
Retained earnings	15.5	**2 630 982**	2 266 646	**786 937**	765 371
Ordinary shareholders equity		**4 877 435**	4 139 098	**2 310 789**	2 289 462
Non-controlling interests	15.6	**97 109**	99 533		
Total equity		**4 974 544**	4 238 631	**2 310 789**	2 289 462
Non-current liabilities		**2 578 734**	2 323 030		
Borrowings	16	**1 835 635**	1 670 577		
Post-employment benefits	24	**113 617**	110 031		
Deferred taxation	17	**401 208**	374 551		
Deferred grant income	18	**172 362**	107 581		
Provisions for liabilities and charges	19	**55 912**	60 290		
Current liabilities		**1 487 182**	1 372 990	**229 756**	207 370
Trade and other payables	18	**1 006 242**	1 026 814	**499**	444
Borrowings	16	**129 337**	69 268		
Taxation		**34 264**	24 636		
Provisions for liabilities and charges	19	**113 040**	116 691		
Short-term loans - subsidiaries	9			**229 257**	206 924
Derivative financial liabilities	21.4.1	**1 820**	5 388		
Bank overdrafts	13	**202 479**	130 193		2
Total liabilities		**4 065 916**	3 696 020	**229 756**	207 370
Total equity and liabilities		**9 040 460**	7 934 651	**2 540 545**	2 496 832

INCOME STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

		GROUP		COMPANY	
		2015	2014	2015	2014
	Notes	R'000	R'000	R'000	R'000
Revenue from sale of goods	1	7 732 479	7 278 815		
Cost of sales		(6 184 034)	(5 695 917)		
Gross profit		1 548 445	1 582 898		
Other operating income	3	188 236	162 755	199 248	267 532
Distribution expenses		(356 926)	(353 166)		
Administrative expenses		(590 137)	(560 431)	(1 961)	(11 394)
Other operating expenses			(2 675)		
Operating profit	3	789 618	829 381	197 287	256 138
Interest income	2	33 478	22 698	10	13
Interest expense	2	(136 277)	(118 935)		
Share of results of associates	10	57 919	70 006		
Profit before taxation	3	744 738	803 150	197 297	256 151
Taxation	4	(189 843)	(170 845)	(3)	
Profit for the year		554 895	632 305	197 294	256 151
Attributable to:					
Equity holders of the company		527 423	601 460	197 294	256 151
Non-controlling interests		27 472	30 845		
		554 895	632 305	197 294	256 151
Earnings per share					
Basic earnings per share (cents)	5	267	308		
Diluted earnings per share (cents)	5	266	305		

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2015

		GROUP		COMPANY	
		2015	2014	2015	2014
	Notes	R'000	R'000	R'000	R'000
Profit for the year		554 895	632 305	197 294	256 151
Other comprehensive income:					
Items that will not be reclassified to profit or loss:					
- Actuarial gains/(losses) recognised	24	6 575	(13 197)		
- Taxation effect	17	(1 369)	2 703		
		5 206	(10 494)		
Items that may be reclassified to profit or loss:					
- Exchange gains arising on translation of foreign operations	15.2	366 703	12 338		
Other comprehensive income for the year net of taxation		371 909	1 844		
Attributable to:					
Equity holders of the company		371 200	2 042		
Non-controlling interests	15.6	709	(198)		
		371 909	1 844		
Total comprehensive income for the year		926 804	634 149	197 294	256 151
Attributable to:					
Equity holders of the company		898 623	603 502	197 294	256 151
Non-controlling interests	15.6	28 181	30 647		
		926 804	634 149	197 294	256 151

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2015

GROUP								
	Notes	Stated capital 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 2015								
Balance as at 1 January 2015	14, 15	**1 497 931**	**(21 475)**	**395 996**	**2 266 646**	**4 139 098**	**99 533**	**4 238 631**
Net profit for the year	15				**527 423**	**527 423**	**27 472**	**554 895**
Other comprehensive income	15			**366 088**	**5 112**	**371 200**	**709**	**371 909**
Total comprehensive income for the period	15			**366 088**	**532 535**	**898 623**	**28 181**	**926 804**
Employee share option scheme	15.1			**1 687**		**1 687**		**1 687**
Vesting of share-based payment obligation	14, 15.1		**7 535**	**(11 344)**		**(3 809)**		**(3 809)**
Transfer of net vesting impact to retained earnings	15.1, 15.5			**11 344**	**(11 344)**			
Transfer of associate profit and dividend	15.3			**(969)**	**969**			
Dividend*	15.5				**(157 824)**	**(157 824)**	**(30 605)**	**(188 429)**
Acquisition/disposal of non-controlling interests	15.4			**(340)**		**(340)**		**(340)**
Balance as at 31 December 2015		**1 497 931**	**(13 940)**	**762 462**	**2 630 982**	**4 877 435**	**97 109**	**4 974 544**
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, 15.5			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	15.3			51 898	(51 898)			
Dividend*	15.5				(136 822)	(136 822)	(32 501)	(169 323)
Acquisition/disposal of non-controlling interests	15.4			(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

* *An ordinary dividend of 80 cents per share was declared in respect of the year ended 31 December 2014.*

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

COMPANY							
	Notes	**Stated capital 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 2015							
Balance as at 1 January 2015		**1 497 931**		**26 160**	**765 371**	**2 289 462**	**2 289 462**
Net profit for the year	15.5				**197 294**	**197 294**	**197 294**
Total comprehensive income for the period					**197 294**	**197 294**	**197 294**
Employee share option scheme	15.1			**8 031**		**8 031**	**8 031**
Purchase of treasury shares	14		**(24 809)**			**(24 809)**	**(24 809)**
Settlement of share options	14, 15		**24 809**	**(8 270)**	**(16 539)**		
Dividend*	15.5				**(159 189)**	**(159 189)**	**(159 189)**
Balance as at 31 December 2015		**1 497 931**		**25 921**	**786 937**	**2 310 789**	**2 310 789**
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	15.5				256 151	256 151	256 151
Total comprehensive income for the period	15				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, 15.1		79 022	(6 749)	(72 273)		
Dividend**	15.5				(139 290)	(139 290)	(139 290)
Balance as at 31 December 2013		1 497 931		26 160	765 371	2 289 462	2 289 462

* *An ordinary dividend of 80 cents per share was declared in respect of the year ended 31 December 2014.*

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

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2015

		GROUP		COMPANY	
		2015	2014	2015	2014
	Notes	R'000	R'000	R'000	R'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash generated from/(utilised in) operations	20.1	818 584	846 956	(1 934)	(5 984)
Interest paid	20.4	(150 255)	(89 326)		
Taxation paid	20.2	(174 120)	(196 110)	(3)	
Dividends paid	20.3	(188 429)	(169 323)	(159 189)	(139 290)
Dividend income from associates	10	58 888	18 108		
Net cash inflow/(outflow) from operating activities		364 668	410 305	(161 126)	(145 274)
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisition of property, plant and equipment	7	(485 710)	(250 100)		
Acquisition of intangible assets	8	(11 245)	(16 467)		
Cash proceeds on insurance claim relating to property, plant and equipment	3	1 816	6 357		
Acquisition of subsidiary	28.1	(15 703)			
Acquisition vendor and 'MTO' payment	28.2		(593 692)		
Proceeds on disposal of associate	10	25 530			
(Increase)/decrease in advances to subsidiaries				(22 154)	68 447
Interest received	2	33 478	22 698	10	13
Dividends received	3			182 709	195 257
Proceeds on disposal of property, plant and equipment	3, 7	8 126	11 135		
Net cash (outflow)/inflow from investing activities		(443 708)	(820 069)	160 565	263 717
CASH FLOWS FROM FINANCING ACTIVITIES					
Preference shares raised			1 400 000		
Revolving credit facility utilised		129 100	177 894		
Absa term loan repaid			(150 182)		
Absa bridge facility drawdown			580 000		
Absa bridge facility repaid			(1 350 000)		
Rombat 'RBS' term loan repaid			(22 274)		
Mutlu borrowings repaid		(38 651)	(104 838)		
Mutlu borrowings raised		132 775			
Lease payments		(9 166)			
Net movement in asset financing raised			6 472		
Long-term loans raised		1 309			
Short-term loans repaid					(121 140)
Transactions with non-controlling interests	28.3	(35 332)	(54 144)		
Decrease in treasury shares			1 320		
Utilisation of treasury shares - CGT	15.1	(3 809)	(12 441)		
Net cash inflow/(outflow) from financing activities		176 226	471 807		(121 140)
Net increase/(decrease) in cash and cash equivalents		97 186	62 043	(561)	(2 697)
Cash and cash equivalents at the beginning of the year		472 473	407 501	1 484	4 181
Exchange (loss)/gains on cash and cash equivalents		(2 952)	2 929		
Cash and cash equivalents at end of the year	13	566 707	472 473	923	1 484

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

1. **SEGMENT REVIEW (R'000)**

	GROUP					
	2015		2014 Restated		2015	2014 Restated
	Segment revenue	% of segment revenue	Segment revenue	% of segment revenue	Segment PBIT	Segment PBIT
Energy storage						
Automotive						
Local	2 946 904	34	2 624 801	33	340 588	391 048
Direct exports	1 181 398	14	1 323 529	16	105 118	158 924
	4 128 302	48	3 948 330	49	445 706	549 972
Industrial						
Local	741 739	9	584 307	7	92 657	56 079
Direct exports	57 501	1	69 413	1	7 224	9 184
	799 240	10	653 720	8	99 881	65 263
Total energy storage	4 927 542	58	4 602 050	57	545 587	615 235
Automotive components						
Local						
Original equipment	3 000 767	36	2 958 542	37	266 077	319 855
Aftermarket	446 252	5	399 659	5	54 098	41 494
Non-auto	31 739	0	16 905	0	1 936	(2 305)
	3 478 758	41	3 375 106	42	322 111	359 044
Direct exports						
Original equipment	121 819	1	84 829	1	20 912	12 598
Aftermarket	24 131	0	36 617	0	1 985	6 509
	145 950	1	121 446	1	22 897	19 107
Total automotive components	3 624 708	42	3 496 552	43	345 008	378 151
Total segment results	8 552 250		8 098 602		890 595	993 386
Reconciling items:						
- Share of results of associates					57 919	70 006
- Managed associates *	(819 771)		(819 787)		(48 151)	(73 147)
- Profit on sale of associate					10 705	
Amortisation and depreciation on fair value uplift on assets arising from business acquisitions					(47 995)	(48 259)
Bargain purchase from Dynamic acquisition					28 695	
Other reconciling items **					(44 231)	(42 599)
Total	7 732 479		7 278 815		847 537	899 387
Net finance costs					(102 799)	(96 237)
Profit before taxation					744 738	803 150
Included in the above:						
- Depreciation and amortisation					(244 681)	(258 825)

** Although the results do not qualify for consolidation due to the application of IFRS 10 and IAS 28, the full 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.*

1. **SEGMENT REVIEW (R'000) (continued)**

Segment information

Changes to segment presentation

The group manufactures a broad range of products for the automotive and industrial markets. The group previously presented segment information, for all products, on both a local and export basis for the original equipment, aftermarket and non-automotive sectors. As a result of the completion of the group's strategic redesign process, namely:

- 50% of business in the automotive original equipment (OE) sector;
- 50% of business in the automotive aftermarket sector, non-automotive and export market; and
- 50% of overall business in batteries across both aftermarket and OE sectors,

management has re-assessed the presentation of the segment report to be in line with the group's current and future strategic goals which include bringing balance and financial stability to the organisation by diversifying revenue streams across customers, geographies and product lines. The group's business is now managed and analysed into two distinct parts - the energy storage and automotive components business units.

Under the new basis, the group has presented the battery (energy storage) business separately. Following the acquisitions of Rombat and Mutlu, the impact of the battery businesses on the group results has also become significant, and the evaluation and management of the group's businesses by the chief operating decision maker is now focussed on Energy Storage and Automotive Components.

The group also owns most of its manufacturing locations with installed facilities producing the group product range. Properties are no longer included as a separate segment as they are not actively managed nor longer separately distinguished in reports to the chief operating decision-maker (CODM).

The comparative period has been restated to show the historical information on the basis of the segment reporting in the current period.

Segment description and principal activities

The group manages an international portfolio of companies that manufactures and supply automotive components and energy storage solutions for local and export markets. The group's manufacturing locations include South Africa, Romania and Turkey and the group also exports products directly from these locations into Africa, Middle East and Europe. The executive directors of the group and company are the CODM. In order to determine operating and reportable segments, management examines the group's performance from a product, market and geographic perspective and the reportable segments in the annual report are identical to the operating segments identified. Management has identified the following reportable segments of its business:

Energy storage – automotive and industrial

The energy storage business consists of the automotive and industrial segments which manufacture products for local and export markets.

Automotive batteries are mainly supplied to the aftermarket through the group's unique distribution channels and retail networks in addition to the supply of batteries to the original equipment manufacturers (OEMs).

Industrial energy products relates to products sold in the telecoms, utility, mining, retail and materials/product handling sectors and are mainly sold into sub-Saharan Africa and Turkey.

During the year under review the group acquired the business of Dynamic Battery Services Limited (Dynamic), a private company incorporated in the United Kingdom, for a consideration of R31m. Dynamic is a distributor in the United Kingdom and Europe of automotive lead-acid and industrial batteries. (refer note 28.1).

Automotive components, including exports – original equipment, aftermarket and non-automotive

The traditional automotive component business comprises of the following segments which manufacture products for the local and export markets:

- original equipment,
- aftermarket and
- non-automotive products

1. **SEGMENT REVIEW (R'000) (continued)**

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. Aftermarket involves the manufacture and distribution of components 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 owners of vehicles throughout its life cycle. Non-automotive markets include manufacture and distribution of products mostly related to industrial and utility sectors.

Automotive components include coil and leaf springs, headlights, wiring harnesses and cable, air-conditioning, radiators, climate control systems, shock absorbers, plastic injection mouldings and brake pads. The group's 'non-battery' operating subsidiaries represents the automotive component business unit and these include the businesses of Smiths Manufacturing, Smiths Plastics and Automould, Supreme Spring and ATE, Lumotech, Unitrade and Hesto (managed associate).

Basis of measurement

The executive board of directors assesses the performance of these operating segments based on profit before interest and tax (PBIT), which includes reported depreciation, amortisation as well as impairment charges. PBIT also includes the results of the management associate (Hesto) but excludes the results of the share of other associates.

Interest income and expenses are not allocated to segments and amortisation of intangible assets arising from business combinations are also excluded. 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 revenue from external parties reported to the executive board of directors is measured in a manner consistent with that in the income statement. All segment revenues include those from external customers for each product market.

Entity-wide information

Major customers

26% (2014: 28%) of total revenue results from sales to a single external customer.

Geographical information

The group is domiciled in South Africa. The result of its revenue from South African operations is R5 370.2 million (2014: R5 024.3 million) and from Europe and the Middle East (EME) is R3 182 million (2014: R3 074 million), including managed associates. EME domiciled operations predominantly consists of Romania and Turkey.

Non-current assets (excluding deferred tax assets) amounted to R4 920.4 million (2014: R4 376.9) of which foreign operations amounted to R3 665.5 million (2014: R3 285.1 million). Goodwill of R644 million is fully allocated to the energy storage segment and arises out of the acquisition of Mutlu and Rombat. Goodwill is tested for impairment at the Mutlu and Rombat CGU level and no impairments were recorded in the current or prior years.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

CONTINUED

		GROUP 2015 R'000	GROUP 2014 R'000	COMPANY 2015 R'000	COMPANY 2014 R'000
2.	**NET FINANCE COSTS**				
	Interest income				
	On bank deposits	27 822	19 180	10	13
	Other	5 656	3 518		
		33 478	22 698	10	13
	Interest expense				
	Bank borrowings and overdraft	(37 434)	(83 896)		
	Finance leases and hire purchase	(1 666)	(1 246)		
	Dividend on redeemable preference shares	(91 934)	(29 609)		
	Other	(5 243)	(4 184)		
		(136 277)	(118 935)		
	Net finance (expense)/income	(102 799)	(96 237)	10	13
	Dividend on redeemable preference shares was accrued for as at year end.				
3.	**PROFIT BEFORE TAXATION**				
	Profit before taxation is stated after taking into account the following:				
	Other operating income				
	Dividends from subsidiaries (unlisted)			159 189	178 281
	Dividends from associates (unlisted)			23 520	16 976
	Distribution from subsidiaries			16 539	72 275
	Management and committee fees received - external	3 377	4 631		
	Government grants	91 157	85 575		
	Income on scrapping	3 229	752		
	Bad debts recovered	221	910		
	Rent received	1 056	1 679		
	Derivatives at fair value through profit or loss:				
	- Fair value gains/(loss)	12 570	(3 157)		
	Insurance proceeds on fire**	27 442	42 556		
	Insurance proceeds - general	1 868	19 031		
	Profit on sale of associate	10 705			
	Gain from bargain purchase	28 695			
	Sundry income	7 916	10 778		
		188 236	162 755	199 248	267 532

		GROUP		COMPANY	
		2015 R'000	2014 R'000	2015 R'000	2014 R'000
3.	**PROFIT BEFORE TAXATION (continued)**				
	Expenses by nature				
	Auditors' remuneration:				
	- Audit fees and disbursements	7 380	8 380	777	14
	- Non-audit assurance services	2 251	3 760		
	- Non-audit non-assurance services	7 350	4 957		
	Depreciation and amortisation (notes 7 and 8)	244 681	258 825		
	Property, plant and equipment destroyed in fire**		531		
	Other operational losses on fire**	2 259	8 223		
	Profit on disposal of property, plant and equipment	(3 175)	(5 663)		
	Operating lease charges:				
	- Property	16 877	16 109		
	- Plant and equipment	19 770	17 519		
	Bad debt write off	6 596	5 824		
	Managerial, technical service fees and transactional costs paid to outside parties	34 975	27 819		
	Foreign exchange losses/(gains) - net	16 179	(8 171)		
	Other distribution costs	293 976	300 111		
	Raw materials, consumables used and other overheads	4 996 729	4 583 199		
	Employee benefit expense	1 452 240	1 369 926	226	229
	Other	33 009	20 840	958	11 150
	Total cost of sales, distribution costs and other operating and administrative expenses	7 131 097	6 612 189	1 961	11 393
	Employee benefit expense				
	Wages and salaries	1 255 440	1 164 284	226	229
	Share-based payment expenses	8 031	15 348		
	Termination benefits	3 668	10 162		
	Social security costs	108 525	113 088		
	Pension costs - defined contribution plans	62 441	58 451		
	Defined benefit plans (note 24.2)	3 111	5 633		
	Post-employment medical benefits (note 24.1)	11 024	2 960		
		1 452 240	1 369 926	226	229
	Number of persons employed by the group at the end of the year				
	Hourly	3 401	3 385		
	Monthly	2 125	2 266		
		5 526	5 651		

3. PROFIT BEFORE TAXATION (continued)
**** Fires and related insurance proceeds**

FNB fire
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. The insurance claim and final proceeds were concluded during 2015.

A portion of the insurance claim has been agreed with the insurers and a total net profit of R25.2 million (2014: R33.8 million) was recognised for the current year. The total cash flow received is R27.4 million (2014: R17.8 million) and R1.8 million (2014: R6.4 million) is allocated to investing and R25.6 million (2014: R11.4 million) to operating cash inflows.

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

	FNB 2015 R'000	FNB 2014 R'000
Profit on insurance recovery on property, plant and equipment	1 816	5 826
Insurance recovery on stock written off and business interruption expenses	23 367	27 976
Total profit for the year	25 183	33 802
Made up of:		
Total insurance income recognised for the year	27 442	42 556
Less: Property, plant and equipment written off		(531)
Stock written off and business interruption expenses	(2 259)	(8 223)
Total profit for the year	25 183	33 802

	GROUP 2015 R'000	GROUP 2014 R'000	COMPANY 2015 R'000	COMPANY 2014 R'000
Directors' emoluments				
Executive directors				
Salaries and allowances	14 434	12 273	14 434	12 273
Other benefits	2 855	24 855	2 855	24 855
	17 289	37 128	17 289	37 128
Paid by subsidiary companies	(17 289)	(37 128)	(17 289)	(37 128)
Non-executive directors	227	229	227	229
Fees	2 217	2 461	2 217	2 461
Paid by subsidiary company	(1 990)	(2 232)	(1 990)	(2 232)

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

Directors' emoluments (continued)

	COMPANY 2015				
	RS Broadley R'000	**L Soanes R'000**	**A Joffe* R'000**	**CT Loock R'000**	**S Douwenga R'000**
Executive directors					
Salaries and allowances				8 073	2 437
Performance bonuses				2 787	1 137
Pension and provident fund contributions				265	148
Company contributions				92	51
Gain on the exercise of share options				2 299	
				13 516	3 773
Paid by subsidiary companies				(13 516)	(3 773)
Non-executive directors	2	2	2		
Fees	392	392	265		
Paid by subsidiary company	(390)	(390)	(263)		
	SG Pretorius R'000	**OME Pooe R'000**	**JG Best R'000**	**DR Wilson R'000**	
Non-executive directors	2	2	215	2	
Fees	278	170	395	325	
Paid by subsidiary company	(276)	(168)	(180)	(323)	

	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)	(3 516)
Non-executive directors	2	2	2			
Fees	314	358	268			
Paid by subsidiary company	(312)	(356)	(266)			
	SG Pretorius R'000	**OME Pooe R'000**	**JG Best R'000**	**DR Wilson R'000**	**A Galiel R'000**	
Non-executive directors	2	2	215	2	2	
Fees	222	349	404	224	322	
Paid by subsidiary company	(220)	(347)	(189)	(222)	(320)	

* *Paid to CoroCapital (Pty) Ltd.*

** *Paid to Royal Bafokeng Management Services (Pty) Ltd.*

Information regarding share awards/share options granted to executive directors of Metair can be found in note 14.1.

	GROUP 2015 R'000	GROUP 2014 R'000	COMPANY 2015 R'000	COMPANY 2014 R'000
4. TAXATION				
South African normal taxation	**189 843**	170 842	**3**	
Current:				
- this year	**182 610**	177 766	**3**	
- prior years	**(1 118)**	(4 539)		
Deferred:				
- this year	**7 069**	1 116		
- prior years	**1 282**	(3 501)		
Dividend withholding/other taxes		3		
	189 843	170 845	**3**	
	%	%	**%**	%
Reconciliation of taxation rate:				
Standard rate - South Africa	**28.0**	28.0	**28.0**	28.0
Associates' results net of taxation	**(2.2)**	(2.4)		
Prior year adjustment:				
- current	**(0.2)**	(0.6)		
- deferred	**0.2**	(0.4)		
Exempt income	**(1.6)**	(1.1)	**(28.3)**	(29.2)
Exempt income - bargain purchase	**(1.1)**			
Non-deductible expenses	**2.2**	0.8	**0.3**	1.2
Non-deductible expenses for preference dividends and interest	**3.5**	3.1		
Utilisation of previously unrecognised tax losses	**(0.2)**	(3.1)		
Foreign tax rate difference	**(3.1)**	(3.8)		
Taxation losses for which no deferred taxation asset was recognised		0.8		
Effective rate	**25.5**	21.3		

The tax effects relating to items of other comprehensive income are 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 R34 225 918 (2014: R26 162 640) in respect of estimated taxation losses amounting to R137 733 277 (2014: R93 438 002) that can be carried forward against future taxable income.

		GROUP		COMPANY	
		2015	2014	2015	2014
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.	267	308		
	Headline earnings per share represents the income in cents attributable to each equity share, based on the group's profit or loss attributable to equity holders of the parent from ordinary activities, adjusted as required by SAICA Circular 2/2013, divided by the weighted average number of shares in issue during the year excluding treasury shares.	248	303		
	Diluted earnings per share				
	Dilute earnings per share (cents)	266	305		
	Diluted headline earnings per share (cents)	247	301		
	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	
	2015	2015	2014	2014
Reconciliation between earnings and headline earnings	R'000	cents	R'000	cents
Earnings per share				
Net profit attributable to ordinary shareholders	527 423	267.4	601 460	307.8
Profit on disposal of property, plant and equipment	(2 818)	(1.4)	(4 473)	(2.3)
Gross amount	(3 175)		(5 663)	
NCI effect			63	
Taxation effect	357		1 127	
Profit on insurance recovery on fire - property, plant and equipment	(1 308)	(0.7)	(4 433)	(2.3)
Gross amount	(1 816)		(5 826)	
Taxation effect	508		1 393	
Profit on sale of associate	(6 177)	(3.0)		
Gross amount	(10 705)			
Taxation effect	4 528			
Gain from bargain purchase	(28 695)	(14.6)		
Gross amount	(28 695)			
Headline earnings	488 425	247.7	592 554	303.2
Weighted average number of shares in issue ('000)	197 216		195 434	
Diluted earnings per share				
Net profit attributable to ordinary shareholders	527 423	266.2	601 460	305.3
Number of shares used for diluted earnings calculation ('000)	198 150		196 983	
Diluted headline earnings per share				
Headline earnings	488 425	246.5	592 554	300.8
Number of shares used for diluted earnings per share calculation ('000)	198 150		196 983	
Weighted average number of shares in issue ('000)	(197 216)		(195 434)	
Adjustment for dilutive share options ('000)	934		1 549	

		GROUP 2015 R'000	GROUP 2014 R'000	COMPANY 2015 R'000	COMPANY 2014 R'000
6.	**DIVIDENDS**				
	A dividend of 80 cents (2014: 70 cents) per share in respect of the 2014 (2013) year declared on 25 March 2015 (25 March 2014) and paid on 28 April 2015 (26 May 2014).	157 824	136 822	159 189	139 290

		GROUP Land and buildings R'000	GROUP Plant, machinery and equipment R'000	GROUP Vehicles and furniture and fittings R'000	GROUP Total R'000
7.	**PROPERTY, PLANT AND EQUIPMENT**				
	2015				
	At cost	**1 414 190**	**2 913 897**	**198 643**	**4 526 730**
	Less: Accumulated depreciation and impairment	**(75 471)**	**(984 371)**	**(139 461)**	**(1 199 303)**
		1 338 719	**1 929 526**	**59 182**	**3 327 427**
	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
	Reconciliation of movement:				
	Year ended 31 December 2015				
	Opening net book value	**1 250 127**	**1 590 149**	**15 010**	**2 855 286**
	Acquisition of subsidiary		**73**	**482**	**555**
	Transfers	**4 775**	**(37 750)**	**32 975**	
	Additions	**18 745**	**447 249**	**19 716**	**485 710**
	Disposals	**(18)**	**(4 473)**	**(460)**	**(4 951)**
	Depreciation	**(18 375)**	**(187 165)**	**(14 236)**	**(219 776)**
	Currency adjustment	**83 465**	**121 443**	**5 695**	**210 603**
	Closing net book value	**1 338 719**	**1 929 526**	**59 182**	**3 327 427**
	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

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 R141 931 033 (2014: R127 862 078) are encumbered as security for bank overdrafts and R125 584 527 (2014: R372 000 000) as security for borrowings.

7. PROPERTY, PLANT AND EQUIPMENT (continued)

The following items include amounts under construction:

	GROUP 2015 R'000	GROUP 2014 R'000
Land and buildings	**16 351**	539
Plant and equipment	**291 069**	104 931

Depreciation expenses are included within cost of sales of R194.6 million (2014: R208.4 million); distribution costs of R2.3 million (2014: R2.4 million); and administrative expenses of R22.9 million (2014: R24.1 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 2015 and 2014 years of assessment.

Lease rentals amounting to R16 876 716 (2014: R16 109 178) relating to property and R19 770 290 (2014: R17 519 146) relating to plant and equipment are included in the income statement. The group leases various vehicles and machinery under non-cancellable 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 R29.6 million (2014: R32.5 million).

	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
8. INTANGIBLE ASSETS							
2015							
At cost	**661 792**	**62 220**	**20 836**	**456 718**	**242 472**	**20 547**	**1 464 585**
Less: Accumulated amortisation and impairment	**(17 797)**	**(12 277)**	**(17 199)**	**(14 529)**	**(37 324)**	**(8 368)**	**(107 494)**
	643 995	**49 943**	**3 637**	**442 189**	**205 148**	**12 179**	**1 357 091**
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
Reconciliation of movement:							
Opening net book value	**591 941**	**46 309**	**4 273**	**418 890**	**207 007**	**1 475**	**1 269 895**
Additions		**241**	**603**			**10 401**	**11 245**
Amortisation		**(2 691)**	**(1 649)**	**(5 098)**	**(14 525)**	**(942)**	**(24 905)**
Currency adjustments	**52 054**	**6 084**	**410**	**28 397**	**12 666**	**1 245**	**100 856**
Closing net book value	**643 995**	**49 943**	**3 637**	**442 189**	**205 148**	**12 179**	**1 357 091**
Year ended 31 December 2014							
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

8. INTANGIBLE ASSETS (continued)

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.

Additions to other intangible assets comprises predominantly of capitalised development costs arising in Mutlu.

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, 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 R 20.5 million (2014: R19.9 million) is included within cost of sales and R4.4 million (2014: R4.0 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	Currency adjustments R'000	Closing net book value R'000
2015				
Goodwill				
- Rombat SA	**44 542**		**5 547**	**50 089**
- Mutlu group	**547 400**		**46 506**	**593 906**
Brands				
- Mutlu group	**342 262**		**24 197**	**366 459**
	934 204		**76 250**	**1 010 454**
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

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 %**
2015		
Growth rate*	**3.4**	**3.6**
Discount rate (WACC)**	**9.3**	**14.8**
Period (years)	**5**	**5**
2014		
Growth rate*	3.0	3.8
Discount rate**	9.0	15.1

** 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.

Lead constitutes approximately 60% of the material cost of batteries and therefore the group is exposed to commodity price risk in the quoted market price of lead which may impact on input costs. However this risk is mitigated by the following:

- Operations benefit from vertical integration of scrap battery recycling which also allows the group to meet its legal recycling obligations and acts as a key source of raw materials
- Recovery of old batteries through the group's distribution network and recycling of its lead content allows the group to significantly reduce its costs, thus achieving strong operational efficiency
- A natural hedge exists for USD denominated lead price which is partially off-set through export sales denominated in foreign currency
- Medium and long term product pricing, generally follow trends in USD and LME as battery prices are predominantly based on the USD exchange rate and the LME price of lead.

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 is further adjusted (where applicable) for a small stock premium (SSP), a company specific risk premium (CSRP), country risk premium (CRP) and market risk premium (MRP). A long-term target debt to equity ratio of 25% has been applied to arrive at a WACC.

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 and long-term growth rate assumptions 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.

8. INTANGIBLE ASSETS (continued)

Sensitivity analysis of assumptions used in the goodwill impairment test	Rombat SA %	Mutlu group %
Change required for the carrying value to equal the recoverable amount:		
2015		
Discount rate	**9.3**	**14,8**
Basis points movement	**+1.2**	**+0.9**
Long-term growth rate	**3.4**	**3.6**
Basis points movement	**-1.5**	**-1.3**
2014		
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

	GROUP		COMPANY	
	2015 R'000	2014 R'000	2015 R'000	2014 R'000
9. INTEREST IN SUBSIDIARIES				
Unlisted				
Shares and capital contributions at cost less amounts written off			**493 695**	493 695
Non-current advances to subsidiary companies			**1 711 741**	1 711 741
Share-based payment costs			**25 921**	26 160
Provision for impairment			**(224 729)**	(224 729)
Net investment interest			**2 006 628**	2 006 867
Current advances to subsidiary companies			**530 201**	485 475
Current advances from subsidiary companies			**(229 257)**	(206 924)
			2 307 572	2 285 418

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	
	2015 R'000	2014 R'000
Net income	**1 098 758**	750 530
Net losses	**(33 362)**	(94 839)

Details of subsidiaries are disclosed on page 170.

All subsidiary undertakings are included in the consolidation. The total non-controlling interest for the period is R97 108 840 (2014: R99 532 394) of which R92 925 691 (2014: 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.

	2015 R'000	2014 R'000
Summarised balance sheet		
Non-controlling interest %	25	25
Current		
Assets	352 053	352 265
Liabilities	(218 107)	(184 292)
Total current net assets	133 946	167 973
Non-current		
Assets	258 747	233 038
Liabilities	(39 542)	(34 490)
Total non-current net assets	219 205	198 548
Net assets	353 151	366 521
Summarised results		
Revenue	1 263 035	1 265 217
Other comprehensive income	379	(466)
Profit attributable to non-controlling interest	27 283	30 562
Total comprehensive income allocated to non-controlling interest	27 379	30 446
Dividends paid to non-controlling interest	30 605	32 181
Accumulated non-controlling interest	92 926	96 110
Summarised cash flow		
Net cash inflow from operating activities	54 147	26 409
Net cash outflow from investing activities	(38 886)	(82 554)
Net cash inflow/(outflow) from financing activities	1 974	(5 968)

		GROUP		COMPANY	
		2015 R'000	2014 R'000	2015 R'000	2014 R'000
10.	**INVESTMENT IN ASSOCIATES**				
	Unlisted				
	Shares at cost less impairment	7 794	9 044	2 793	2 793
	Share of post-acquisition reserves included in equity accounted earnings	228 096	242 640		
	Income from associates in current year less dividends	(969)	51 898		
	Disposal of associate	(13 575)			
	In respect of prior years	242 640	190 742		
	Total carrying value	235 890	251 684	2 793	2 793
	Reconciliation of movements:				
	Balance at the beginning of the year	251 684	199 786	2 793	2 794
	Disposal of associate				
	- Equity accounted earnings realised	(13 575)			
	- Cost	(1 250)			(1)
	Share of equity accounted earnings	57 919	70 006		
	Dividends received	(58 888)	(18 108)		
	Investment in associates	235 890	251 684	2 793	2 793

Set out below are the associates of the group as at 31 December 2015, 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
2015				
Unlisted				
Hesto Harnesses (Pty) Ltd	74.9	749	149 909	1
Tenneco Automotive Holdings SA (Pty) Ltd	25.1	154 712	28 978	
Valeo Systems SA (Pty) Ltd	49.0	490	52 003	2 793
Vizirama 12 (Pty) Ltd	33.0	40		
Eye2square Innovations (Pty) Ltd	20.0	125	5 000	5 000
			235 890	7 794
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

10. **INVESTMENT IN ASSOCIATES (continued)**

The companies are all incorporated in South Africa. Details of the associates are disclosed on page 170. 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 component 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 disposed of its investment in Toyoda Gosei (Pty) Ltd for a consideration of R25 524 838. A net profit of R10 704 838 was realised.

The group has one material associate - Hesto. 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) that results in Metair accounting for the investment as an associate.

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	
	2015 R'000	2014 R'000	2015 R'000	2014 R'000	2015 R'000	2014 R'000
Summarised income statements						
Revenue	819 771	819 787	1 360 693	1 218 801	2 180 464	2 038 588
Profit after taxation	31 895	51 822	84 554	91 824	116 449	143 646
Total comprehensive income	31 895	51 822				
Attributable to group	23 889	38 815				
Attributable to other shareholder	8 006	13 007				
Dividends received from associate	34 398	16 975	24 490	1 133	58 888	18 108
Summarised balance sheets						
Current						
Assets	203 722	207 480	484 853	521 855	688 575	729 335
Liabilities	(123 524)	(93 158)	(211 297)	(219 868)	(334 821)	(313 026)
Non-current						
Assets	217 942	109 105	64 421	78 421	282 363	187 526
Liabilities	(97 994)	(9 251)	(1 488)	(1 500)	(99 482)	(10 751)
Net assets	200 146	214 176	336 489	378 908	536 635	593 084
Attributable to Metair	149 909	160 418				
Attributable to investee's other shareholders	50 237	53 758				

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	
	2015 R'000	2014 R'000	2015 R'000	2014 R'000	2015 R'000	2014 R'000
Opening net assets 1 January	214 176	185 019	378 908	292 742	593 084	477 761
Profit for the year	31 895	51 822	84 554	91 824	116 449	143 646
Dividends paid	(45 925)	(22 665)	(52 851)	(5 658)	(98 776)	(28 323)
Net asset value of associate disposed			(74 122)		(74 122)	
Closing net assets	200 146	214 176	336 489	378 908	536 635	593 084
Interest in associates	149 909	160 418	85 981	91 266	235 890	251 684
Carrying value	149 909	160 418	85 981	91 266	235 890	251 684

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

CONTINUED

		GROUP		COMPANY	
		2015	2014	2015	2014
		R'000	R'000	R'000	R'000
11.	**INVENTORY**				
	Raw material	780 983	639 055		
	Work in progress	347 684	308 196		
	Finished goods	606 193	560 761		
		1 734 860	1 508 012		
	Included in the above are inventories stated at net realisable value of	28 059	23 476		
	The cost of inventories recognised as expense and included in cost of sales amounted to	5 191 003	5 205 003		
	Inventory amounting to R16 862 812 (2014: R14 248 148) has been pledged as security for bank overdrafts and borrowings.				
12.	**TRADE AND OTHER RECEIVABLES**				
	Trade receivables	1 359 937	1 140 710		
	Less: Provision for impairment of trade receivables	(36 421)	(26 858)		
		1 323 516	1 113 852		
	Prepayments	57 129	38 640		
	Insurance proceeds and claims receivable		26 349		
	Tooling prepayments	55 648	135 786		
	VAT asset	24 489	736		
	Rebates and discounts receivable	46 487	37 985		
	Other receivables	68 165	48 580		211
		1 575 434	1 401 928		211

Trade receivables can be categorised in the following categories:

	Fully performing R'000	Past due and not impaired R'000	Impaired and provided for R'000	Total R'000
2015				
Original equipment	**242 891**	**29 088**		**271 979**
Exports	**258 567**	**41 408**	**24 290**	**324 265**
Aftermarket	**590 909**	**96 783**	**8 229**	**695 921**
Non-automotive	**43 553**	**20 317**	**3 902**	**67 772**
	1 135 920	**187 596**	**36 421**	**1 359 937**
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

12. TRADE AND OTHER RECEIVABLES (continued)

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

	GROUP 2015 R'000	GROUP 2014 R'000
Rand	**471 658**	672 825
British Pound	**36 416**	5 118
Euro	**222 106**	185 100
US Dollar	**73 747**	74 061
Australian Dollar	**205**	487
Romanian Lei	**162 005**	116 635
Turkish Lira	**605 391**	347 702
Singapore Dollar	**3 906**	
	1 575 434	1 401 928

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
2015					
At 1 January	**26 858**	**245**	**19 009**	**5 454**	**2 150**
Provisions for receivables impairment	**6 304**		**2 012**	**2 540**	**1 752**
Amounts written off	**(189)**			**(189)**	
Unused amounts reversed	**(245)**	**(245)**			
Currency adjustments	**3 693**		**3 269**	**424**	
As at 31 December	**36 421**		**24 290**	**8 229**	**3 902**
2014					
At 1 January	22 056	574	15 540	4 632	1 310
Provisions for/(recovery of) 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

The ageing profile of total 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
2015					
Up to 3 months	**828 633**	**163 464**	**228 920**	**389 823**	**46 426**
3 - 6 months	**452 153**	**108 503**	**60 214**	**265 730**	**17 706**
Over 6 months	**79 151**		**29 711**	**45 800**	**3 640**
	1 359 937	**271 967**	**318 845**	**701 353**	**67 772**
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

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 income 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 collateral of R 311 338 149 (2014: R516 440 180) for amounts receivable of R629.9 million (2014: R417.3 million).

Trade receivables of R283 731 657 (2014: R267 270 096) have been pledged as security for bank overdrafts.

		GROUP		COMPANY	
		2015 R'000	2014 R'000	2015 R'000	2014 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	**769 186**	602 666	**923**	1 486
	Bank overdrafts	**(202 479)**	(130 193)		(2)
		566 707	472 473	**923**	1 484
	Average interest rate on short-term bank deposits	**4.1%**	3.4%		
	Average interest rate on bank overdrafts	**9.0%**	9.0%		
	Average interest rate on European bank overdrafts	**1.0%**	3.9%		

Property, plant and equipment of R141 931 033 (2014: R127 862 078), inventory of R16 862 812 (2014: R14 248 148) and trade receivables of R283 731 657 (2014: R267 270 096) have been pledged as security for bank overdrafts.

		GROUP		COMPANY	
		2015 R'000	2014 R'000	2015 R'000	2014 R'000
14.	**STATED CAPITAL AND TREASURY SHARES**				
	Authorised number of shares				
	400 000 000 ordinary shares at no par value	**400 000 000**	400 000 000	**400 000 000**	400 000 000
	Issued number of shares				
	Ordinary shares at beginning and end of the year	**198 985 886**	198 985 886	**198 985 886**	198 985 886
		198 985 886	198 985 886	**198 985 886**	198 985 886
	Issued				
	198 985 886 ordinary shares of no par value	**1 497 931**	1 497 931	**1 497 931**	1 497 931
		1 497 931	1 497 931	**1 497 931**	1 497 931
	Treasury shares				
	Balance at the beginning of the year	**(21 475)**	(45 241)		
	Shares disposed by the Metair Share Trust		2 952		
	Shares acquired by Business Venture Investments No 1217 (Pty) Ltd		(370)		
	Shares disposed by Business Venture Investments No 1217 (Pty) Ltd (vesting utilisation)	**7 535**	21 184		
	Balance at the end of the year	**(13 940)**	(21 475)		
	Number of treasury shares are held as follows				
	Business Venture Investments No 1217 (Pty) Ltd	**1 359 346**	2 108 312		
		1 359 346	2 108 312		

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

14.1 **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 2014 and 2015 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:

	2015		2014	
	Number of grants	Weighted average strike grant price R	Number of grants	Weighted average strike grant price R
Balance at the beginning of the year	**2 635 463**	**32.11**	3 593 891	19.80
Granted	**503 027**	**28.30**	960 003	39.16
Lapsed	**(220 004)**	**(24.36)**	(311 922)	(9.08)
Vested	**(325 166)**	**(14.34)**	(1 606 509)	(7.28)
Balance at the end of the year	**2 593 320**	**34.26**	2 635 463	32.11
IFRS 2 share-based payment charge		**R7 181 448**		R6 386 254

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

		2015 Number of rights	2014 Number of rights
Year ending 31 December:			
	2015		507 479
	2016	**493 863**	427 560
	2017	**476 771**	518 206
	2018	**549 505**	413 109
	2019	**549 505**	413 109
	2020	**345 676**	178 000
	2021	**178 000**	178 000
		2 593 320	2 635 463

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

14.1 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:

		2015 Number of shares	2014 Number of shares
Balance at the beginning of the year		845 077	963 593
Granted*		258 693	452 787
Lapsed		(147 087)	(26 419)
Vested		(224 850)	(544 884)
Balance at the end of the year		731 833	845 077
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:			
	2015		310 191
	2016	232 624	247 638
	2017	247 668	270 581
	2018	251 541	16 667
		731 833	845 077
IFRS 2 share-based payment charge - net**		R(2 938 741)	R3 517 640

** Included in performance shares granted is Nil (2014: 240 108) additional shares granted and approved by the remuneration committee in terms of the over-fulfilment of certain performance conditions.*

*** The calculation of the IFRS 2 charge for the year was adjusted for the number of options that are expected to vest at reporting date, based on the non-market vesting conditions.*

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.

Special allocations of shares awarded in 2015 vest on the, fifth, sixth and seventh anniversaries of their award in three equal portions annually.

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

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

c) Bonus shares (continued)

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

	2015 Number of shares	2014 Number of shares
Balance at the beginning of the year	712 052	1 025 006
Granted	300 000	
Lapsed	(15 143)	(30 224)
Vested	(353 090)	(282 730)
Balance at the end of the year	643 819	712 052
IFRS 2 share-based payment charge	R3 788 688	R5 443 911
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:		
2015		343 259
2016	243 819	268 793
2017	50 000	50 000
2018	50 000	50 000
2019	100 000	
2020	100 000	
2021	100 000	
	643 819	712 052

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
2015			
Spot price	R26.10	R34.15	R30.05
Strike price (grant price)	R28.30	Nil	Nil
Volatility**	28.11%	N/A	N/A
Dividend yield	2.34%	2.66%	2.34%
Valuation (IFRS 2)	R4 045 078	R4 077 741	R7 839 163
Fair value per share at grant date	R24.12	R31.53	R26.13
2014			
Spot price	R42.80/R35.20/R35.20	R42.80	
Strike price (grant 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 date	R13.04/R9.50/R11.17	R40.53	

The total IFRS 2 employee share-based payment expense for the year was R8 301 395 (2014: R15 347 805), 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 2015 was R27.13 (2014: R31.95).

*** 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)

14.1 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):				
2015				
CT Loock	**77 253**	**27 849**		**105 102**
S Douwenga	**28 833**	**10 135**	**250 000**	**288 968**
2014				
CT Loock	84 476	20 629		105 105
S Douwenga	294 746	12 358		307 104
Exercise (number of shares):				
2015				
CT Loock**	**(60 357)**	**(26 260)**	**(17 967)**	**(104 584)**
2014				
CT Loock**	(495 646)	(43 451)	(124 996)	(664 093)
BM Jacobs**		(19 838)	(17 251)	(37 089)
Lapse (number of shares):				
2014				
BM Jacobs	(304 103)	(20 962)	(30 224)	(355 289)
Cumulative (number of shares):				
2015				
CT Loock	**1 032 637**	**206 440**	**180 222**	**1 419 299**
S Douwenga	**323 579**	**22 493**	**250 000**	**596 072**
2014				
CT Loock	1 015 741	204 851	198 189	1 418 781
S Douwenga	294 746	12 358		307 104

*** Set off against performance shares exercised is -4 989 (2014: 50 631) (less)/additional shares granted and approved by the remuneration committee in terms of the (under)/over fulfilment of certain performance conditions.*

14.2 Interest of directors

At 31 December 2015 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 2015				31 December 2014			
Non-executive directors								
A Joffe			**1 104 587**	**0.56**			2 047 506	1.03
Independent non-executive directors								
L Soanes	**120 000**	**0.06**			120 000	0.06		
Total	**120 000**	**0.06**	**1 104 587**	**0.56**	120 000	0.06	2 047 506	1.03

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

		GROUP 2015 R'000	GROUP 2014 R'000	COMPANY 2015 R'000	COMPANY 2014 R'000
15.	**RESERVES**				
	Other reserves comprises the following:				
15.1	**Share-based payment reserve**				
	Balance at the beginning of the year	**73 984**	58 215	**26 160**	17 561
	Value of service provided	**8 031**	15 348	**8 031**	15 348
	Deferred taxation	**(6 344)**	1 685		
	Utilisation of treasury shares to settle obligation*	**(7 535)**	(21 184)	**(8 270)**	(6 749)
	Estimated taxation effect of utilisation of treasury shares	**(3 809)**	(12 441)		
	Transfer of net vesting impact to retained earnings	**11 344**	33 625		
	Loss on settlement (Metair Share Trust)		(1 264)		
	Balance at the end of the year	**75 671**	73 984	**25 921**	26 160
	** The market value of shares utilised to settle the obligation amounted to R25 million (2014: R79 million).*				
15.2	**Foreign currency translation reserve**				
	Balance at beginning of the year	**100 229**	87 809		
	Exchange gains arising from translation of foreign operations:				
	- Group	**365 473**	12 502		
	- Non-controlling interests	**615**	(82)		
	Balance at end of the year	**466 317**	100 229		
15.3	**Equity accounted reserves**				
	Balance at the beginning of the year	**242 640**	190 742		
	Transfers from retained earnings	**(969)**	51 898		
	Balance at the end of the year	**241 671**	242 640		
	Transfer from retained earnings consists of:				
	- Share of associated companies' after taxation income	**57 919**	70 006		
	- Dividends received	**(58 888)**	(18 108)		
		(969)	51 898		
15.4	**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):				
	Balance at the beginning of the year	**(20 857)**			
	Deemed dilution in shareholding (MTO closure)		2 890		
	Acquisition of additional interest		(1 670)		
	Deemed acquisition of remaining interest (minority squeeze-out)	**(340)**	(22 077)		
	Balance at the end of the year	**(21 197)**	(20 857)		
	Total other reserves	**762 462**	395 996	**25 921**	26 160
15.5	**Retained earnings**				
	Balance at the beginning of the year	**2 266 646**	1 897 909	**765 371**	720 783
	Net profit for the year	**527 423**	601 460	**197 294**	256 151
	Other comprehensive income	**5 112**	(10 378)		
	Dividends paid	**(157 824)**	(136 822)	**(159 189)**	(139 290)
	Transfers to equity accounted reserves	**969**	(51 898)		
	Transfer of net vesting impact to retained earnings	**5 195**	(33 625)		
	Settlement of share option	**(16 539)**		**(16 539)**	(72 273)
	Balance at the end of the year	**2 630 982**	2 266 646	**786 937**	765 371

		GROUP		COMPANY	
		2015 R'000	2014 R'000	2015 R'000	2014 R'000
15.	**RESERVES (continued)**				
15.6	**Non-controlling interests**				
	Balance at the beginning of the year	99 533	101 387		
	Net profit for the year - attributable to non-controlling interests	27 472	30 845		
	Other comprehensive income - attributable to non-controlling interests	709	(198)		
	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	(30 605)	(32 501)		
	Balance at the end of the year	97 109	99 533		
16.	**BORROWINGS**				
	Redeemable preference shares	1 400 000	1 400 000		
	Bank borrowings	550 213	315 920		
	Instalment sale liabilities	6 081	12 732		
	Finance lease liabilities	8 678	11 193		
	Total borrowings	1 964 972	1 739 845		
	Current portion included in current liabilities	(129 337)	(69 268)		
	Non-current portion	1 835 635	1 670 577		

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:

	2015 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 August 2019 and include short- and long-term debt consisting of term loans, call loans and revolving credit facilities (RCF).

Drawdowns on the RCF amounted to R306 994 076 (2014: 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 and call loans of R241 904 878 (2014: R138 025 308 of secured term loans). These consist predominantly of US$6 735 451 and TL25 819 459 borrowings arising in Mutlu Akü (2014: US$12 425 000 and TL862 000) with maturities ranging up to 4 December 2018. The interest rates range from an average of 3.4% (USD) to 13% (TL) per annum (2014: 2.3% to 3.8%). Annual repayments approximate US$4 766 000 per annum (2014: US$4 800 000) and TL8 333 000.

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

	GROUP		COMPANY	
	2015 R'000	2014 R'000	2015 R'000	2014 R'000
Property, plant and equipment (note 7)	125 585	372 000		
Total	125 585	372 000		
Maturity of non-current borrowings (excluding financed assets)				
Later than 1 year and not later than 2 years	962 048	61 071	(35 000)	
Later than 2 year and not later than 5 years	866 994	1 595 751	(43 260)	
	1 829 042	1 656 822	(78 260)	
The carrying amount of the above borrowings are denominated in the following currencies:				
Rand	1 723 062	1 601 820	(113 260)	
US Dollar	109 583	133 751		
Turkish Lira	132 327	4 274		
	1 964 972	1 739 845	(113 260)	

Total unutilised borrowing facilities of the group amounted to R2 014 678 000 (2014: R1 601 000 000) and US$127 799 380 (2014: US$163 502 000). Local unutilised borrowing facilities includes the remaining portion of the RCF of R443 005 900 (2014: R572 106 000).

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.

Mutlu has provided general security in the amount of US$30 000 000 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 R18 088 126 (2014: R20 537 518).

16. BORROWINGS (continued)

	GROUP		COMPANY	
	2015 R'000	2014 R'000	2015 R'000	2014 R'000
Instalment sale liabilities - Minimum payments:				
No later than 1 year	4 543	7 412		
Later than 1 year and no later than 5 years	1 953	6 446		
Minimum instalments	6 496	13 858		
Future finance charges	(392)	(1 126)		
Present value of liabilities	6 104	12 732		
The present value of all instalment sale liabilities may be analysed as follows:				
No later than 1 year	4 287	6 649		
Later than 1 years and no later than 2 years	1 296	4 249		
Later than 2 years and no later than 5 years	521	1 834		
Present value of liabilities	6 104	12 732		
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 483 100 (2014: R11 948 848).				
Gross finance lease liabilities - minimum lease payments:				
Not later than 1 year	3 936	3 722		
Later than 1 year and not later than 5 years	5 691	9 137		
Minimum lease payments	9 627	12 859		
Future finance charges on finance leases	(949)	(1 666)		
Present value of finance lease liabilities	8 678	11 193		
The present value of all finance lease liabilities may be analysed as follows:				
Not later than 1 year	3 325	2 915		
Later than 1 years and no later than 2 years	5 353	3 435		
Later than 2 years and no later than 5 years		4 843		
	8 678	11 193		
All borrowings are interest-bearing and the approximate effective annual interest rates at year-end are as follows:	%	%		
Preference shares	6.7	6.4		
Bank borrowings				
- Revolving credit facility	Jibar + 2.05	Jibar + 2.05		
- Term facilities	8.0 - 10.0			
- Call loans (foreign borrowings)	4.0 - 13.0	1.9 - 4.1		
Instalment sale liabilities	8.0	7.8		
Finance lease liabilities	9.0	8.5		

		GROUP		COMPANY	
		2015	2014 Restated	2015	2014
		R'000	R'000	R'000	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% (2014: 28%) for South Africa, 16% (2014: 16%) for Romania, 20% (2014: 20%) for Turkey and 20% for the United Kingdom.				
	The following amounts are shown in the consolidated balance sheet:				
	Deferred taxation assets	**(5 353)**	(16 804)		
	Deferred taxation liabilities	**401 208**	374 551		
		395 855	357 747		
	The movement on the deferred income taxation account is as follows:				
	At the beginning of the year	**357 747**	362 121		
	Effect of change in taxation rate				
	Acquisition of subsidiary				
	Income statement charge/(credit):				
	- Current year	**7 069**	1 116		
	- Prior year	**1 282**	(3 501)		
	Taxation charged/(credited) to other comprehensive income:				
	- Actuarial gains/(losses)	**1 369**	(2 703)		
	Taxation credited to equity:				
	- Share-based payments	**6 344**	(1 685)		
	Currency adjustments	**22 044**	2 399		
	At the end of the year	**395 855**	357 747		
	Deferred taxation assets:				
	Deferred taxation asset to be recovered after more than 12 months	**(94 447)**	(68 101)		
	Deferred taxation asset to be recovered within 12 months	**(12 208)**	(52 079)		
		(106 655)	(120 180)		
	Deferred taxation liabilities:				
	Deferred taxation liability to be recovered after more than 12 months	**482 007**	451 748		
	Deferred taxation liability to be recovered within 12 months	**20 503**	26 179		
		502 510	477 927		
	Amounts aggregated:				
	Deferred taxation assets	**(106 655)**	(120 180)		
	Deferred taxation liabilities	**502 510**	477 927		
	Net deferred taxation liability	**395 855**	357 747		

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
CONTINUED

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**
2015					
Opening balance	**1 181**	**332 768**	**130 413**	**13 565**	**477 927**
Charged/(credited) to the income statement:					
- current year		**398**	**(4 224)**	**3 200**	**(626)**
- prior year		**(80)**			**(80)**
Currency adjustments	**83**	**15 775**	**9 006**	**425**	**25 289**
Closing balance	**1 264**	**348 861**	**135 195**	**17 190**	**502 510**
2014					
Opening balance		319 299	135 754	8 387	463 440
Acquisition of subsidiary					
Reallocations					
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

Deferred taxation assets

	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**
2015							
Opening balance	**(8 901)**	**(25 639)**	**(20 594)**	**(1 769)**	**(17 615)**	**(45 662)**	**(120 180)**
Reallocations		**(1 572)**				**1 572**	
Charged/(credited) to the income statement:							
- Current year	**529**	**(3 361)**	**10 937**	**(1 065)**	**1 257**	**(602)**	**7 695**
- Prior year	**4**	**(52)**	**903**			**507**	**1 362**
Charged/(credited) to other comprehensive income		**1 369**					**1 369**
Deferred taxation on share-based payment reserve*	**6 344**						**6 344**
Currency adjustments	**(20)**	**(1 390)**		**(174)**	**(250)**	**(1 411)**	**(3 245)**
Closing balance	**(2 044)**	**(30 645)**	**(8 754)**	**(3 008)**	**(16 608)**	**(45 596)**	**(106 655)**
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)

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

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	
	2015 R'000	2014 R'000	2015 R'000	2014 R'000
18. TRADE AND OTHER PAYABLES				
Trade creditors	637 227	399 720		
Accrual for leave pay	21 572	21 539		
Sundry creditors, advances received and accruals	333 394	537 187	499	444
Deferred income on government grants	186 411	137 717		
Mutlu Akü minority obligation		38 232		
	1 178 604	1 134 395	499	444
Non-current portion of deferred income on government grants included in non-current liabilities	(172 362)	(107 581)		
Current portion included in current liabilities	1 006 242	1 026 814	499	444
The Mutlu Akü minority obligation (squeeze out liability) was concluded during the year.				
The carrying amounts of the group's trade and other payables are denominated in the following currencies:				
Rand	447 292	612 001	499	444
Yen	77 448	39 917		
US Dollar	113 558	32 550		
Euro	150 279	124 382		
British Pound	12 290	443		
Thai Baht	12 437	4 050		
Romanian Lei	241 257	169 542		
Turkish Lira	123 714	149 495		
Singapore Dollar	289	2 015		
Indian Rupee	40			
	1 178 604	1 134 395	499	444

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

A provision is recognised for the present value of costs that may be incurred for statutory environmental and similar matters.

Other provisions

Other provisions and liabilities comprises predominantly of obligations for scrap battery collections and long service awards.

The provision for scrap returns amounted to R35 852 939 (2014: R37 582 789) and long service awards amounted to R22 105 660 (2014: R34 718 814).

	GROUP				
	Executive bonus R'000	**Warranty claims R'000**	**Environmental R'000**	**Other R'000**	**Total R'000**
2015					
Balance at the beginning of the year	**14 872**	**72 725**	**15 859**	**73 525**	**176 981**
Acquisition of subsidiary		**267**		**26**	**293**
Charged to the income statement:					
- Additional provision	**20 455**	**30 989**		**116 118**	**167 562**
- Unused amounts reversed	**(6 145)**	**(5 422)**			**(11 567)**
Utilised during the year	**(8 727)**	**(31 585)**	**(333)**	**(128 593)**	**(169 238)**
Currency adjustments	**474**	**1 908**	**2 655**	**(116)**	**4 921**
Balance at the end of the year	**20 929**	**68 882**	**18 181**	**60 960**	**168 952**
2014					
Balance at the beginning of the year	17 983	99 719	37 146	37 612	192 460
Acquisition of subsidiary					
Finalisation of fair value*					
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

Analysis of total provisions:	**2015 R'000**	**2014 R'000**
Non-current	**55 912**	60 290
Current	**113 040**	116 691
	168 952	176 981

		GROUP		COMPANY	
		2015	2014	2015	2014
		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	**744 738**	803 150	**197 297**	256 151
	Adjustment for:				
	Depreciation and amortisation	**244 681**	258 825		
	Write-off of Metair Share Trust loan				10 416
	Profit on disposal of property, plant and equipment	**(3 175)**	(5 663)		
	Profit on insurance proceeds for property, plant and equipment	**(1 816)**	(5 826)		
	Other financial assets at fair value through profit or loss:				
	- Fair value (gains)/losses	**(12 570)**	3 157		
	Foreign exchange losses/(gains) on operating activities	**16 179**	(8 171)		
	Share-based payment expenses	**8 031**	15 348		
	Net share-based payment effects			**(239)**	8 599
	Post-retirement benefit - charge	**14 135**	8 593		
	Post-employment benefits - contributions	**(9 201)**	(20 142)		
	Share of equity accounted earnings/income from investments	**(57 919)**	(70 006)	**(199 248)**	(267 532)
	Profit on sale of associate	**(10 705)**			
	Gain on bargain purchase	**(28 695)**			
	Interest income	**(33 478)**	(22 698)	**(10)**	(13)
	Interest expense	**136 277**	118 935		
	Increase in provisions and derivatives	**(23 697)**	(15 271)		
	Operating profit before working capital changes	**982 785**	1 060 231	**(2 200)**	7 621
	Working capital changes:				
	Increase in inventory	**(135 610)**	(233 636)		
	(Increase) / decrease in trade and other receivables	**(89 660)**	(123 266)	**211**	(57)
	Increase / (decrease) in trade and other payables	**61 069**	143 627	**55**	(13 548)
	Cash generated from/(utilised in) operations	**818 584**	846 956	**(1 934)**	(5 984)
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	**(625)**	(20 680)		
	Income statement charge (note 4)	**(181 492)**	(173 227)	**(3)**	
	Currency adjustment	**(2 298)**	(2 828)		
	Amounts unpaid at the end of the year	**10 295**	625		
		(174 120)	(196 110)	**(3)**	
20.3	**Dividends paid**				
	To shareholders	**(157 824)**	(136 822)	**(159 189)**	(139 290)
	To non-controlling interests	**(30 605)**	(32 501)		
		(188 429)	(169 323)	**(159 189)**	(139 290)
20.4	**Interest paid**				
	Interest expense (note 2)	**(136 277)**	(118 935)		
	Preference share interest accrual at the beginning of the year	**(29 609)**			
	Preference share interest accrual at the end of the year	**15 631**	29 609		
		(150 255)	(89 326)		

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
2015			
Derivative financial instruments		**11 250**	**11 250**
Trade and other receivables*	**1 488 610**		**1 488 610**
Cash and cash equivalents	**769 186**		**769 186**
Total	**2 257 796**	**11 250**	**2 269 046**
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

Liabilities as per balance sheet

	GROUP Other financial liabilities at fair value through profit or loss and OCI *** R'000	Other financial liabilities at amortised cost R'000	Total R'000
2015			
Borrowings		**1 964 972**	**1 964 972**
Derivative financial instruments	**1 820**		**1 820**
Bank overdraft		**202 479**	**202 479**
Trade and other payables**		**910 649**	**910 649**
Total	**1 820**	**3 078 100**	**3 079 920**
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

* *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 at amortised cost R'000**	**Total R'000**
2015			
Short-term loans to subsidiaries	**530 201**		**530 201**
Cash and cash equivalents	**923**		**923**
Short-term loans from subsidiaries		**(229 257)**	**(229 257)**
Trade and other payables**		**(499)**	**(499)**
Total	**531 124**	**(229 756)**	**301 368**
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

* *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.*

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 rate 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 exposures/contracts.

The company does not have any foreign currency exchange rate risk.

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			
	2015		2014		2015		2014	
	Foreign amount inflow/ (outflow)	Rand equivalent inflow/ (outflow)	Foreign amount inflow/ (outflow)	Rand equivalent inflow/ (outflow)	Foreign amount	Rand equivalent	Foreign amount	Rand equivalent
	'000	R'000	'000	R'000	'000	R'000	'000	R'000
US Dollars	6 540	101 026	(6 367)	(73 482)	11 218	174 607	2 594	30 151
Euros	3 312	55 869	1 694	23 391	4 022	67 921	3 849	54 788
Japanese Yen	577 094	74 914	403 913	39 114	302 700	39 290	678 977	65 750
Great British Pound	(46)	(1 055)	82	1 455	263	6 080	37	714
Thai Baht	11 881	5 147	5 905	2 076	11 578	5 016	27 125	9 536
Singapore Dollars	26	289			757	8 371		
Indian Rupee	167	35	230	2 013	1 637	387		
Total		236 225		(5 433)		301 672		160 939

	Profit higher/(lower)	
	2015	2014
Foreign exchange sensitivity analysis	R'000	R'000
At 31 December 2015, if the Rand had weakened/strengthened by 10% to the following currencies, with all other variables held constant, estimated post-taxation profit for the year would change for the following:		
- Mainly as a result of foreign exchange gains/(losses) on translating foreign denominated trade receivables and trade payables, and US Dollar borrowings in Mutlu Akü and the mark-to-market valuation of forward exchange contracts:		
US Dollar	11 245	7 488
- 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:		
Euros	6 248	4 347
Japanese Yen	5 545	3 146
Great British Pound	150	336
Thai Baht	895	292
Australian Dollar	5	35
Singapore Dollar	225	
- Mainly as a result of the translation of Rombat and Mutlu results into Rands:		
Romanian Lei	3 266	4 096
Turkish Lira	20 183	24 676

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. These include the RCF facility, Mutlu US Dollar and Turkish Lira borrowings and preference share funding (refer note 16).

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. In the prior year, the group 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 2015, 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 741 661 (2014: R9 662 370) lower.

Company changes in variable interest rates do not have a significant impact on the company. The company does not have any external borrowings or significant cash holdings.

Current advances to/from subsidiaries are interest free and repayable on demand (refer note 9).

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

	GROUP	
	2015 R'000	2014 R'000
6 months or less	202 479	130 187

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

iii. Price risk

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

B. Credit risk

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 batteries and automotive parts to predominantly the automotive industry. As a supplier to automotive original equipment manufacturers (OEMs), the cash recovery is normally within thirty days, however 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 35% (2014: 37%) 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 customer base there are a greater proportion of amounts receivable from small and medium sized customers and the group independent distributor network. This indirectly provides an advantage in concentration to OEMs. Refer to note 12 for further analysis of trade receivables and concentration risk.

Net trade receivables of R1 324 million (2014: R1 114 million) comprises of R1 152 million (2014: R871 million) from the energy storage business and R172 million (2014: R243 million) from the automotive component business.

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 R357 million (2014: R217 million), whilst foreign deposits (held by foreign subsidiaries) and mark to market exposure for forward foreign currency contracts at 31 December 2015 is evenly spread amongst counterparties.

The credit quality of financial assets is based on historical counterparty default rules:

	GROUP	
Analysis of credit quality	**2015 R'000**	**2014 R'000**
Trade receivables		
Counterparties are:		
Group 1 - new customers (less than 6 months).	**22 529**	35 538
Group 2 - existing customers (more than 6 months) with no defaults in the past.	**1 300 647**	1 076 952
Group 3 - existing customers (more than 6 months) with some defaults in the past. All defaults were fully recovered.	**340**	1 362
	1 323 516	1 113 852
Cash and cash equivalents		
Bank balances were held as follows:		
South African banks*	**555 185**	398 460
European banks**	**33 915**	6 154
Turkish banks**	**180 086**	198 052
	769 186	602 666
Derivative financial assets		
Forward exchange contracts were held as follows:		
South African banks*	**11 250**	4 365

	COMPANY	
	2015 R'000	**2014 R'000**
Current advances to subsidiary - with no defaults in the past and not impaired	**530 201**	485 475
Bank balances with South African banks*	**923**	1 486

** Rating F1+(zaf).*

*** Ratings range from F2 to F3.*

NB: Ratings based on the short term rating from latest available Fitch Ratings at 25 July 2015.

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 and the risk exposure may be minimised by collection of collateral held by Mutlu (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.

In the prior year, 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 R443 million (2014: R572 million) of the 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 2015						
Borrowings	**1 964 972**	**2 277 451**	**250 463**	**1 031 775**	**995 213**	
Derivative financial liabilities	**1 820**	**1 820**	**1 820**			
Overdraft	**202 479**	**204 504**	**204 504**			
Trade and other payables	**910 649**	**910 649**	**910 649**			
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			

Analysis of financial liabilities - maturities (company)

Financial liabilities noted in 21.1 for R229 257 000 (2014: R206 924 000) relate to current advances from a subsidiary. The projected recovery of advances granted to other subsidiaries are expected to provide adequate liquidity to repay this obligation. The contractual cash flows approximate the carrying values.

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/reduce capital investments.

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 2015 and 2014 were as follows:

	GROUP	
	2015 R'000	**2014 R'000**
Total borrowings (notes 13 and 16)	**2 167 451**	1 870 038
Less: Cash and cash equivalents (note 13)	**(769 186)**	(602 666)
Net debt	**1 398 265**	1 267 372
Ordinary shareholders' equity	**4 877 436**	4 139 100
Total capital	**6 275 701**	5 406 472
Gearing ratio %	**22.3**	23.4

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 0.05 times)
- Interest cover ratio not less than 3.0 times (achieved 10.3 times)
- Net borrowings to 'adjusted EBITDA' ratio (as defined) shall not exceed 2.5 times (achieved 1.5 times)

Covenant measures at balance sheet date have been met. Covenant measures in the prior year was also met.
The company is not subject to debt covenants.

21.4 Fair value estimation
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 13, 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 13. Other than the irrevocable offer (squeeze out obligation) for the remaining Mutlu minority shares made in the prior year, there are no such items applicable to the group.

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 13. 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, trade receivables and payables approximate 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 2015. 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). Borrowings are market related.

21. **FINANCIAL INSTRUMENTS (continued)**

21.4.1 **Derivative financial instruments**

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

		GROUP			
			2015		2014
			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	**11 250**	**1 820**	4 365	5 388

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 used as economic hedges and are classified as current assets or liabilities as the maturity of the hedged item is less than 12 months. The unrealised/realised movement in derivative instruments during the year resulted in a profit of R12.6 million (2014: loss R3.2 million).

Forward exchange contracts

Year-end forward exchange contracts 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	77 682	5 345	14,54	7 172	15 January 2016 - 29 April 2016
Euro	41 233	2 607	15,82	3 592	13 January 2016 - 29 April 2016
Great British Pound	992	43	21,67	15	29 January 2016 - 3 February 2016
Japanese Yen	5 057	42 168	8,23	471	22 January 2016 - 29 February 2016
Total derivative financial assets				**11 250**	
Derivative financial liabilities					
Imports					
US Dollar	32 746	2 061	15,99	(663)	11 February 2016 - 31 March 2016
Euro	2 144	106	17,84	(48)	31 March 2016
Japanese Yen	1 886	15 930	7,43	(38)	31 March 2016
	36 776			(749)	
Exports					
US Dollar	19 375	1 297	15,55	(388)	15 January 2016 - 15 April 2016
Euro	4 318	255	16,92	(60)	29 January 2016
Great British Pound	3 050	137	22,08	(135)	29 January 2016 - 16 February 2016
Singapore Dollar	5 919	574	0,10	(488)	29 January 2016 - 15 April 2016
	25 294			(1 071)	
Total derivative financial liabilities				**(1 820)**	

		GROUP		COMPANY	
		2015	2014	2015	2014
		R'000	R'000	R'000	R'000
22.	**CONTINGENT LIABILITIES**				
	Letters of support in respect of overdrafts of associates				
	Valeo	3 675	3 675	3 675	3 675
	The group has contingent liabilities in respect of performance guarantees, letters of credit, customs and excise and other related matters such as claims and disputes arising out of the ordinary cause of business of which the likelihood of loss is remote. Performance and related guarantees amounted to R267 million (2014: R27.8 million) at 31 December 2015.				
	Refer to note 25 for details on subordination agreements with subsidiaries. Certain group subsidiaries provided guarantees for funding provided to the group.				
23.	**COMMITMENTS**				
	Capital commitments	378 909	461 729		
	Contracted:				
	- Plant, machinery, tools, jigs and dies	122 201	54 687		
	Authorised by the directors, but not yet contracted:				
	- Plant, machinery, tools, jigs and dies	256 708	407 042		
	Unexpired portion of operating lease contracts	82 373	59 775		
	- Payable within 1 year	35 534	23 036		
	- Payable later than 1 year and not later than 5 years	46 703	36 739		
	- Payable thereafter	136			
		461 282	521 504		

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 2015 R'000	GROUP 2014 R'000
Balance sheet obligation for:		
Post-employment medical benefit (note 24.1)	**32 230**	31 305
Other post-employment benefits (note 24.2)	**81 387**	78 726
Liability in the balance sheet	**113 617**	110 031
Income statement charge included in operating profit for:		
Post-employment medical benefits (note 24.1)	**3 111**	2 960
Other post-employment benefits (note 24.2)	**11 024**	5 633
	14 135	8 593
Remeasurements included in other comprehensive income for:		
Post-employment medical benefits (note 24.1) - (gain)/loss	**(668)**	183
Other post-employment benefits (note 24.2) - (gain)/loss	**(5 907)**	13 014
	(6 575)	13 197

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 2015 R'000	GROUP 2014 R'000
Current service costs	**571**	547
Interest costs	**2 540**	2 413
	3 111	2 960
Movement in the liability recognised in the balance sheet		
At the beginning of the year	**31 305**	29 564
Total expense per income statement	**3 111**	2 960
Contributions paid	**(1 518)**	(1 402)
Actuarial (gain)/loss recognised in other comprehensive income	**(668)**	183
At the end of the year	**32 230**	31 305
The amounts recognised in equity are as follows:		
Recognised actuarial (gain)/loss	**(668)**	183

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)**	**3 404**
Revised defined benefit obligation - net	**34 533**	**36 367**

Assumptions	2015	2014
The principal actuarial assumptions used were:		
- Discount rate for obligation	**9.0%**	8.4%
- Healthcare cost inflation	**7.0%**	6.4%
- Continuation of membership on retirement	**100%**	100%
- CPI inflation	**7.0%**	6.0%
- 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 TL3 828 (2014: TL3 438) 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	
	2015 R'000	2014 R'000
Current service costs	3 342	2 758
Interest costs	7 682	2 875
	11 024	5 633
Movement in the liability recognised in the balance sheet		
At the beginning of the year	78 727	78 122
Total expense per income statement	11 024	5 633
Contributions paid	(7 683)	(18 740)
Actuarial (gain)/loss recognised in other comprehensive income	(5 907)	13 014
Currency adjustment	5 226	698
At the end of the year	81 387	78 727
The amounts recognised in equity are as follows:		
Recognised actuarial (gain)/loss	(5 907)	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	**(14 737)**	**15 718**
Effect on actuarial loss/(gain)	**18 996**	**(6 002)**
Revised defined benefit obligation	**75 143**	**88 139**

The principal actuarial assumptions used at balance sheet date are as follows (based on Turkish statistics):	2015	2014
Annual discount rate	10.00%	10.00%
Inflation rate	6.00%	6.00%
Turnover rate to estimate the probability of retirement	98.72%	97.24%
Average monthly earnings (Turkish Lira)	3 315	
Mortality table	CS080 F/M	

The principal assumption is that the maximum liability for each year of service will increase in line with inflation.

24.3 Pension schemes

The group operates defined contribution pension schemes and contributions are charged against the income statement. The group contributed R62 million (2014: R58 million) to the defined contribution schemes.

	GROUP		COMPANY	
	2015 R'000	2014 R'000	2015 R'000	2014 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**	167 450
Metair Management Services (Pty) Ltd (MMS)			**530 201**	483 912
			697 651	651 362

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.

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.

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 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, among 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.

27. RELATED PARTIES

The group and company entered into transactions with related parties. Transactions that are eliminated intra-group for consolidation purposes are not included. Transactions are carried out on a commercial basis.

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

Information on investments in subsidiaries and associates is presented in notes 9, 10 and on pages 134 to 137. 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 Investments Limited 2009 Share Plan can be found in note 14. The share-based payment expense for key management amounted to R5.2 million (2014: R7.5 million).

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

Information on shareholding of the company can be found on pages 81 to 83.

The group disposed of its investment in Toyoda Gosei (Pty) Ltd for a consideration of R25 529 838. A net profit of R10 704 838 was realised.

	GROUP	
	2015 R'000	2014 R'000
The group entered into the following transactions with its equity partner in Smiths:		
Purchases of goods and services	49 310	42 450
Dividend paid	30 562	32 181
Outstanding balance at year-end	2 368	1 176
The group entered into the following transactions with its associates:		
Hesto		
Purchases from group companies	102 172	103 703
Sales to group companies	2 365	1 993
Management fees paid to group companies		558
Management fees received from group companies	295	276
Outstanding balance to group companies	2 088	4 066
Outstanding balance from group companies	180	156
Valeo		
Purchases from group companies	41 308	42 851
Rental paid to group companies		1 065
Management fees paid to group companies	1 601	1 402
Outstanding balance to group companies	1 619	2 019
Vizirama		
Outstanding balance to group companies		1 523
Tenneco		
Sales to group companies	4 180	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 Dynamic Battery Services Limited (Dynamic)

On 26 October 2015, the group acquired 100% of the issued shares of Dynamic Battery Services Limited (Dynamic), a private company incorporated in the United Kingdom, for a total consideration of R31 million. Dynamic is a distributor in the United Kingdom and Europe of automotive lead-acid and specialist batteries for the leisure and marine market segments. Dynamic was acquired to bolster the group's existing battery operations in Europe and to deliver strategic and financial benefits by improving capacity utilisation at the group's manufacturing operations in Turkey and Romania, facilitating the supply of Metair batteries into the UK aftermarket as well as strengthening and addressing distribution to key original equipment manufacturers in the UK.

Total consideration transferred amounted to a total of R31 million for acquisition of 100% of equity, including an existing shareholder's loan. The fair value of assets and liabilities acquired amounted to R59.7 million and a bargain purchase gain of R28.7 million was recognised.

The fair values of net assets acquired were provisional at 31 December 2015.

The following table summarises the consideration paid and the amounts of the assets acquired and liabilities assumed at the acquisition date:

Consideration at 26 October 2015	R'000
Cash and cash equivalents	31 000
Total consideration	31 000

Recognised amounts of identifiable assets acquired and liabilities assumed	Provisional fair value R'000
Assets	
Property, plant and equipment	555
Inventory	13 264
Trade and other receivables	32 292
Cash and cash equivalents	15 297
	61 408
Liabilities	
Provisions	(293)
Trade and other payables	(1 420)
	(1 713)
Total identifiable net assets	59 695
Bargain purchase gain	(28 695)
Purchase consideration	31 000
Acquisition of subsidiary - cash flow on acquisition	
Purchase consideration	31 000
Cash and cash equivalents acquired	(15 297)
Net cash flow on acquisition	15 703

The purchase consideration paid was based on the carrying values (NAV) of the acquired business and a gain was recognised against initial recognition at fair value.

Transaction-related costs included in administration expenses in the income statement amounted to R2.6 million for the year ended 31 December 2015.

The fair value of trade and other receivables is R32.3 million and includes trade receivables with a fair value of R28.6 million. The acquisition was financed through existing cash resources.

Impact of the acquisition on the results of the group	R'000
From the dates of acquisition, the acquired businesses contributed:	
- Revenue	19 138
- Attributable loss	(1 031)
Had the acquisition been consolidated from 1 January 2015 the income statement would have been:	
- Revenue	98 754
- Attributable loss	(1 982)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

CONTINUED

28. BUSINESS COMBINATIONS

28.2 Mutlu group (2013 Acquisition finalised in 2014)

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 arising from the acquisition is attributable to the anticipated profitability arising from the group's access to new geographic markets, increased supply and the anticipated future operating synergies from the combination.

The following table summarises the consideration paid for 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	657 533
Property, plant and equipment	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	(158 524)
Trade and other payables	(182 275)
Net deferred taxation	(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)

28.3 Transactions with non-controlling interests (NCI) (2014 squeeze-out finalised in 2015)

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.

On 20 March 2015 the squeeze-out was completed and the company was effectively de-listed from the Istanbul Security Exchange.

The summarised effects on group equity are as follows:

	GROUP	
	2015 R'000	2014 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)	(341)	(22 077)
	(341)	(20 857)
Cash settlements - 2015 and 2014		
Acquisition of additional interest		7 282
Portion of NCI acquired - squeeze out since 18 July 2014	35 332	46 862
Cash outflow	35 332	54 144

INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

AS AT 31 DECEMBER 2015

	Type	Issued share capital 2015 R'000	2014 R'000	% Direct/ (indirect) interest 2015 %	2014 %	Direct/ (indirect) cost of shares less impairment 2015 R'000	2014 R'000
SUBSIDIARIES							
Energy storage and automotive components							
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					0		
(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)	(25 477)
Alfred Teves Brake Systems					0		
(Pty) Ltd	ordinary	15	15	(100.0)	(100.0)	(15)	(15)
Rombat SA**	ordinary	76 010	76 010	(99.4)	(99.4)	(437 393)	(437 393)
Dynamic Batteries	ordinary	2		(100.0)		(31 000)	
Intermediate Holding and management services							
Inalex (Pty) Ltd	ordinary	493 695	493 695	100.0	100.0	493 695	493 695
Nikisize (Pty) Ltd		52 695	52 695	(100.0)	(100.0)	(52 695)	(52 695)
Metair Management Services (Pty) Ltd	ordinary			(100.0)	(100.0)		
Business Venture Investments No 1217 (Pty) Ltd	ordinary			(100.0)	(100.0)		
Metair International Cooperatief U.A.*	ordinary	3 336 721	3 431 376	(100.0)	(100.0)	(3 431 376)	(3 431 376)
Metair Akü Holding Anonim Şirketi***	ordinary	2 858 419	2 981 780	(100.0)	(100.0)	(2 987 107)	(2 987 107)
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)	(6 850)
Climate Control Properties (Pty) Ltd	ordinary	2	2	(100.0)	(100.0)	(2)	(2)
Direct interest						493 695	493 695
Indirect interest						(7 024 609)	(6 993 609)
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		(20.0)		(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	2 793
Indirect interest						(5 001)	(6 251)

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)*

All subsidiary undertakings are included in the group consolidation. The proportion of the voting rights in the subsidiary undertakings held directly and indirectly by the parent company do not differ from the proportion of ordinary shares held.

Amounts owing by/(to) subsidiaries before impairment:	**2015 R'000**	**2014 R'000**
Metair Management Services (Pty) Ltd	**530 201**	483 912
Inalex (Pty) Ltd	**1 486 307**	1 486 307
Lumotech (Pty) Ltd	**57 983**	57 983
Alfred Teves Brake Systems (Pty) Ltd		1 563
Smiths Plastics (Pty) Ltd	**167 451**	167 451
Business Venture Investments 1217 (Pty) Ltd	**(229 257)**	(206 924)
	2 012 685	1 990 292

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 the '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 and 3rd Avenue, Parktown, Johannesburg, on Thursday, 5 May 2016, at 14:00 for the following purposes:

Ordinary business

Presentation of annual financial statements
To present the audited annual financial statements, which include the directors' report and the audit and risk committee report, for the year ended 31 December 2015, 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 directors' reports.

Social and ethics committee report
To receive a report by the social and ethics committee on the matters within its mandate.

Ordinary resolution number 1
Resolved that Mr CT Loock, 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 39 of the integrated annual report for a brief curriculum vitae of Mr CT Loock), be and is hereby re-appointed as a director of the Company.

Ordinary resolution number 2
Resolved that Mr JG Best, who retires in terms of the provisions of the MOI, but, being eligible and has offered himself for re-election (refer to page 39 of the integrated annual report for a brief curriculum vitae of Mr JG Best), be and is hereby re-appointed as a director of the Company.

Ordinary resolution number 3
Resolved that Mr DR Wilson, who retires in terms of the provisions of the MOI, but, being eligible and has offered himself for re-election (refer to page 39 of the integrated annual report for a brief curriculum vitae of Mr DR Wilson), be and is hereby re-appointed as a director of the Company.

Ordinary resolution number 4
Resolved that Ms TN Mgoduso, who retires in terms of the provisions of the MOI, but, being eligible and has offered herself for re-election (refer to page 39 of the integrated annual report for a brief curriculum vitae of Ms TN Mgoduso), be and is hereby re-appointed as a director of the Company.

Ordinary resolution number 5
Resolved that Ms PPJ Molefe, who retires in terms of the provisions of the MOI, but, being eligible and has offered herself for re-election (refer to page 39 of the integrated annual report for a brief curriculum vitae of Ms PPJ Molefe), be and is hereby re-appointed as a director of the Company.

Ordinary resolution number 6
Resolved that, the appointment of Mr SG Pretorius, as an independent non-executive director and chairman of the Company with effect from 1 July 2015, be and is hereby confirmed (refer to page 39 of the integrated annual report for a brief curriculum vitae of Mr SG Pretorius).

Reappointment of independent auditors
Ordinary resolution number 7
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.

Election of audit and risk committee members
Ordinary resolution number 8
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 (refer to page 39 of the integrated annual report for brief curriculum vitaes of nominees).

Special business

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

Ordinary resolution number 9
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 annual general 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 10

a) Resolved as an ordinary resolution that the Company's past approved remuneration policy and its implementation in 2015, as set out in the Remuneration Report contained in the integrated annual report (refer to note 3 on page 126 and page 76 of the integrated annual report) be and is hereby approved through a non-binding advisory vote.

b) Resolved as an ordinary resolution that the Company's remuneration policy and its implementation for future remuneration structures, as set out in the Remuneration Report contained in the integrated annual report (summarised in the table on page 77 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 2016 to 31 December 2016 (refer to page 80 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 2016 and ending 31 December 2016.

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 the 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 5% of the Company's issued share capital of that class in any one financial year;
(vii) acquisitions by the subsidiaries of the Company may not result in a subsidiary, together with all other subsidiaries of the Company holding more than 10% of the relevant class of the issued share capital of the Company from time to time;
(viii) 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;
(ix) 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
(x) 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 53 of the integrated annual report.
Share capital – refer to page 113 of the integrated annual report.

Directors' responsibility statement

The Directors, whose names are given on page 14 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 7, 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, 18 March 2016, being the notice record date used to determine which shareholders are entitled to receive notice of the annual general meeting.

The record date on which shareholders of the Company must be registered as such in the Company's securities register in order to attend and vote at the annual general meeting is Friday, 29 April 2016, 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 Thursday, 21 April 2016.

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 Tuesday, 3 May 2016 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.

Electronic participation

Shareholders or their proxies may participate in (but not vote at) the meeting by way of telephone conference call. If they wish to do so they:

- must contact the Company Secretary (by email at the address sanet@metair.co.za) by no later than Friday, 29 April 2016 in order to obtain a pin number and dial-in details for that conference call;
- will be required to provide reasonably satisfactory identification; and
- will be billed separately by their own telephone service providers for their telephone call to participate in the meeting.

Shareholders and their proxies will not be able to vote telephonically at the meeting and will still need to appoint a proxy or representative to vote on their behalf at the meeting.

By order of the Board.

SM Vermaak

Company Secretary
Johannesburg

16 March 2016

Registered office
Metair Investments Limited
Wesco House
10 Anerley Road
Parktown

Johannesburg

SHAREHOLDERS' DIARY

Financial year-end	December
Annual general meeting	May

Reports and profit statements

Interim report	August
Annual report and financial statements	March

Ordinary dividends

Declared	March
Payment	April

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

FORM OF PROXY

METAIR INVESTMENTS LIMITED

(Incorporated in the Republic of South Africa)
(Registration Number 1948/031013/06)
JSE share code: MTA
ISIN: ZAE 000090692
('Metair' or 'Company')

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

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

A shareholder entitled to attend and vote at the meeting may appoint one or more proxies of his/her own choice to attend, speak, and, on a poll, vote in his/her stead at the annual general meeting of the Company to be held at 14:00 on Thursday, 5 May 2016 at AstroTech Conference Centre, Cnr. Anerley Road and 3rd Avenue, 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 CT Loock as a director	☐	☐	☐
2. Re-election of Mr JG Best as a director	☐	☐	☐
3. Re-election of Mr DR Wilson as a director	☐	☐	☐
4. Re-election of Ms TN Mgoduso as a director	☐	☐	☐
5. Re-election of Ms PPJ Molefe as a director	☐	☐	☐
6. Ratification of the appointment of Mr SG Pretorius as a director	☐	☐	☐
7. Re-appointment of auditors	☐	☐	☐
8 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 9: Placing of unissued shares under the control of the directors	☐	☐	☐
Ordinary resolution number 10a: Approval of past remuneration policy	☐	☐	☐
Ordinary resolution number 10b: Approval of future 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 ______________________ 2016.

Signature: ____

Assisted by me (where applicable) ____

This form of proxy should be lodged at the registered office of the Company (Wesco House, 10 Anerley Road, Parktown, Johannesburg) or at the Transfer Secretaries (Computershare Investor Services (Pty) Limited, Ground Floor, 70 Marshall Street, Johannesburg, 2001 or at PO Box 61051, Marshalltown, 2107) by no later than Tuesday, 3 May 2016 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) Limited, Ground Floor, 70 Marshall Street, Johannesburg, 2001 or (PO Box 61051, Marshalltown, 2107) so as to be received by not later than 14:00 on Thursday, 21 April 2016.

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
2193

Postal address
PO Box 2077
Saxonwold
2132

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

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Fax: +27 11 646 3102

Email: sanet@metair.co.za


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