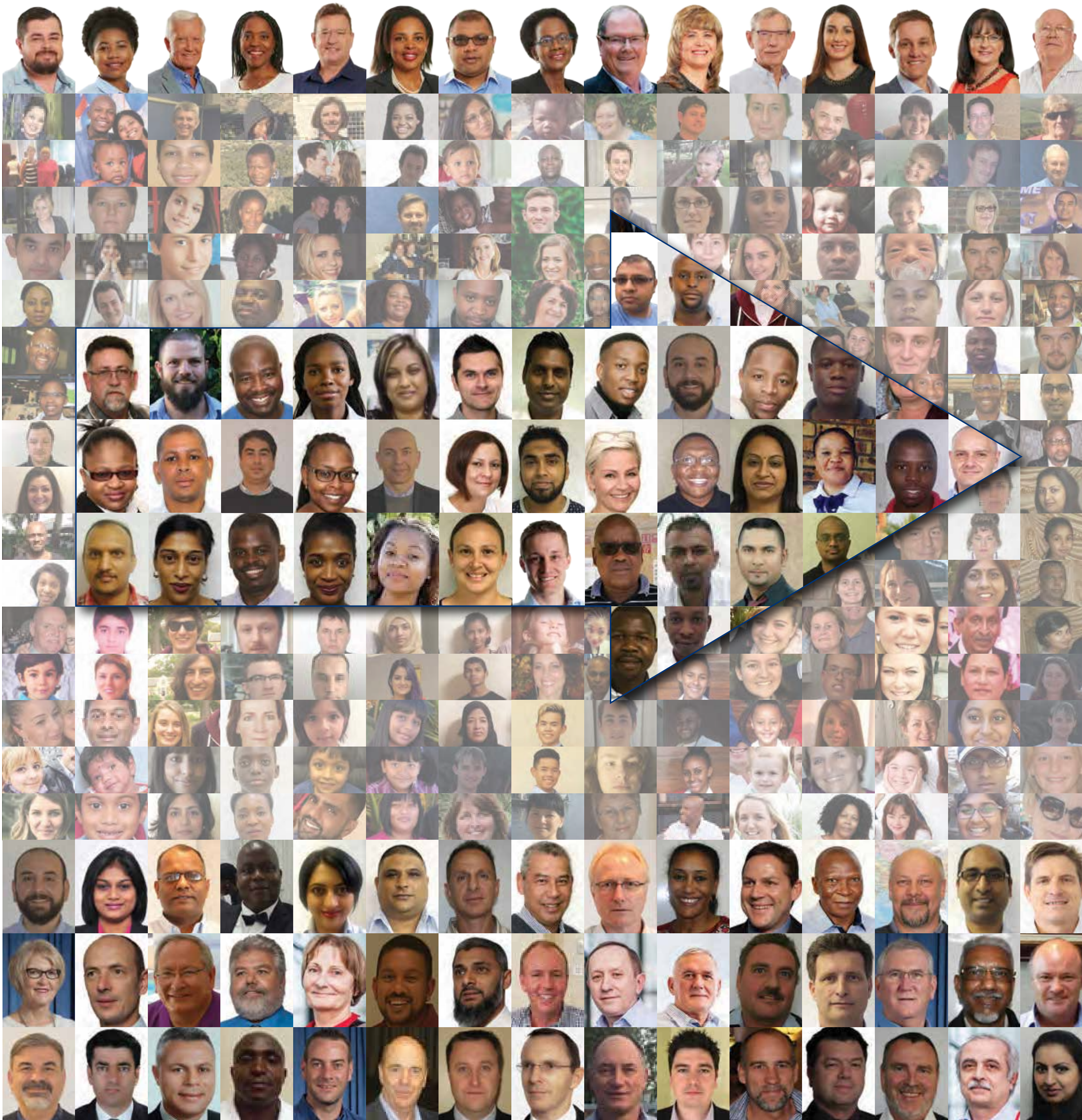
METAIR
INVESTMENTS LIMITED

automotive | industrial | retail



INTEGRATED ANNUAL REPORT 2016

METAIR AT A GLANCE

METAIR INVESTMENTS LIMITED
(Listed on the Johannesburg Stock Exchange)

Manufacturing in South Africa, Turkey, Romania and Kenya

Energy Storage Vertical

Aftermarket retail customers:
- Automotive and industrial batteries
- Solar systems
- Back-up systems
- Standby systems
- Charging systems
- Battery distribution networks
- Lithium-ion starter batteries and mining cap lamps

Automotive Components Vertical

- 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

Aftermarket retail customers:
- South Africa
- Turkey
- Romania
- Russia
- East Africa
- United Kingdom (UK)
- Middle East
- North Africa

Original equipment manufacturers:
- South Africa
- Turkey
- Romania
- Russia
- North Africa
- Middle East
- UK

CONTENTS

THEME OF THE 2016 INTEGRATED ANNUAL REPORT

– Leadership Through Management –

Each year, a theme is chosen for Metair's integrated annual report to reflect where the company is and where it is going. This theme is established in the cover image for the report. This year's theme is Leadership through Management.

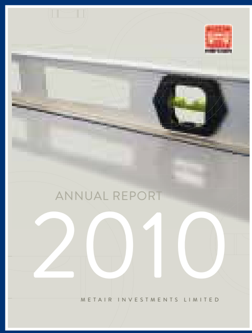
2016 was an extremely challenging year for a number reasons. Some of these challenges – such as the new model launch at a key OEM customer, bedding down acquisitions and the three-year wage negotiations in South Africa – were anticipated and planned for, but nevertheless added stress to the business. Other developments – for example, the attempted coup in Turkey – were completely unexpected.

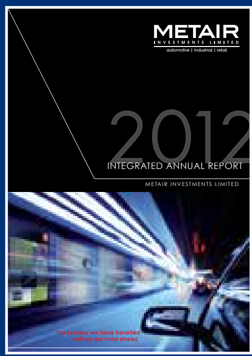
The only way to manage an enterprise in such a volatile environment is to keep to the key principles the company is committed to doing business by. The mosaic of photographs on the front cover represents the quality, highly motivated and dedicated people who make up Metair and that deliver on the strategy. At the top of the image are pictures of the group board and leadership, who set the strategy and the ethical tone for the company. At the bottom of the cover are pictures of the members of the subsidiary boards, who channel these principles down into the subsidiary companies.

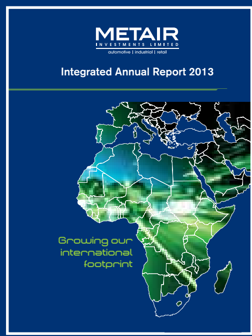
The pictures in the bold arrow in the centre of the image represent the young talent identified in each business who are being developed into our future experts and leaders. These individuals will drive Metair into the future and ensure its sustainability.

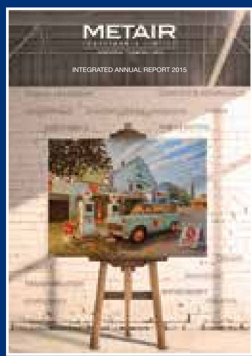
The images in the lighter sections of the report represent the people that provide essential support structures that make it possible for the leadership to execute their responsibilities. They also remind us of the deeper support structure behind each of the people in Metair – their loved ones, families and communities – who give meaning to their job and support them to bring their best to work every day.

The image represents the human focus of our business and we have included short profiles throughout the body of this report showcasing some of our human capital. The ongoing volatile and challenging business environment calls for the next level of leadership and this is only possible through the dedication and commitment of everyone in the group.









HIGHLIGHTS

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

First lithium-ion automotive and industrial products produced

Expansion into East Africa

Multi-year contract for enhanced flooded battery Start/Stop finalised with a German OEM

ABOUT THIS REPORT

This integrated annual report is Metair's primary report to stakeholders and aims to provide an overview of the group's strategy and how this addresses the most significant risks Metair faces, realises the opportunities it has identified and creates value in the long term. It presents information regarding Metair's activities for the period 1 January to 31 December 2016 and includes information up to the date of this report where this is relevant to stakeholders.

Metair's integrated approach to doing business is reflected in the report through the assessment of the impacts of the group's material aspects on the long-term success of the group and its stakeholders. These material aspects align with our strategy and risk management processes by considering the most significant potential impacts across the full spectrum of financial, environmental, social and governance issues.

These 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 34 of this report.

Operating companies and reporting boundary

The Metair group comprises subsidiaries, associates, management services companies and property companies that operate as integrated autonomous entities. Financial information is included for all subsidiaries and associates in accordance with International Financial Reporting Standards.

In June 2016, the group acquired a 25% shareholding in Associated Battery Manufacturers (East Africa) Limited (ABM) Kenya, which is included in the financial results since acquisition date. Apart from this transaction, there have been no significant changes to Metair's business that affect the comparability of its reporting against the 2015 report. There have been no material restatements of information provided in previous reports.

Non-financial sustainability information in the report, such as human resources statistics and environmental performance, excludes information for ABM in East Africa. This exclusion is not considered to have a material effect on the group's reported non-financial performance at present.

The transformation information on page 58 includes all South African subsidiaries and their material holdings, but excludes Rombat, Mutlu Akü, Dynamic and ABM. Hesto is reported in the annual financial statements as a managed associate, but is included fully in the non-financial reporting as Metair is responsible for the day-to-day management of the company.

Reporting guidelines and regulatory requirements

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 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 our website.

Assurance

The group's combined assurance model includes internal and external assessments of key strategic risks, internal controls and other material areas to support the integrity of the management, monitoring and reporting of data.

As a South African company listed on the Johannesburg Stock Exchange (JSE), Metair aligns to the JSE Listings Requirements and the South African Companies Act, 71 of 2008 (as amended).

Certain material information included in this report has been externally assured, including:

- The consolidated and separate annual financial statements for the year ended 31 December 2016, which have been audited by PricewaterhouseCoopers Inc and their report appears on page 116.
- The sustainability information included in this integrated report, which has been externally assured by Integrated Reporting and Assurance Services and their report appears on page 97.
- External verification of B-BBEE performance, which is performed at subsidiary level for the South African operations.

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 its progress in the 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:

- Telephone: +27 11 646 3011
- Fax: +27 11 646 3102
- Email: sanet@metair.co.za

Highlights

Revenue increased 16% to
R8.95 billion

Multi-year contract for
enhanced flooded battery Start/Stop finalised with a German OEM

Strong operational results
from Mutlu Akü in Turkey despite a challenging operating environment

Acquisition of ABM expands the
group's presence into Kenya, Tanzania and Uganda

Most of the South African subsidiaries at
B-BBEE Level 4 or better

First lithium-ion
automotive and industrial products produced

Dividend per share of
70 cents declared in 2017
in respect of the 2016 financial year

Group Scope 1 and 2 carbon emissions per person hour worked
improves 11.2 %

Excellent progress
on delivery of the group strategy

Good progress on executing the sale
of spare battery capacity

Despite model change year, headline earnings per share decrease limited to 8% to **229 cents** per share

DIKELEDI MOOKE

Technical/Training Liaison at ATE.

N3 Certificate (Engineering Studies), Qualified Motor Mechanic.

Dikeledi provides technical support for customer complaints/ queries and delivers technical training on brake systems

WHO WE ARE

Metair Investments Ltd (Metair) is a publicly-owned company listed on the Johannesburg Stock Exchange. From its headquarters in Johannesburg the group manages an international portfolio of companies that manufacture, distribute and retail products for its energy storage and automotive components verticals.

The group's products are manufactured, assembled, distributed and retailed in Africa, Europe, Turkey, the Middle East and Russia.

Energy storage

The energy storage segment manufactures batteries for use in the automotive, telecoms, utility, mining, retail and materials/products handling sectors.

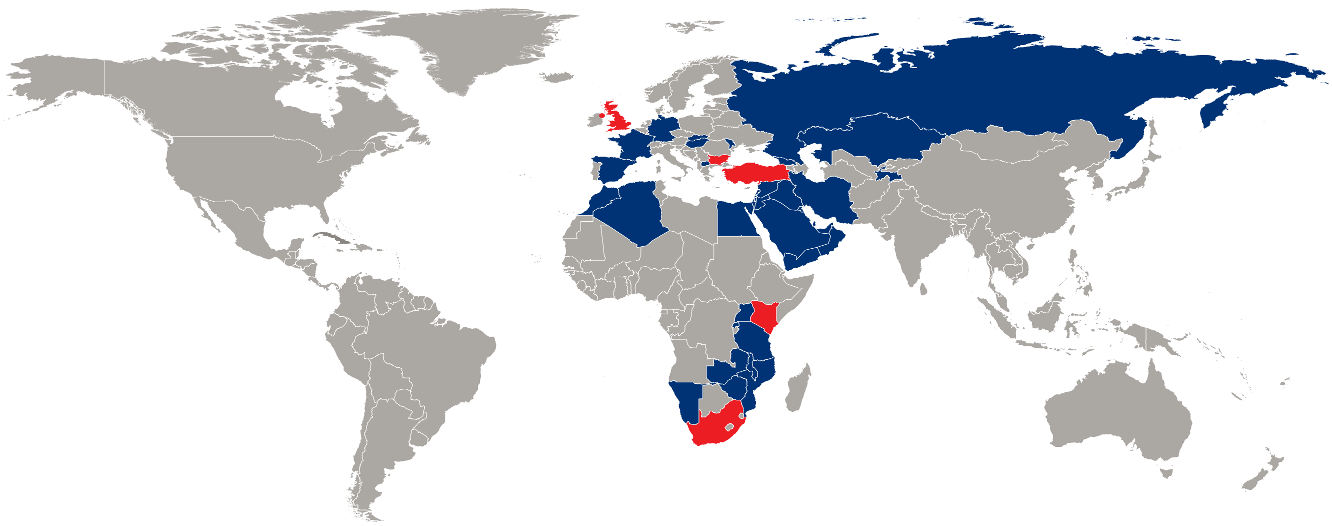
Automotive batteries are mainly supplied to the aftermarket through our unique aftermarket distribution channels and franchised retail networks, and are also supplied to automotive original equipment manufacturers (OEMs). Metair supplies batteries to all major OEMs in South Africa, Europe, Romania, Turkey and Russia through subsidiaries in Romania (Rombat), Turkey (Mutlu Akü) and South Africa (FNB).

Aftermarket products are 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.

Key territories include Romania, Russia, South Africa, Turkey, East Africa, and the UK.

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
	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	99.4%	Batteries, solar systems, backup 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 including streetlights and warehouse lights
	Tenneco Automotive	25.1%	Shock absorbers, struts, track control arms
	Hesto Harnesses	74.9%	Wiring harnesses, instrument cluster/combination meters
	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, engine control units, 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
	Associated Battery Manufacturers (East Africa)	25.0%	Automotive and solar batteries

IP in product development	Manufacturing partnerships	Key OE relationships
✓		
✓		
✓		
✓		
✓		
✓	✓	
	✓	
	✓	
	✓	
	✓	
	✓	
	✓	
✓		

OUR BUSINESS MODEL

INPUTS

FINANCIAL CAPITAL	**Money** • R602 million reinvested in the group
MANUFACTURING CAPITAL	**Machine** • Capital investment to increase capacity and efficiency • Lead, polymers, steel and alloys • Plant and equipment
HUMAN CAPITAL	**Man** • 8 181 skilled employees in four countries of operation
INTELLECTUAL CAPITAL	**Method** • Skill and experience of management and employees • Technical expertise shared across operations • R30.9 million invested in training
SOCIAL AND RELATIONSHIP CAPITAL	**Custodianship** • Stakeholder-inclusive business model • Close operational relationships with customers • Partner model in certain operating business
NATURAL CAPITAL	**Material** • 191 055 MWh of electricity used • 690 653 litres of diesel consumed • 622 027 m^3 of water used • Steel, lead and other base metals

METAIR ACTIVITIES

Manufacture of energy storage solutions for OEMs, aftermarket and non-automotive markets

Technical teams share best practice

Manufacture of automotive components for OEMs and aftermarket

Technical R&D centre

MIB markets technology and spare battery capacity

OUTPUTS	OUTCOMES
±8 MILLION automotive batteries produced	• R2 680 million in value created for stakeholders • R1 676 million in remuneration paid to employees • Dividend of 70 cents per share declared
MORE THAN **2.1 MILLION** cars supplied with energy storage and automotive components	• R373 million increase in manufacturing capital through capital expenditure • Wear and tear on manufacturing equipment
585 944 tonnes of CO_2 equivalent produced	• 455 jobs created • Group LTIFR improved to 1.2 • Absenteeism increased marginally to 3.3% • Staff attrition increased to 25.6%
11.8 TONNES of non-hazardous waste produced	• Improved technical skill and experience in the group • Focus on succession planning to develop the next generation of leadership and expertise • Development of lithium-ion batteries for automotive and industrial use underway • Management aims to nurture and reward innovation in the group
	• R13.5 million invested in CSI projects • Group cumulative B-BBEE score decreases 40 points under the new codes • Eight of nine South African operations at Level 4 or below
17.8 TONNES of hazardous waste produced	• ±75 000 tonnes of lead recycled • Electricity consumption per person hour worked decreased 3.9%

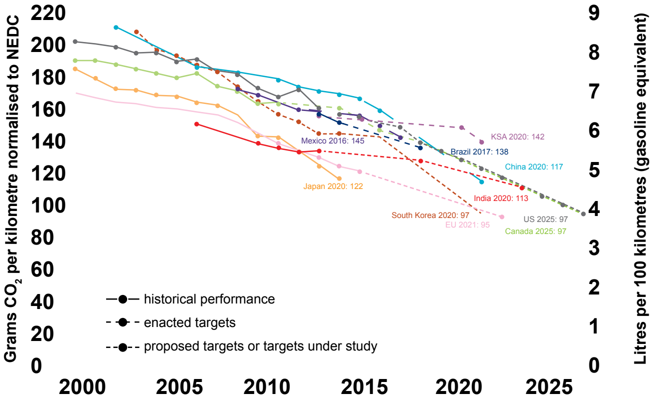
TRENDS IN AUTOMOTIVE BATTERY DEVELOPMENT

The impetus driving the development of low- or zero-emission vehicles continues to develop through frameworks such as the UN's 2030 Sustainable Development Goals and the International Panel on Climate Change's 2050 emissions reductions targets. The U.S. Department of Energy's EV Everywhere challenge aims to enable plug-in electric vehicles that are as affordable and convenient as gasoline-powered vehicles by 2022.

Meanwhile, global automotive CO_2 emission regulations require ever more stringent reductions with the most ambitious setting targets of below 100gCO_2/km within the next five to ten years.

Various OEM's are taking up the challenge through initiatives such as Volkswagen's I.D. concept car that commits Europe's largest OEM to developing a full electric vehicle with a range of 600 kilometres by 2020.

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
icct *www.theicct.org/info-tools/global-passenger-vehicle-standards*

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

Lithium-ion batteries have traditionally been used mainly in consumer electronic devices such as mobile phones and notebook PCs, but are increasingly being redesigned for use as the power source of choice in hybrid and full electric vehicles.

Lithium is the lightest known metal and has the greatest electrochemical potential, which leads to excellent energy-to-weight performance. Lithium-ion batteries also have greater cycle life and are significantly lighter than traditional lead acid batteries. While lithium-ion batteries were costly to produce, their cost has fallen rapidly in recent years and is forecast to continue to fall as technology develops further.

Metair's experience with lithium-ion applications in our mining cap lamp and automotive starter batteries position the company well to participate in the next generation of lithium-ion battery technology. In 2015, Metair began a Start/Stop program in conjunction with a major customer and the company's first prototype lithium-ion automotive batteries, battery management systems and industrial energy storage products were designed, produced and tested.

Future trends indicate a move toward 48-volt lithium-ion systems supplemented by a redesigned 12-volt non-starter lead acid battery to power comfort, redundancy and safety features. Until these trends are fully realised, Metair's current range of EFB and AGM lead acid batteries partnered with Start/Stop systems offer improved fuel efficiency at a relatively low cost and require minimal re-engineering of vehicle components compared to hybrid and electrical vehicles.

While uptake of the next generation of low emission vehicle technology is expected to increase in developed markets, this growth comes off a low base relative to the total vehicle population in these markets. In developing markets, particularly those where current levels of motorisation are low, the strongest growth in the motor vehicle market is likely to be in entry-level vehicles built with current technology. Demand for lead acid batteries is therefore likely to continue to be strong in the medium term.

OUR STRATEGY

Metair's vision

'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
- **M**ANUFACTURING
- **E**XCELLENCE
- **T**ECHNOLOGY

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

METAIR INVESTMENTS LIMITED
automotive | industrial | retail

Metair was formed in 1948, commencing business as a supplier of 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 five countries and ambitions to grow into five continents in the next five years.

Metair's success is built on a culture of excellence in manufacturing, which is essential to meet the exacting quality and reliability required of our products. Manufacturing excellence is also critical to achieving the production efficiencies necessary to generate sustainable economic returns and is complemented by marketing excellence delivered through Metair International Battery (MIB).

Since 2005 the redesign and renewal of the business has been guided by an overall five-year strategic vision expressed as a '3x5' goal. 2016 saw the company approaching completion of its strategic redesign and renewal. The redesign saw the establishment of the energy storage vertical, which this year generated 59% of segmental revenue and 69% of profit before interest and tax (PBIT). The vertical also secured a significant multi-year Start/Stop battery supply contract with a major German OEM and furthered its geographic expansion into Africa with the acquisition of Associated Battery Manufacturers East Africa Limited (ABM) in Kenya.

The renewal phase of the strategy was completed with the successful launch of a customer's new model in South Africa and the securing of the majority of the automotive components revenue for the next five to seven year business cycle, enabling a clearer vision of long-term volumes and margin expectation.

Metair is currently in its third '3x5' strategy phase – Globalisation. This broad vision is broken down into seven key strategic focus points, which are discussed in the section that follows. In the short term, strategy implementation is driven through subsidiary and group key performance indicators that are agreed at the annual MD's conference for the year ahead.

PHASE 1 3x5 ✓
LOCAL RELEVANCE
2005 – 2010
- R5 billion turnover
- R500 million PBIT
- 5 years

PHASE 2 3x5 ✓
INTERNATIONALISATION
2011 – 2014
- 50% aftermarket
- 50% OE
- 50% from batteries

PHASE 3 3x5
GLOBALISATION
2015 – 2020
- 5 continents
- 50 million batteries
- 5 years

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

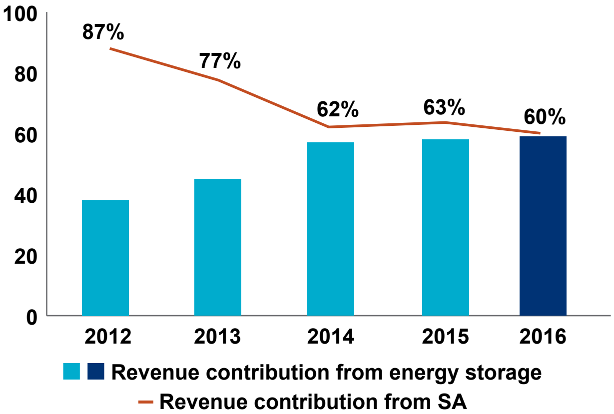
Over the last decade, Metair has focussed on ensuring the company's sustainability by developing balance in the business through:
- Diversifying across OEMs
- Diversifying across automotive component lines
- Adding aftermarket and non-automotive products
- Entering new geographies and markets

- Balancing revenue streams between automotive components and energy storage
- Ensuring an equitable balance between the needs of various stakeholders in the business
- Balancing the need to generate financial returns for our shareholders with our environmental and social responsibilities.

MIB was established in 2015 as the international battery sales company for Mutlu Akü, Rombat and First National Battery with a focus on strategic OEM customers in the Europe.

The strategic focus on broadening the group's revenue base has resulted in the energy storage vertical contributing 59% of group revenue in 2016, while 40% of revenue now comes from operations outside South Africa.

Revenue contribution by vertical and region



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

OEMs remain important customers due to the technical cooperation that enhances Metair's manufacturing expertise and through the stability arising from long OE product lifecycles that makes production volumes and revenues from the segment generally predictable. Participating in the automotive component sector supports improved product quality, delivery and cost-competitiveness.

COUNTRIES OF OPERATION

2011 – South Africa

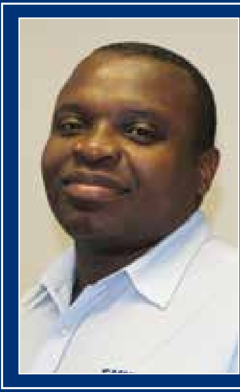
2012 – South Africa, **Romania**

2013 – South Africa, Romania, **Turkey**

2014 – South Africa, Romania, Turkey

2015 – South Africa, Romania, Turkey, **UK**

2016 – South Africa, Romania, Turkey, UK, **Kenya**



MTHOKO NDLOVU

Senior Manager Manufacturing at Smiths Manufacturing

NQF 6 Certificate, B. Tech Management

Mthoko controls manufacturing and logistics at Plant 1

South Africa's Automotive Production and Development Programme (APDP) provides a supportive manufacturing framework for OEMs, although concerns about the country's political and social instability appear to be having an increasing influence on long-term investment decisions in the country.

	South Africa	Romania	Turkey	UK	Kenya
Annual vehicle production (2015)*	616 000	387 000	1 400 000	1 700 000	–
Passenger cars in use (2014)*	6 400 000	4 900 000	9 900 000	32 600 000	760 000
Strategic importance	– Historic base – Strong OEM presence – Access to Africa	– Low cost manufacturing destination – Access to W. and E. European OEMs and aftermarket	– #1 heavy vehicle and bus manufacturer in Europe – Access to W. Europe, E. Europe, N. Africa, Middle East	– Access to UK OEMs and aftermarket	– Battery sales of 900 000 a year in E. Africa – Strong solar business

*Source: www.oica.net

South African vehicle production decreased 2% to 572 000 in 2016 (2015: 584 000), exports increased 4% to 344 000 and total vehicle sales declined 12% to 520 000. NAAMSA is forecasting a decrease in production for 2017 of 7% to 534 000 vehicles. We do not believe that South African vehicle production levels will increase significantly from the current levels for the duration of the APDP (to 2020).

Vehicle production in Romania decreased to 359 000 vehicles (2015: 387 000) and Turkey produced a record 1.5 million vehicles (2015: 1.41 million).

Metair's acquisitions in Romania, Turkey and the UK since 2012 mean that we are well-positioned to grow our existing OE relationships into new and significantly larger vehicle manufacturing markets. For example, total vehicle production in Europe reached just over 21 million in 2015 – nearly a quarter of global production.

3. Focus intently on cost

Cost competitiveness is the primary consideration in tendering for contracts with OE customers. OEMs measure South African component manufacturers against global cost benchmarks and production efficiencies must be managed extremely closely to ensure that we can win business at a reasonable economic return. Cost efficiency is similarly important in the aftermarket product lines, where margins remain under pressure due to high levels of local and imported competition.

New model launches have significant volume ramp-up complexities and variable manufacturing activity. During the current phase of renewal, an earlier than expected model mix change also affected manufacturing operating efficiencies causing a significant cost impact that was evident in the financial results for 2016. South African vehicle production volumes have settled at below forecast levels and higher variability in production leads to reduced efficiencies and increased costs. Disruptions to production through labour disputes or interruptions to the supply of key inputs can also have a significant impact on the cost of production.

4. Secure and grow the aftermarket product range

Our aftermarket business supplies spare parts and other products into the total vehicle population on the road to maintain these vehicles throughout their lifecycle. Generic parts can also be used to support the increasing pool of imported vehicles.

The parts replacement cycle starts between two and four years after a vehicle is manufactured and is largely non-discretionary. Metair's acquisitions in Europe provide access to the broader European market where total vehicles in use exceed 350 million.

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 OEM customers export cars manufactured in South Africa and containing Metair components into the rest of Africa.

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

Partnering with local companies in these countries leverages local knowledge and structures and during the year we followed this approach in acquiring 25% of ABM in Kenya. ABM is the largest lead acid battery manufacturer in East and Central Africa and has a direct presence in Kenya, Uganda and Tanzania that offers us an opportunity to learn local market dynamics. The company also has a strong solar business that has developed innovative ways of supplying solar energy solutions in areas where there is no access to the national electricity grid.

6. Adaptation to technological challenges

This strategy point has been refocused from last year when it was 'Focus on transfer of battery technologies' since this has been achieved through the Battery Technology Centre (BTC) in Turkey. BTC centralises the group's research and development capabilities and also engages with the other production facilities to ensure that leading practices in the group are spread to each operation.

While lead acid batteries are likely to remain integral to motor vehicles in the near future, the trend towards hybrid vehicles and lithium-ion batteries is accelerating. The next generation of energy storage devices will also require communication ability to be able to interact effectively with the engine management system. While this advanced electronics falls outside Metair's core competencies, it is necessary for the group to be able to adapt to the rapid advances in battery technology in order to stay relevant. One way to achieve this is by partnering with OEMs in Europe in the development of new 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

Our approach to sustainability is founded on the principle of custodianship, which forms the basis for the group social and ethics framework. This principle is clearly communicated to every employee in the group through a number of initiatives to integrate it into their daily actions.

The social and ethics committee assesses ethics performance through an annual ethics questionnaire sent to subsidiaries to ensure that ethics are rolled out and adequately addressed at each subsidiary. A social and ethics dashboard is in the process of being developed to enhance reporting and performance assessment going forward. Metair's revised code of conduct was introduced to group companies at the group sustainability conference and approved by the Metair board in November 2016. The leadership message is available in five languages including English.

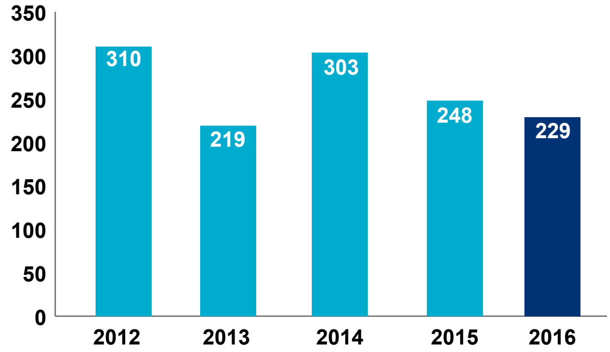
FINANCIAL HIGHLIGHTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER

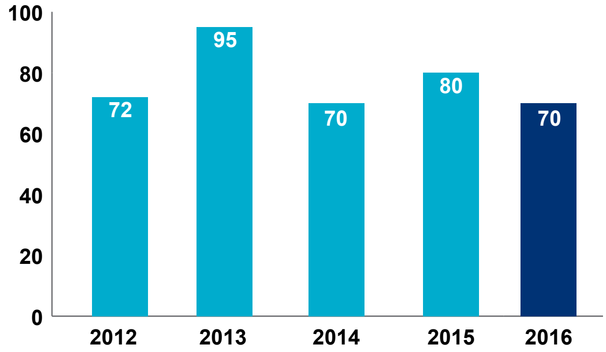
				Restated		Based on results with Hesto consolidated	
	2016 R'000	2015 R'000	2014 R'000	2013 R'000	2012 R'000	2011 R'000	2010 R'000
Revenue	**8 953 710**	7 732 479	7 278 815	5 227 426	4 603 150	4 294 152	3 753 236
Profit before taxation	**606 492**	744 738	803 150	495 071	641 479	602 000	424 546
Impairment charges/(reversals)	**1 122**				1 045	7 900	(19 687)
Interest paid	**187 905**	136 277	118 935	27 888	26 457	7 858	11 764
Preference dividend	**102 583**	91 934	29 609				2 311
Profit attributable to ordinary shareholders	**447 930**	527 423	601 460	341 376	440 543	408 365	277 682
Total equity	**4 179 573**	4 974 544	4 238 631	3 788 752	2 052 730	1 701 408	1 369 919
Borrowings	**1 897 565**	1 964 972	1 739 845	1 202 772	251 202	52 085	54 336
Property, plant and equipment	**2 857 131**	3 327 427	2 855 286	2 844 929	1 191 499	762 752	699 190
Current assets	**3 780 361**	4 114 699	3 540 982	3 150 242	1 831 434	1 640 808	1 321 899
Total assets	**8 031 150**	9 040 460	7 934 651	7 473 305	3 293 869	2 482 126	2 088 196
Number of shares in issue	**198 986**	198 986	198 986	198 986	152 532	152 532	152 532
Weighted average number of shares in issue	**197 784**	197 216	195 434	149 271	142 030	141 217	140 363
Net asset value per share (cents)*	**2 059**	2 468	2 102	1 895	1 353	1 119	890
Basic earnings per share (cents)	**227**	267	308	229	310	289	198
Headline earnings per share (cents)	**229**	248	303	219	310	260	189
Dividend per share (cents) declared and paid	**70**	80	70	95	72	65	75
Dividend cover (times) (calculated on headline earnings on prior year)	**3.5**	3.8	3.1	3.3	3.6	2.9	0.9
Net profit as a % of average total shareholders' funds (ROE)	**10.2**	12.3	15.8	12.3	25.6	29.4	23.8
Total shareholders' funds as a % of total assets	**52.0**	55.1	53.4	50.7	62.3	68.5	65.6
Interest cover (times)	**4**	6	7	17	22	75	30
Staff complement	**5 955**	5 526	5 651	5 870	4 835	5 951	5 552

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

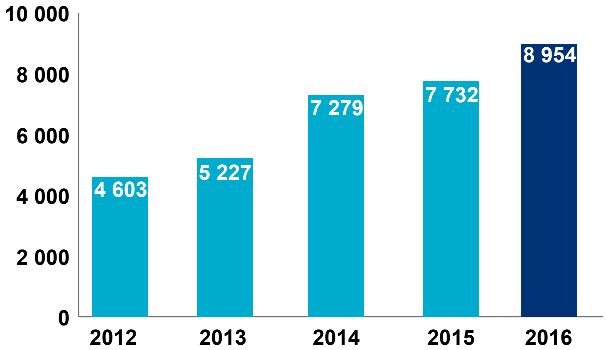
Headline earnings per share (cents)



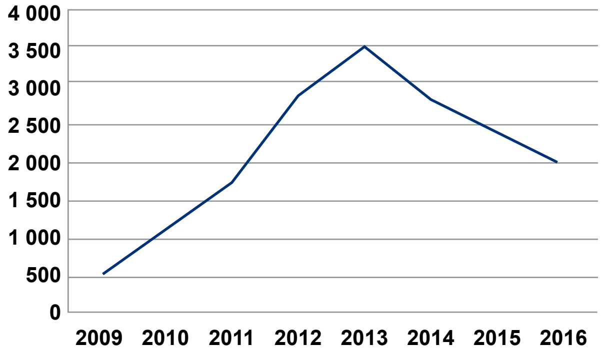
Dividends per share (cents)



Revenue (R million)



Share price at 31 December



The company is at its core a **group of people** working towards a common vision and purpose

It seems clear that the increased levels of global and local uncertainty represent the new norm. Things have never changed more quickly, more frequently and more significantly than is the case today. Metair's performance in 2016 was significantly impacted by several unexpected events, many of which were outside of our control.

Leadership and business strategy must move fast to ensure future relevance and competitiveness in this rapidly changing business environment. This demands a fundamental reassessment of how we do business, think about strategy, execute innovation, mobilise human capital, technology, systems and processes. Indeed, practically every component of business needs rethinking.

What is certain is that the future won't be a simple extrapolation of the past and the approach taken yesterday will no longer guarantee success tomorrow. We need to identify emerging trends and heightened risks and react quickly – to have a bias for action.

In such volatile times it is more important than ever that individuals and companies have an enduring purpose as a compass, and to anchor their behaviour and decisions to the right principles and values.

The cover image and theme of this report highlight that a company is at its core a group of people working towards a common vision and purpose. It is up to the leaders of this group of people to set the moral and ethical tone of the organisation so that in volatile times it is easy to find the compass and correct to the right course.

Metair is being challenged to become more agile and resilient as a company and as we focus on identifying and developing the next layer of leadership in the organisation, it is essential that we also foster business acumen and agility in these leaders.

Operating environment

Both of our largest operating countries, South Africa and Turkey, were affected by socio-political instability during the year. South Africa sorely needs visionary, ethical and competent political leadership to address the multiple challenges we face as a country.

The political and labour instability in recent years feeds into the long-term capital decisions made by multinational players in the automotive industry. Manufacturing efficiencies require volumes and when large OEMs move manufacture of their most important base models to more stable destinations and use South Africa for smaller model runs and fill orders, it is a signal of their confidence in the future of the country. This is particularly true given the excellent support the Automotive Production and Development Programme (APDP) offers the local industry.

There has been a fundamental shift in the South African automotive market. Production appears to have peaked and we expect the current lower volumes to persist, reducing economies of scale. The degree of variability within the scheduled volumes has also increased significantly. Production runs in prior years had a higher degree of certainty on volumes, giving companies a better chance to plan ahead. The 'new normal' is that more than half of our production now comes from variable sources, such as export contracts, ad-hoc orders and order fills, and this short-term volatility has a serious impact on manufacturing efficiencies and the effectiveness of long-term planning.

GDP growth in South Africa fell to 0.3% in 2016, bringing with it very tough trading conditions in the local automotive industry. New vehicle sales ended 2016 at 520 000, 12% down on 2015 – the third straight year of declining sales. Exports reached a record high in 2016 at 344 000 and total vehicle production decreased 2% to 572 000.

There were also some positive signs to offer some hope for the country, for example the emergence of closer cooperation between government, business and labour. The very constructive role played by our Minister of Finance and the focused efforts of the CEO Initiative should be commended. The wage negotiations that concluded in December were conducted responsibly and resulted in a constructive resolution with all sides of the agreement having given up some ground. The final agreement represents a compromise between the very valid need for a liveable wage and the financial realities of our industry.

Mutlu Akü proved very resilient in the face of the political volatility caused by the attempted coup in Turkey in July 2016. Sales in the month after the attempted coup were down 30%, but recovered well due to strong trading in the last two months of the year. Management is to be congratulated for the way they led the company in such challenging times and the steps they took to mitigate country risk through increasing the focus on exports, among other initiatives.

Mutlu Akü delivered record sales volumes on all channels – OEM, aftermarket and export. Future performance may, however, be impacted by the significant devaluation of the Turkish Lira. Should the Lira stay at current levels, the impact on the results reported in Rands in 2017 could be significant, although it could also increase competitiveness in local and export markets.

The coup also provided the trigger to repair relationships with Russia, which is an important export destination for our products. Unfortunately Turkish/European relations have become more strained, which could affect contracts with European OEMs that are supplied from Turkey.

Rombat had a very good year based on a strong operational recovery and improvements in the European economy, despite increasing competition. The Romanian Lei remained fairly strong against the Euro and Rand.

Dynamic, our new business in the UK saw reduced demand as a result of Brexit, which also led to an inability to react on pricing due to the devaluation of the currency.

However, the benefit of having a presence on the ground in the UK was demonstrated through our ability to react quickly to local customers when required.

The acquisition of 25% of Associate Battery Manufacturers in Kenya opens up a strategically important market and furthers our strategy of expanding into Africa. This investment provides Metair with a useful incubator to start understanding how to do business in the East African market system and exposes us to the opportunities in solar in areas not supplied by the electricity grid.

Progress with implementation of strategy

Metair is now in the third and final phase of implementation of the latest 3x5 strategy and is beginning to show the benefits in the strengthened business model and the sound platform created for sustainable growth and quality earnings.

The pace of technological change in the automotive industry is accelerating and the next generation of energy storage devices will require complex electronics to communicate with engine management systems. We have consequently shifted one of our strategy focus areas to reflect the need to adapt to the challenge of keeping pace with technology advances, as the next generation of low- and zero-emission cars get closer to volume production.

We remain committed to both the energy storage and automotive component business verticals. The South African OEM business is mature and will deliver relatively reliable earnings but is unlikely to grow strongly in the future. The energy storage vertical is likely to enjoy strategic dominance from this point on. Metair needs muscle to continue to grow and the further globalisation of the business remains an important focus since there is limited scope for meaningful investment opportunities in South Africa.

Salient features

The first part of 2016 was a particularly intense period for the business. We reconstituted the board, supported a major new model launch, addressed a number of significant challenges at Hesto and First National Battery, and then had to negotiate the fallout from the attempted coup in Turkey. The launch was more disruptive than we expected and Metair's absolute commitment to support its customer came at a substantial cost. We regard this cost as an investment in our future as we believe this commitment secures volumes into the future. The financial performances delivered by Hesto and FNB were particularly disappointing, the latter due to a combination of manufacturing and market-related reasons.

Matters improved significantly later in the year, with margins on the OE business recovering and launch volumes running at higher levels for longer. Rombat and Mutlu Akü sold record volumes at good margins in the last two months of the year.

Despite these challenges, there were also several highlights during the year. We welcomed Portia Derby and Thandeka Mgoduso to our board in March 2016 and later in the year they stepped up to chair the social and ethics committee and remuneration committee respectively. Grathel Motau joined our board in November and sits on our audit and risk committee and investment committee. We welcome the value and perspective they bring to these roles. We also formalised an investment committee to review opportunities brought to the board by executive management.

The board restructuring created a more conducive environment for management to execute Metair's strategy. The retention of our top management team was addressed through the introduction of a special retention scheme. Consequently this issue does not feature anymore as one of our top ten risks. The reconstitution of the board also created more balance between financial and environmental, social and governance (ESG) considerations and the overall focus on issues has become deeper as each appointee was specifically targeted for their ability to address key aspects of the business. The company is already seeing the many benefits of the great richness in our diversity.

Metair made meaningful progress in cost containment and asset management through inventory control, cashflow optimisation and significantly reduced capital expenditure in the lead up to the repayment in 2017 of the first tranche of debt raised for the Mutlu Akü acquisition. Progress on the sale of spare battery manufacturing capacity to a leading German OEM was a major breakthrough, as was our entry into East Africa through our investment in ABM.

Transformation

Continuing the transformation of Metair will be a key priority in the year ahead and we look forward to adding further diversity to our board. We view transformation as a moral, strategic and business imperative and the increased focus on succession planning, talent identification and development retains a strong transformation bias to ensure that the future leaders of the group reflect the diversity of our board and our country.

An assessment has been performed against the amended dti B-BBEE Codes of Good Practice and a gap analysis was performed from which plans have been put in place to address areas that require improvement. B-BBEE performance has also been included in the proposed short-term incentive plan structure. We no longer consider transformation as a standalone material aspect as it is now fully embedded in the relevant business processes and performance management systems.

Stakeholder engagement and sustainability

Organisational sustainability requires a broad appreciation of the range of ESG challenges and opportunities facing the organisation and their impacts on the various capitals it has access to and influences. We value the input of our key stakeholders and respect their legitimate interests and concerns. We believe the feedback from our frequent interactions with our stakeholders brings the necessary broader perspective that improves our strategy and activities. This supports value creation for all our stakeholders, strengthens the sustainability of the organisation and exemplifies our strategic focus on custodianship, which aligns with the philosophy of conscious capitalism.

Stakeholder engagement is emphasised as the first item on the agenda at every board meeting. During the year we invested significant time in soliciting shareholders views on proposed revisions to our remuneration policy. The chairman of the board and the chair of the remuneration committee interacted extensively with shareholders to understand their needs and these were then fed through into the revised policy. This now includes ESG key performance indicators and a focus on return on invested capital to better align with shareholders' interests and King IV. The impending move to a binding vote on remuneration requires all stakeholders to increase their level of responsibility and involvement.

Governance and ethics

The board sets the tone of integrity and accountability for the company, drives a long-term focus and highlights the importance of sustainability, including entrenching best practice corporate governance principles and policies. Our investment in implementing good risk practices has embedded an appreciation for risk management into the DNA of the organisation.

We continued the revision of various policies and prioritised ethics management. We revamped our code of conduct, which is now available in five languages, and rolled it out to subsidiaries to ensure that a deep understanding of the code filters down through the subsidiary companies to reach every employee.

We conducted an assessment of the independence of the board's non-executive members, specifically those whose tenure is nine years or longer, and are satisfied that our non-executive directors bring an objective and necessarily critical eye to board deliberations and decisions.

We are currently reviewing additional board candidates who can bring appropriate manufacturing experience and further enhance the diversity and depth of the board. A comprehensive evaluation process was conducted of the board and board committees to ensure that we continue to identify areas for improvement, and enhance the functioning of these structures. In the year ahead, a full evaluation of all company policies will be conducted to ensure that these align with the requirements and recommendations of King IV.

Outlook

Country risk in South Africa remains high and the period running up to the ANC leadership election in December 2017 is likely to be characterised by political infighting and a lack of attention to our key national priorities. The consequences will be felt through a lack of a unifying vision, a trust deficit and low levels of business and consumer confidence. The key metrics of the country's health such as employment levels, competitiveness and social cohesion are likely to deteriorate, and the risk of a sovereign credit rating downgrade to junk status by mid-2017 regrettably remains.

Forecast GDP growth of 1% for the year ahead implies that the economic state of the country will be challenging, which will impact the automotive industry. Fortunately the policy environment is positive thanks to the support for the APDP. The three-year wage agreement also brings some stability to the labour environment.

The new vehicle market in South Africa is expected to show only modest growth, but the aging vehicle population in the country bodes well for Metair's aftermarket business which helps to keep these cars roadworthy and safe. The challenges Hesto and First National Battery faced in 2016 are in the process of being addressed and we anticipate a turnaround in financial performance from both companies. The automotive components business will benefit from more stability in the aftermath of the new model launch.

The socio-political and macro-economic environment in Turkey is also currently in flux. Mutlu Akü's strong operational performance during 2016 however demonstrates that they continue to focus on the aspects within their control and they will continue to do so. The long-term industrial fundamentals for Mutlu Akü in Turkey however remain good. Education and skill-levels are high and international OEMs do not seem to have changed their view on the country. Government has shown intent to address the fallout from the coup, communication channels were excellent and plans were put in place to address the serious issues. The Turkish government's willingness to work closely with business and its bias for action is very encouraging.

We believe that Metair could deliver an improved ROIC in 2017 on the back of good earnings growth. However, our results will be very reliant on Mutlu Akü's results which are generated in a currency that has depreciated considerably over the last six months. We remain confident that the company's cash flow will enable us to comfortably meet capital requirements, our debt repayment obligations and the payment of dividends. We remain confident of continuing substantial progress with the implementation of phase three of our strategy.

Leaders in the current complex environment need to keep their eye on true north and this is an important part of the Metair approach. We remain committed to our strategy, but we stay alert to the short-term adjustments necessary to navigate the increased uncertainty and variability.

Dividend

The board has approved a dividend of 70 cents per share for the year ending 31 December 2016.

Appreciation

I would like to emphasise the board's appreciation for the managing director and his top team – they are vision-driven and values-led. We salute the manner in which they dealt with the unpredictability and volatility in the year under review – the mitigating strategies they employed demonstrate their agility and responsiveness. We would also like to pay tribute to the contribution and commitment of line management and staff who joined hands with the executive team. In my view they dealt with the significant challenges they faced in an admirable manner.

David Wilson stepped down in November last year as a non-executive director and a member of the audit and risk committee. We would like to thank David for his valuable contribution to the company over the past two and a half years and we wish him well.

I wish to thank my fellow board members for their wise counsel and enthusiastic involvement. May I also thank our suppliers, business partners and advisors for their contribution to Metair's success, and our shareholders for their confidence in the company, their input and support.

I would like to close by thanking, as always, our customers – our most valuable asset and the reason for our existence.

Brand Pretorius
Chairman

Considerable time went into reconstituting and realigning the board, including strengthening the

diversity of the board

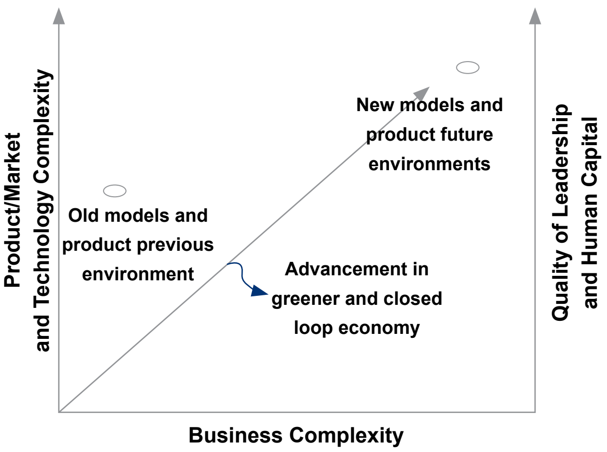
and a major focus on reviewing and refining policies and governance structures

We planned for a difficult year in 2016 and highlighted several of the challenges we saw ahead in last year's report, including a new model launch, the settling down of overseas acquisitions, geopolitical and security issues.

Trading for the period ended 31 December 2016 started with a model change in the automotive components vertical and the company had to navigate the complexities around the model launch in the first half of the year. Fortunately most of the automotive components businesses, except for the wire harness business, managed to settle during the second half of the year putting most of the premium support cost associated with the launch behind them.

The energy vertical had a strong finish to the year as the Turkish and Romanian battery businesses experienced record production output for the year on the back of excellent last quarter demand. On the other hand, trading in the energy storage vertical in South Africa proved to be difficult in the second half of the year.

Considerable time went into reconstituting and realigning the board, including strengthening the diversity of the board and a major focus on reviewing and refining policies and governance structures. The increased technological requirements in the launch and in our industry generally posed a further challenge and will require an ongoing investment in leadership development and human capital.



The baseload of constant self-maintained production has decreased markedly and more than 50% of current local automotive component production has some level of variability and adaptability or opportunity linked to it. While it is possible to still secure the full current volumes, this production has to be identified and secured on an ongoing basis.

Work in this environment requires far more flexibility and complexity since the variable portion is produced for different markets, configurations, models and specifications. These contracts also tend to be rush orders and lead to higher labour costs through weekend work and overtime. This increased demand for variability from our OEM customers also makes it more difficult for automotive component manufacturers to breathe with the market by adjusting labour levels as required.

When there are so many unexpected external variables affecting business, the only constants are the principles that guide our day-to-day actions. For that reason, the theme of this report and the year focuses on the people who apply those principles to embody leadership through their actions.

A significant achievement for the year was the securing of the sale of some of our excess EFB battery capacity to a major German OEM, which will be supplied from South Africa, Romania and Turkey. We designed and/or produced our first lithium-ion automotive and industrial energy storage products, and we finalised the local management team at Mutlu Akü which now runs the operation independently, autonomously and extremely competently. We also made our first steps into Africa with the acquisition of a 25% interest in ABM.

Results

Group revenue increased 16% to R8.95 billion, with the strong operational performance in the energy storage business in Turkey and Romania. The energy storage vertical achieved revenue growth of 19% but operating profit grew 2% due to the difficult trading environment in South Africa. The automotive component business was impacted by the costs and production inefficiencies associated with a new model launch and by operation-specific challenges at Hesto, although production and margins recovered reasonably well by year end. The overall impact of these trends was a decrease in operating profit margin to 8.2% (2015: 10.2%) and group earnings before interest, tax, depreciation and amortisation (EBITDA) decreased 5% to R1 billion. Headline earnings decreased 7% to R453 million and headline earnings per share declined 8% to 229 cents per share.

The net debt/equity ratio of 31% remains conservative and group borrowings from third parties increased marginally to R1.9 billion. The group continues to be in compliance with all of its lenders' covenants and is well positioned to repay or refinance the first tranche of debt from the Mutlu Akü acquisition. As at 31 December 2016, Metair had access to unutilised facilities of approximately R1.2 billion (Rand equivalent), US$79 million and a revolving credit facility of R379 million.

Automotive components vertical (including Hesto)

The business managed to achieve low double digit full year turnover growth as technology advancements and an overall weaker Rand, supported by product and customer expansion, countered the anticipated 10% overall volume reduction linked to our major product exposure associated with new models.

This vertical achieved profit before interest and tax ("PBIT") margins of 6% for the full year, although margins in the second half were higher than the guidance provided previously of between 6% and 8%. This is due to improved stability in production volumes and manufacturing efficiency, elimination of the premium support cost associated with the model launch and the benefit of a stronger Rand relative to the Euro, US Dollar and Japanese Yen in the last quarter of 2016.

The automotive components vertical revenue increased 14% to R4 143 billion, contributing 41% to group revenue and 31% to operating profit.

New model launches are always associated with lower margins, and we therefore maintain our guidance for medium-term PBIT margins on new business of between 6% and 8%, based on the achievement of targeted production volumes and efficiencies associated with the new technology and stabilisation of manufacturing processes.

Energy storage vertical

Traditionally strong seasonal volume demand in the winter markets served by Rombat and Mutlu Akü in Europe and the Middle East, supported by a strong performance from Mutlu Akü in particular, resulted in growth in operating profit for the full year within these markets.

Within the South African market, margins were negatively impacted by local market competition which intensified during the second half of the year, as well as disruption and inefficiency caused by the establishment of a dedicated original equipment manufacturer production facility.

The energy storage vertical contributed R5 851 billion (59%) to group revenue, an increase of 19% and 69% to operating profit.

Operational insight

Automotive components

The automotive components manufactured at our operations are used in the assembly of new vehicles by OEMs, as spare parts and in the automotive aftermarket. Products include brake pads, shock absorbers, lights, radiators, air conditioners and generic aftermarket products for use in imported vehicles. Aftermarket products are exported to nearly 50 destinations across Africa, Europe, Middle East, Russia and Turkey.

The primary focus in the South African business was on supporting the major model change event that led to the renewal of 70% of our business. New model launches are complex and require a substantial investment in new technology. Production volumes during the initial launch period were well below capacity, followed by a catch-up period where production exceeded capacity, necessitating significant overtime. As reported in our interim results, Hesto experienced several challenges linked to a model mix change in the new vehicle that required higher volume production of models with higher content and complexity. Lost production is lost to the country forever and calls the reliability of the producer and the country into question, and our commitment to support a flawless launch resulted in premium freight and increased man hour costs.

The South African OEM business is mature and is expected to deliver relatively stable and reliable earnings. While overall production volumes remain below forecast levels, we expect this to be offset by technology advancements and product expansions through the continued addition of new OE business and expanded product ranges with existing clients. The further model changes planned for the next two to three years will offer further opportunities for new business.

Energy storage vertical

Our energy storage business continues to develop. The vertical supplies batteries to all major OEMs in South Africa, Europe, Romania, Turkey and Russia through First National Battery in South Africa, Rombat in Romania and Mutlu Akü in Turkey. Automotive batteries are supplied to the aftermarket mainly through our unique aftermarket distribution channels and franchised retail networks. A range of energy storage solutions are also supplied to customers in the telecoms, utility, mining, retail and materials/products handling industries, mainly in sub-Saharan Africa and Turkey.

Metair International Battery (MIB) is the international battery sales company for Mutlu Akü, Rombat and First National Battery aimed at strategic OEM customers in Europe and the Middle East. During the year MIB secured future orders for a further 1.38 million batteries, leaving remaining spare capacity of 1.6 million. Capacity sold included that sold for new vehicle launches in 2016 and 2018 requiring Start/Stop battery technology in Turkey and Europe, to OEMs including Renault, Honda, Ford, Toyota, Fiat and Daimler AG. Further projects are in progress to gain approval from BMW, Hyundai and VW.

Within the Start/Stop battery category, sales of EFB batteries have progressed well and most of the remaining 0.4 million spare capacity relates to AGM battery capacity, pending approval from a major German manufacturer for export.

MIB continues to work closely with several OEMs in Europe to partner in developing the future energy technologies for the next generations of cars.

Aftermarket energy storage in South Africa has settled at a new level, with higher competition, lower margins and the standardisation of warranties at two years.

First National Battery invested R66 million year to date in a dedicated OEM manufacturing facility to ensure our long term ability to continue to service our OEM customers with their ever increasing requirements in regard to energy storage and provided energy solutions. The commissioning of the facilities experienced challenges during the period as all products had to obtain renewed approval from customers. First National Battery is in the process of redesigning its batteries to ensure continued leadership in the South African market, leveraging the group expertise available to it from the research and development facility in Turkey.

Technology and innovation landscape

A new path is being set for future automotive and energy storage products by disruptive technologies and business models driven by advances in innovation. This trend is supported by increasingly economically-active millennials who demand more environmentally- and people-friendly products. Recent scandals in the automotive vehicle market are also accelerating the adoption of new technologies.

Fortunately for Metair, these new requirements and potential market demand shifts have resulted in an increase in energy demand from all products. Our experience with lithium-ion applications in our mining cap lamp and automotive starter batteries demonstrates our institutional knowledge and expertise in identifying new technology applications.

Human capital

Innovation and the adoption of new technologies are functions of the human capital in the group. Our goal to maximise the potential of our human capital into the future is reflected in the theme and focus of this report. Technical skills and leadership qualities are essential to support the company in maintaining our valued position with our customers and in achieving our strategic goals. Our strategy of supporting our customer through their vehicle launch was only possible through a supreme commitment from our employees, many of whom had to walk to and from work during this period when service delivery protests halted transport in surrounding communities.

The three-year wage agreement provides some certainty to the labour outlook. These negotiations were conducted in a very responsible manner by union representatives and considered the common ground interests between all stakeholders in the negotiation, resulting in a fair outcome and no disruptions to the industry.

The restructuring at our plastics business was completed during the year with the Section 189A process leading to 57 employees retrenched.

Our transformation focus for the year ahead prioritises employment equity in the subsidiaries and increasing representation through enterprise development and procurement.

The increase in variability and flexibility in the nature of OEM customer demand brings increased variability to the labour requirements of the operations that serve these customers and Metair needs to be able to breathe with the market. It also demands increased business acumen from our leaders to equip them with the necessary agility to identify and maximise all opportunities.

The health and safety of our employees is a key concern for the group in line with our commitment to our core values. Controversy around employee blood lead levels at our Turkish operation demonstrated that, while all legal and ethical requirements were met, it is critical that communication around the greatly increased transparency arising from the change of ownership is sensitively managed.

The environment

We continue to explore ways to improve the efficiency with which we use natural resources and to minimise waste and emissions as an integral part of our focus on operational excellence that drives production efficiencies. In the context of the launch, and given the focus in the group on entrenching responsible custodianship, the decreases in group carbon footprint, electricity and water use per person hour worked is commendable. With production levels running at a much more steady state, these metrics could improve further.

Looking ahead

We believe that 2016 demonstrated Metair's resilience through the group's ability to finish the year on a positive note after such a challenging start. We are also pleased with our progress against the ESG targets we set for ourselves in 2016, which is reported on page 37. While we did not achieve all of our goals, the ambitious levels at which these were set, signalled our commitment to making progress in these important areas.

Considering the shift in the automotive component business to a lower production ceiling in 2017, together with significantly increased complexity and variability, we will focus on strengthening our adaptability and flexibility to meet our customers' requirements without compromising the company's financial sustainability. We expect that 2017 will present a more stable operating environment for FNB in South Africa with a special marketing effort to overcome competition in the energy storage business, together with a settled new production facility, to ensure that FNB improves its performance.

Metair's diversification into the energy storage vertical proved to be a significant early alignment and adjustment to the mega trends that will drive the industry in the future. We are adopting Industry 4.0 manufacturing principles, led by Mutlu Akü in Turkey, as a response to the internet of things and total business connectivity.

It is unfortunate that the socio-political climate in Turkey led to an attempted coup with continued geopolitical instability, related risk and Turkish Lira volatility. The positive effect of the devaluation is an increase in our product offering competitiveness in the local and export market. The negative effect will only fully crystallise during 2017 if the Turkish Lira settles at a lower level, reducing Mutlu Akü's contribution to group earnings when this is converted into South African Rands. Although all the industrial reasons for investing in Mutlu Akü remain very sound, it will be difficult to completely guard against the effects of a serious currency crisis in Turkey.

Achieving our target of 50 million batteries will require consolidation – either through the acquisition of other energy storage solutions producers or for Metair itself to be consolidated.

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, efficiency improvements, internal inflation recoveries and the exchange rate. Subject to such factors, we expect the group's financial performance in 2017 to improve, particularly since the disruption of the new vehicle launch phase is behind us.

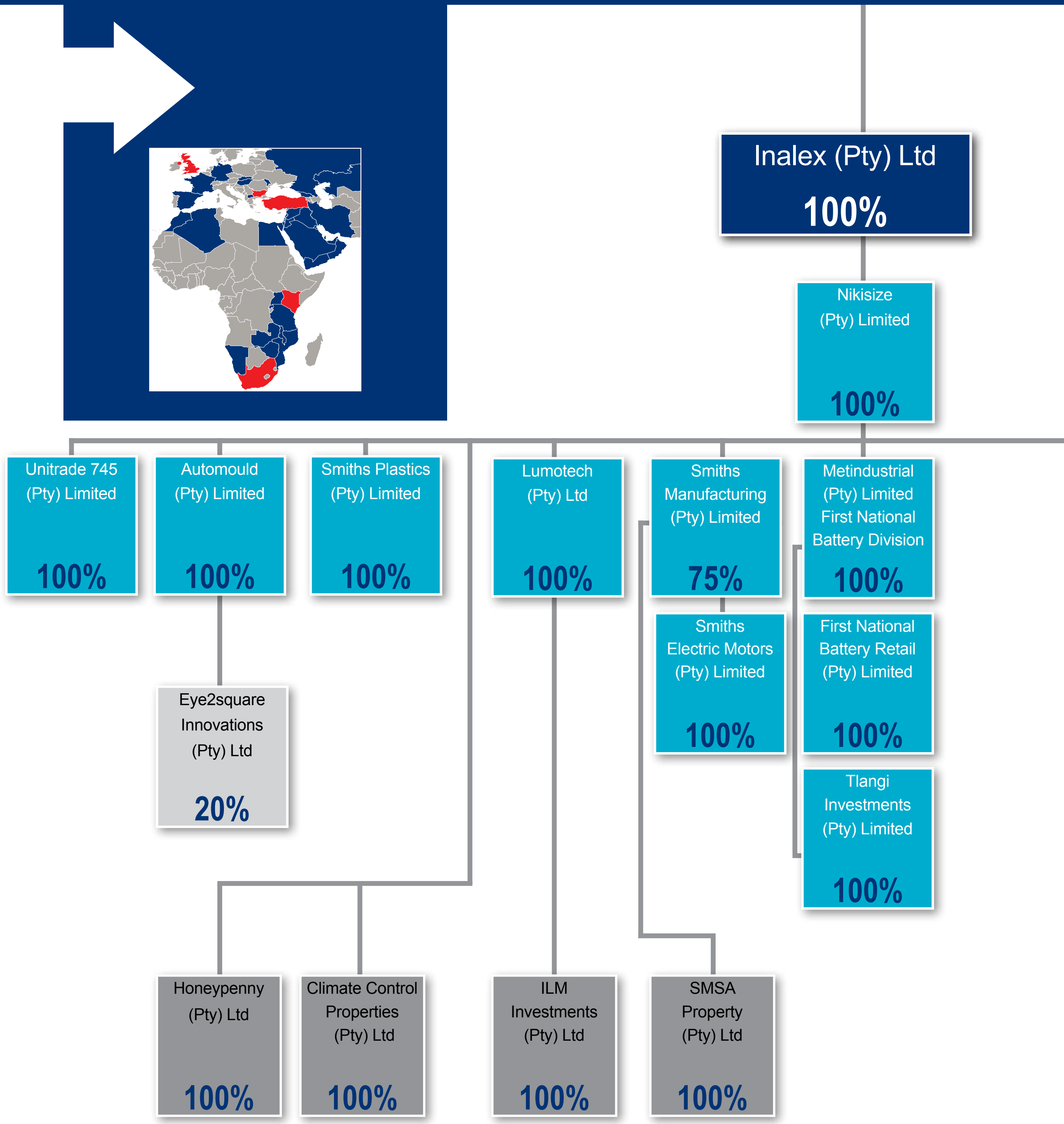
I would like to thank our employees for their commitment to supporting our customers through the effort they invested to deliver on our promises. On behalf of the group, I would also like to thank our chairman for his strong leadership in the refreshing of our governance structures and for creating a work environment that is challenging but enjoyable for management. Our robust but constructive engagements with our shareholders were another positive for the year.

The management team of the operations proved their mettle in a difficult year and the small Metair team produced outsized results in deepening the professionalism of the business. The automotive industry in South Africa operates in a globally competitive market and we are grateful to the support of government through the Automotive Production and Development Plan and the Industrial Policy Action Plan.

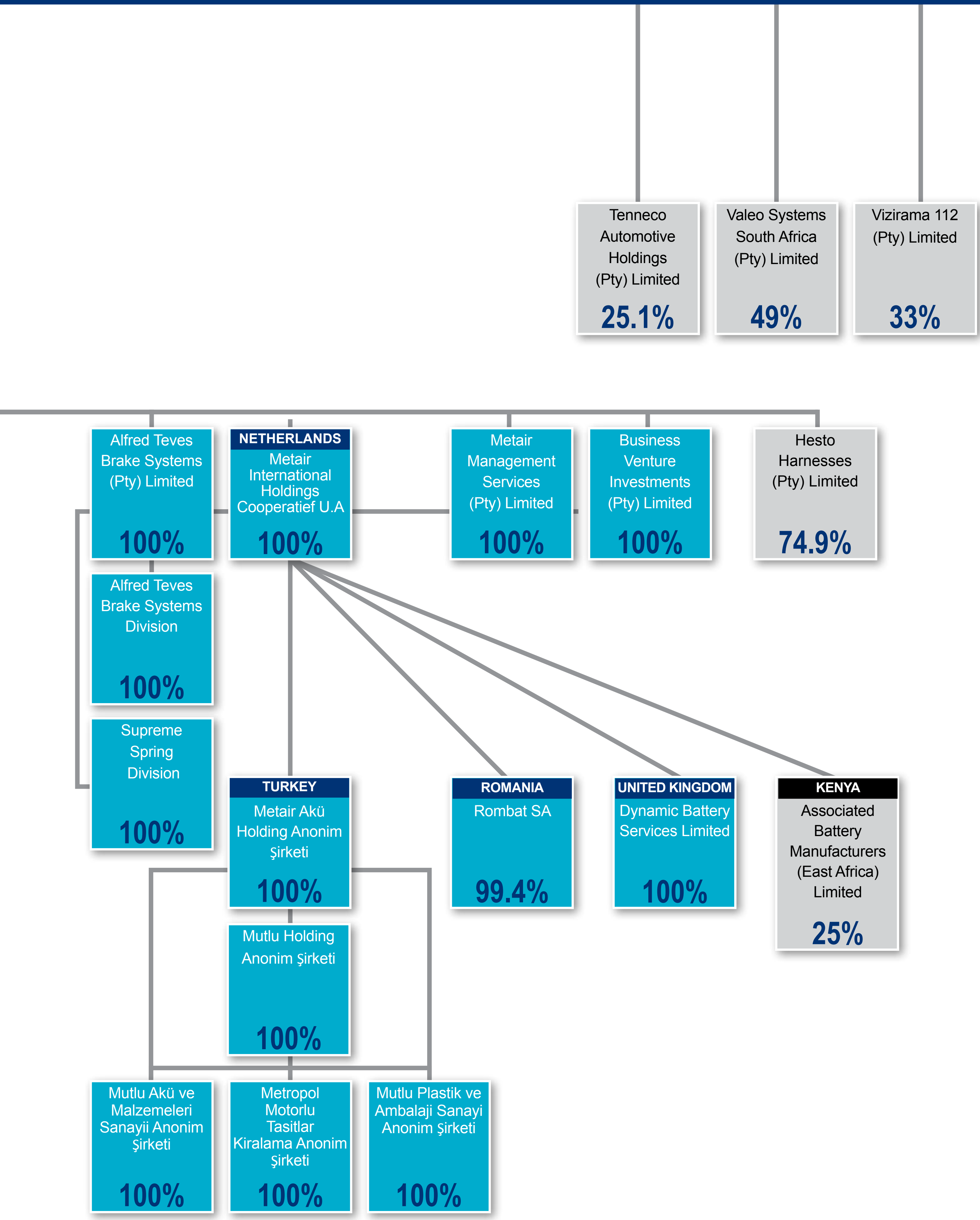
We thank our customers for their business – particularly those who put their trust in us by involving us in the launch of a new product or by awarding us new business in new technologies.

CT Loock
Chief Executive Officer

GROUP STRUCTURE
METAIR INVESTMENTS LIMITED



KEY:
- Subsidiaries
- Indirect subsidiaries
- Property companies
- Associates


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%
Hesto Harnesses (Pty) Limited
74.9%
Alfred Teves Brake Systems Division
100%
Supreme Spring Division
100%
TURKEY
Metair Akü Holding Anonim Şirketi
100%
ROMANIA
Rombat SA
99.4%
UNITED KINGDOM
Dynamic Battery Services Limited
100%
KENYA
Associated Battery Manufacturers (East Africa) Limited
25%
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%

ENERGY STORAGE VERTICAL

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

Market segments

Metair started trading more than 30 years ago as a supplier of products to Toyota SA. As a result, the majority of Metair's business was in the Original Equipment (OE) manufacturing space and reliant on a few customers. To improve the sustainability of our business we have followed a deliberate strategy of bringing more balance to the group, its client base and product lines. We are now represented with all seven Original Equipment Manufacturers (OEMs) in South Africa and have significantly expanded the OE product lines we supply.

While the OE business remains core to the group's strategy, we are focussed on growing the aftermarket and non-automotive areas of the business to diversify our earnings base. Our non-automotive business sells products mostly related to telecommunications, utility, mining, retail and materials/products handling sectors.

The total vehicle parc in South Africa is growing, resulting in an increase in aftermarket sector sales of annuity products, most notably batteries, but also products such as brakes, filters, spark plugs, and heat-exchange-product spares.

The aftermarket performance is supported by our non-automotive market product penetration with lighting and battery products.

Exports consist mainly of aftermarket and OE product exported to Europe, Russia, the Middle East and the rest of Africa.

Since 2012 we have significantly grown our international footprint by acquiring majority stakes in two large battery manufacturers, Rombat and Mutlu Akü. This has helped balance our business by developing our presence in the aftermarket sector and has given substance to our "3 x 50%" strategy.

ASSOCIATED BATTERY MANUFACTURERS (EAST AFRICA) LIMITED

25% HOLDING

Products:
Automotive and solar batteries

Location: Kenya

KEY FOR REVENUE SPLIT

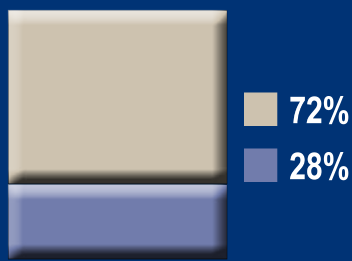
Automotive | Industrial

METINDUSTRIAL

First National Battery division

100% HOLDING

18% REVENUE CONTRIBUTION

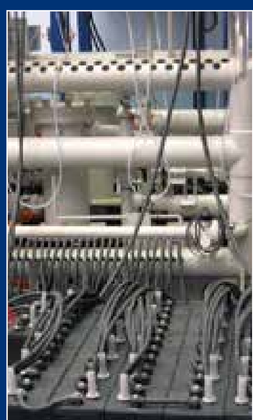


Products:

Batteries, solar systems, back-up systems, standby systems, charging systems, Battery Centre franchise

Location:

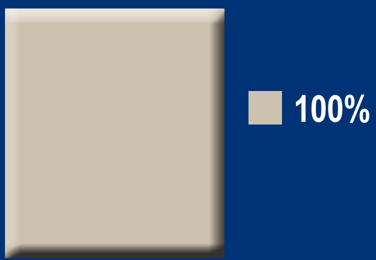
East London, Cape Town, Durban, Carletonville, Benoni, Rustenburg, Klerksdorp



ROMBAT

99.4% HOLDING

11% REVENUE CONTRIBUTION



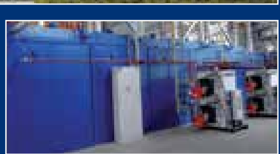
Products:

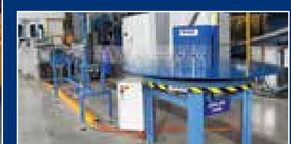
Batteries

Battery distribution networks

Location:

Bistrita and Copsa Mica, Romania





MUTLU AKÜ

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

100% HOLDING

29% REVENUE CONTRIBUTION

Products:

Automotive and industrial batteries

Location:

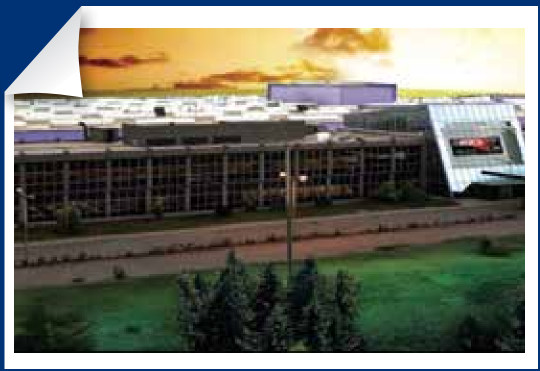
Istanbul and Gediz, Turkey

ENERGY STORAGE VERTICAL (CONTINUED)

MUTLU HOLDINGS

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

100% HOLDING



Location:

Tuzla, Istanbul, Turkey

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

1% REVENUE CONTRIBUTION

Location:

Lancashire, United Kingdom

AUTOMOTIVE COMPONENTS VERTICAL

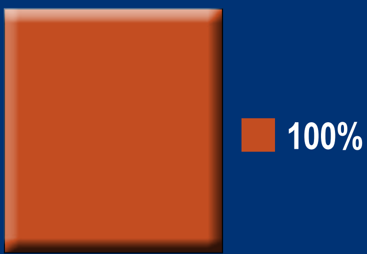
ALFRED TEVES BRAKE SYSTEMS

including Supreme Spring

100% HOLDING

ALFRED TEVES BRAKE SYSTEMS

1% REVENUE CONTRIBUTION



SUPREME SPRING

4% REVENUE CONTRIBUTION

Products:

Brake pads, brake discs, brake shoes, hydraulics, other braking components, coil springs, leaf springs, stabiliser bars, torsion bars

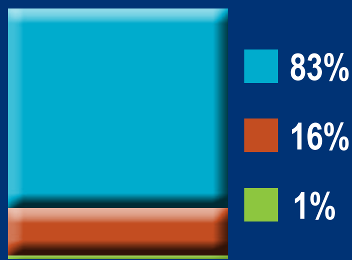
Location:

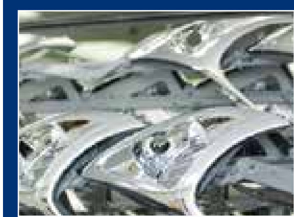
Nigel, Boksburg

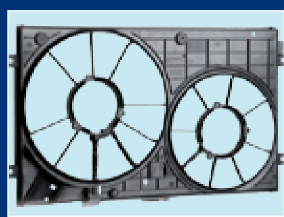
LUMOTECH

100% HOLDING

5% REVENUE CONTRIBUTION







Products:

Headlights, tail lights, reflectors, plastic injection mouldings, commercial lighting, streetlights, warehouse lights

Location:

Uitenhage

KEY FOR REVENUE SPLIT

- Original equipment
- Aftermarket
- Non-automotive

AUTOMOTIVE COMPONENTS VERTICAL (CONTINUED)

SMITHS MANUFACTURING

75% HOLDING

13% REVENUE CONTRIBUTION

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

SMITHS PLASTICS

1% REVENUE CONTRIBUTION

AUTOMOULD

5% REVENUE CONTRIBUTION

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

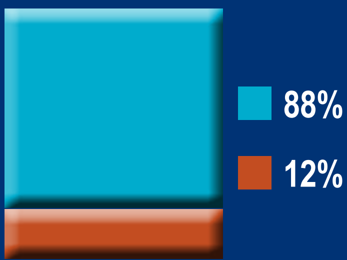
Location:

Pinetown, Westmead, East London

UNITRADE

100% HOLDING

1% REVENUE CONTRIBUTION



Products:
Automotive cable, automotive wire

Location: Stanger

HESTO

74.9% HOLDING

10% REVENUE CONTRIBUTION

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

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

Aspects are initially identified as part of the risk assessment process through operational registers of key risks that are consolidated to create a group risk register. The risk identification process includes a review of economic, environmental and social impacts, risks and opportunities. These risks are then assessed against other criteria to establish their materiality to the group. These criteria include:

- input derived from 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.

Each material aspect is then assessed against our combined assurance model to ensure that they are subject to an appropriate level of assurance.

The section that follows discusses 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. The strategy symbols in the title bar link each material aspect to the strategy focus area they most directly affect.

In previous years, transformation was shown as a standalone material aspect. However, the various elements of transformation (ownership, representivity and corporate social investment) are now embedded in the relevant business functions and are therefore included in the material aspects to which they relate.

1. Competitiveness

- Competition from low-cost countries
- Country competitiveness of South Africa
- Entry of international competitors
- Competing subsidised imported products
- Labour
- Unreliable energy and water supply
- Raw material supply
- Product quality
- Technology*
- Flexibility and adaptability*

**added this year*

The multinational OEMs in the automotive industry operate on a global scale and component manufacturers like Metair compete for their business against suppliers from countries with equally attractive government incentives, lower costs and higher labour efficiency. The ability to produce high-quality products cost efficiently is essential to stay in business.

NONO MTHANA

Human Resources Manager at Lumotech

National Diploma in HR Management, B. Tech HR Management

Nono manages human resources in the company

The aftermarket sector is characterised by increasing competition from low cost imported components supported by foreign government export incentives.

South Africa's volatile political and labour environment, and interruptions to essential inputs in the manufacturing process such as energy, water and raw materials, affect the ability to achieve the production efficiencies necessary to compete and influence long-term OEM investment decisions. Manufacturing volatility also impacts on product quality, which may increase product recalls.

The increasingly technical nature of automotive components and energy storage require access to highly technical skills and costly research and development resources to meet the rapidly evolving needs of OEMs.

The OEM vertical is experiencing increased volatility in demand from customers which require companies to be flexible and adaptable to meet customer needs and remain profitable in a less stable and predictable manufacturing environment.

Stakeholders primarily affected: All stakeholders.

Governance and combined assurance: Board and executive committee monitor efficiencies. Combined assurance through 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.).

GRI Material Aspects: Economic performance.

Read more: Chief executive officer's report (page 21), Financial sustainability (page 51), Human capital (page 54).

2. Macroeconomic and geopolitical factors

- Slow economic recovery in Europe
- Currency volatility
- Continuity of supply
- Socio-economic stability in key markets

International economic and political developments that impact our customers' investment and purchase decisions flow through to Metair's results. Currency volatility creates uncertainty in budgeting, affects margin recovery on long-term contracts and impacts reported financial performance. Political and social challenges in Metair's two biggest locations of operation – South Africa and Turkey – affect investor confidence in the group's ability to realise its strategy and raise capital for further acquisitions.

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.

Stakeholders primarily affected: All stakeholders.

Governance and combined assurance: Board and executive committee develop and execute strategies to respond to international developments and business interruptions. Combined assurance through policies and procedures, internal controls, risk management function and regular management reviews.

GRI Material Aspects: Economic performance.

Read more: Chairman's statement (page 16), Chief executive officer's report (page 21), Chief financial officer's report (page 42) and Group risk management (page 73).

3. Balanced business

- Balance across customers, industries, geographies and between customer requirements and the need to earn a sustainable economic return
- Successful integration of acquisitions

Metair's strategy is to minimise risk through diversification, by proactively managing customer relationships and best-practice manufacturing processes. Execution of group strategy requires the successful integration of our international acquisitions, the uptake of the additional capacity acquired and the realisation of the medium-term synergies identified.

Stakeholders primarily affected: All shareholders, analysts, customers (existing and potential), government, employees and trade unions.

Governance and combined assurance: Board and executive committee monitor balance and develop and execute strategies to balance the business. Combined assurance through operational reviews, risk management function, internal audit, external assurance of financial information.

GRI Material Aspects: Economic performance.

Read more: Chief executive officer's report (page 21), Our strategy (page 11), Chief financial officer report (page 42), Environment (page 63).

4. Business partnerships

- International business partners
- Customer relationships
- Government relationships
- Supply chain relationships
- Governance
- Finding suitable long-term empowerment shareholders

Metair's business depends on strong relationships with its stakeholders. The company works closely with its technology partners and key customers through long-term contractual engagements. Government is a particularly important industry stakeholder through 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.

Metair's former empowerment shareholders sold out of the company in 2015 and the company is in the process of identifying suitable long-term shareholders to replace them.

Stakeholders primarily affected: Customers (existing and potential), suppliers and trading partners, government, employees and trade unions, regulatory bodies, industry bodies (NAACAM, NAAMSA) and the media.

Governance and combined assurance: Board and executive committee manage relationships with key stakeholders. Combined assurance through regular management review, risk management function, internal audit, policies and procedures.

GRI Material Aspects: Economic performance.

Read more: Chairman's statement (page 16), Stakeholder relations (page 48), Corporate governance report (page 68).

5. Human capital

- Labour productivity and efficiency
- Labour relations
- Labour cost
- Health and safety
- Skills retention and staff development
- Management retention and succession
- Management acumen*

- Talent management and training*
- Representative board, management, shareholding and workforce
- Corporate social investment

*added this year

The human capital in Metair's leadership, management and employees is a key asset of the company. Labour cost and productivity are critical inputs to ensure Metair's cost efficiency and competitiveness. Given the technical nature of our business, retaining skills and experience in the group is an important consideration. Succession planning and talent management for senior management and technical expertise must be managed to deepen the management layer and avoid overstretching current capacity. Retention of Metair executives is important as the group concludes its redesign and focus shifts to building the energy storage vertical. The increasingly variable production environment in our industry requires managers to be far more agile and resilient than was previously the case.

Improving representivity at board and management level, and transforming the workforce is a moral imperative, a customer requirement and good business practice. In a competitive market, strong B-BBEE performance can be a competitive advantage.

Stakeholders primarily affected: Customers (existing and potential), suppliers and trading partners, government, employees and trade unions, regulatory bodies, industry bodies (NAACAM, NAAMSA), media, consultants and service providers.

Governance and combined assurance: Remuneration committee, board and executive committees develop the human capital strategy, manage key relationships and monitor progress against stated KPIs and targets. Employment equity and transformation committees develop strategies and measure progress against stated targets. Combined assurance through regular management review, policies and procedures, risk management function, internal audit, external verification of B-BBEE information and OE supplier reviews, external accreditation (OHSAS 18001, ISO 14001) and external assurance of sustainability information.

GRI Material Aspects: Employment, labour/management relations, occupational health and safety, training and education, diversity and equal opportunity, procurement practices, indirect economic impacts, economic performance.

Read more: Chief executive officer's report (page 21), Corporate governance report (page 68), Human capital (page 54).

6. Environment

- Energy consumption
- Carbon footprint
- Waste management
- Water

LEE GARLICK

Logistics Manager at Dynamic Batteries

Lee is responsible for inbound and outbound deliveries, quality monitoring, responsible for health and safety and provides technical assistance to customers

- Environmentally friendly products
- Environmental impacts

Metair's alignment with the principle of custodianship aims to ensure that we actively manage our impact on the environment by reducing usage of scarce resources including energy, water and raw materials. Our goal is to develop a support structure to enable the recycling of scarce resources above. Metair's energy storage vertical is well-positioned to participate in products that support environmental responsibility including solar energy solutions and the next generation of low-emission and full electric motor vehicles.

Stakeholders primarily affected: 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.

Governance and combined assurance: Board and executive committees develop environmental strategy and monitor progress against targets. Combined assurance through 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.

Read more: Environment (page 63).

PROGRESS IN 2016

The table below reports our performance in 2016 against the operational goals we set last year.

Goals for 2016	Performance in 2016	Goals for 2017	Strategy leg
All companies that have not achieved OHSAS 18001* accreditation to achieve it by the end of 2016	All subsidiaries achieved OHSAS 18001 accreditation, except for Automould, which is in the process of being consolidated into Smiths Plastics. Lumotech and Smiths Plastics are aiming for accreditation under ISO 45001* in 2017	Complete	
All companies to target achievement of ISO 50001# accreditation by the end of 2018	Ongoing. Mutlu Akü achieved	All companies to target achievement of ISO 50001# accreditation by the end of 2018	
Zero fatalities and reduce LTIFR** to 1	Zero fatalities LTIFR** improved to 1.2	Zero fatalities and reduce LTIFR** to 1	
Group absenteeism rate to average below 3% (excluding contractors)	Absenteeism averaged 3.3%	Group absenteeism rate to average below 3% (excluding contractors)	
Maintaining and improving our level 4 B-BBEE target going forward on the new codes	Three companies achieved level 4 under the new codes. The rest will be assessed against the new codes in the next assessment cycle	Maintaining and improving our level 4 B-BBEE target going forward on the new codes	
Maintain group training spend at R15 million and training to be expanded to Turkey and Romania	Group training spend was R30.9 million and training was expanded to Mutlu Akü and Rombat	Maintain group training spend at R15 million	
Continue involvement in offering of learnership programmes to 300 learners group wide	243 learnerships across the group	Continue involvement in offering of learnership programmes to 300 learners group wide	
1% of net profit spent on CSI projects	2.9% of net profit spent on CSI projects	1% of net profit spent on CSI projects	
Target 1% improvement on site specific production scrap percentages	Not achieved at most subsidiaries, partly due to new products and processes. All operations have initiatives in place to reduce scrap in future	Target 1% improvement on site specific production scrap percentages	
Energy storage businesses to improve yield at recycling facilities by 5% especially at lead recycling facilities	Achieved at Mutlu Akü. FNB improved yield, but by less than 5%. Rombat improved bullion yield, but not alloy yield	Energy storage businesses to improve yield at recycling facilities by 2% especially at lead recycling facilities	
Target a 5% improvement in consumption of water per person hour worked	Achieved 3.7% improvement	Target a 2% improvement in consumption of water per person hour worked	

** Occupational Health and Safety Standard.*

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

 # Energy management standard.

Performance against 2016 Key Performance Indicators

Key Performance Indicators for each subsidiary and the group are agreed at the annual MD's conference to focus each operation on addressing their most important strategic goals in the next 12 to 24 months. Progress against these goals is analysed and discussed at the next MD's conference 12 months later. This discipline builds accountability and provides the necessary link between the five-year strategic vision, the seven strategic focus areas and the short-term goals at both operational and group levels.

1. Continue strategic redesign of Metair	Strategy leg
Energy vertical strategic conference held. 2015 results were presented to the market under the newly designed business verticals. 1.38 million spare battery capacity sold in 2016. KPI is ongoing until all spare battery capacity sold and battery production reaches 15 million.	
2. Enhance MIB structure and effect transfer of battery technology (EFB and AGM) and secure all approvals	
Complete. Metair received official approval and support for the battery research and development programme from the Turkish government. Approval secured with German OEM for EFB product range and received the official award of their Europe EFB business. First international order for supply into the Middle East.	
3. Drive effective use of invested capital – focus on working capital, capital expenditure and cash generation	
Ongoing. There was a meaningful focus on cashflow optimisation during 2016, which saw improvements in inventory control as well as debtor and creditor profiles. Cash generated from operations increased 26% and capital expenditure reduced 25% on 2015. Budgeted capital expenditure for 2017 is less than half of 2016 levels, allocated to the most meaningful projects with the highest probability of success to support the group's required return on invested capital without neglecting key strategic spending.	
4. Group wide focus on cost management and ensuring forex neutrality, including component segment cost structure alignment with SA manufacturing levels	
Forex neutrality achieved but new vehicle launch challenged cost management initiatives.	
5. Finalise Metair management structure and responsibilities, with succession planning for executive directors and board chairman	
New structure and Metair board constitution completed except for the appointment of a black male director with manufacturing experience.	
6. Continue to pursue Africa strategy	
25% of ABM acquired in 2016 and other opportunities are being evaluated.	
7. Finalise investment evaluation and expand footprint into Russia	
Mutlu Akü and Rombat supplied funding for the construction and development of a lead smelter in Russia as support to our potential partner. Partner repaid bridge funding that was provided from Europe.	
8. Secure and grow aftermarket product range and improve aftermarket share	
ATE is in the process of launching its first new product offering to the market.	
9. Enhanced transformation and focus on B-BBEE levels and gender equality	
Metair board constitution in terms of transformation and gender equality has been addressed. Process will continue with the appointment of new board members when current board members retire. Possible subsidiary managing directors have been identified to further BEE and gender goals.	
10. Put further emphasis on process control throughout the group	
It was decided at the energy vertical strategic conference that the battery plants will aim to implement Industry 4.0 manufacturing principles over the next five years.	
11. Further entrench the Metair achievement culture, group values and ESG focus	
ESG focus enhanced through inclusion in the short-term incentive KPI. Yellow card system to penalise non-conformance launched at the sustainability conference.	

KPI's 2017

2017 Key Performance Indicators (KPIs)	Strategy leg
1. Participate in APDP reviews to ensure 2035 vision that satisfies all stakeholder requirements	
2. Stabilise SA automotive businesses (no supply disruptions, no emergency imports and no premium airfreight)	
3. Improve SA automotive businesses financial performance with PBIT above target	
4. Expand SA automotive business aftermarket and Africa business to exceed R400 million turnover	
5. Manage optimal repayment/refinancing of R840 million of preference share debt	
6. Continue expansion of energy vertical business by evaluating investments in Russia, Europe and in the industrial space	
7. Improve regional energy vertical market share by 1% per region	
8. Reposition FNB in SA from product and market position	
9. Maintain gender balance focus and transfer Metair success to subsidiaries (target at least one female representative on subsidiary excos)	
10. Establish human capital focus and development culture in group	
11. Improve health, safety and environmental awareness and standards in the group	
12. Drive effective use of invested capital by focusing on working capital, capital expenditure and cash generation supported by meeting minimum ROIC target	

AWARDS

Automould

- TDM Apprentice Award

First National Battery

- Environmental Department: Second Place Platinum Award in Eastern Cape Green Awards for Environmental Impact
- Quality: GMSA Supplier Quality Excellence Award (fourth year in a row)

Lumotech

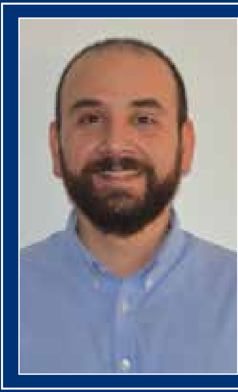
- Certificate of achievement from Nelson Mandela Metropol for being one of the top 50 Companies.
- Stable Supplier Award 2016 from Toyota

Mutlu Akü

- Brand Finance: Mutlu Akü recognized in the top 100 companies
- 2015 Energy Efficiency Industrial Plant Award from the General Directorate of Renewable Energy under The Ministry of Energy and Natural Resources
- 2016 Subsidiary Industry Achievement Award from Oyak Renault
- 2016 Supply Chain Performance Award from Tofas Fiat

Smith's Manufacturing

- Toyota Certificate of Recognition on 640A Localisation
- Toyota Certificate of Recognition on 640A Project Management
- Toyota Quality Management Award
- Toyota Value Analysis Award

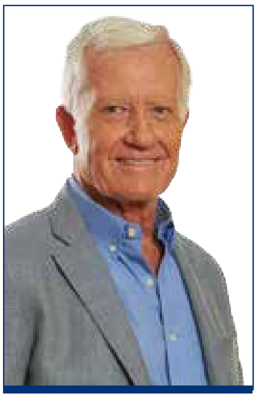


TOLGA TULGAR

General Counsel at Mutlu Akü. Graduate Degree in Law

Tolga serves as general counsel and company secretary, and is also responsible for corporate governance and strategic planning

DIRECTORS AND OFFICERS OF THE COMPANY



SG Pretorius (69)
Independent non-executive chairman
M Comm (Business Economics)

CT Loock (52)
Managing director
B Eng (Industrial)

S Douwenga (37)
Finance director
B Comm (Hons) CA (SA)

JG Best (68)
Independent non-executive director
ACMA ACIS MBA

TN Mgoduso (60)
Independent non-executive director
MA (Clinical Psychology)

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. 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 30 years of mining, manufacturing and business experience started at Dorbyl Automotive Technologies and 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 chief executive officer in March 2006, he was group divisional director at Aveng-owned Trident Steel.

S Douwenga

Mr Douwenga qualified as a Chartered Accountant in 2003 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 Africa and Europe.

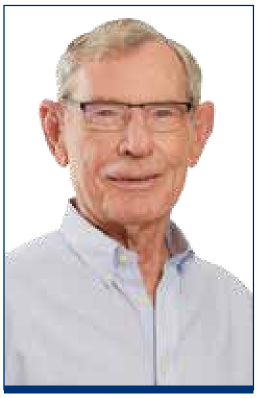
Mr Douwenga first started working with Metair in 2011 during the Rombat acquisition and was subsequently appointed as business development director at First National Battery during 2013 where he was primarily involved in the operational and financial evaluation and execution of new acquisitions, most notably Mutlu Akü in Turkey. He was subsequently appointed chief financial officer of Metair in 2014.

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 where he is a member of the audit committee, and Polymetal International (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.

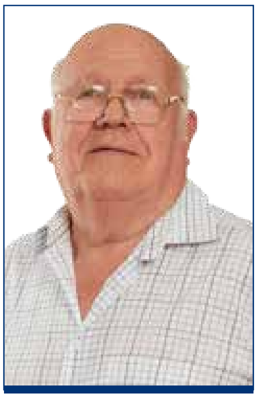
TN Mgoduso

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, 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. She left Imperial Logistics to serve 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, BIOSS Southern Africa, Ayavuna Trust, Assore and SAA. 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 chairs the remuneration committee.



RS Broadley (84)

Independent non-executive director
Advanced Technical Certificate (Engineering)



L Soanes (80)*

Independent non-executive director
National Certificate of Engineering
** British*

PPJ Derby (46)

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

HG Motau (42)

Independent non-executive director
CA (SA), MPhil Development Finance

SM Vermaak (51)

Company secretary
B Comm (Fin M) AIRMSA

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 a member of the remuneration committee and served as chairman of the Metair social and ethics committee until 20 October 2016, where he remains a member.

L Soanes

Mr Soanes was managing director of Armstrong Hydraulics 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 Derby

Ms Derby'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 advisory and project development in infrastructure and advanced manufacturing and strategic advice in the development of key economic infrastructure, investment in advanced manufacturing and strategic advice in the development of key economic infrastructure and strategic sectors in Africa. She serves on the board of Ubu Investment Holdings and its subsidiaries. She is currently an executive at Aurecon. Ms Derby was appointed to the Metair board on 1 March 2016 and was appointed chairperson of the social and ethics committee with effect from 20 October 2016.

HG Motau

Ms Motau is a Chartered Accountant and also holds an MPhil in Development Finance from the University of Stellenbosch. She has more than 20 years of experience in both the public and private sectors. She is currently the chief executive officer at Mmoni Advisory Services, having previously worked as an audit partner at KPMG's Energy and Natural Resources Division. She has held roles at various organisations including Blue IQ Investments, the Industrial Development Corporation and National Treasury. She also serves as a commissioner of the International Trade Administration Commission of South Africa. Her prior board roles include those at the Independent Regulatory Board of Auditors, Pinnacle Technologies, York Timber, the Road Accident Fund and as a council member of the University of the Western Cape. Ms Motau was appointed to the Metair board on 1 November 2016 and is a member of the audit and risk committee.

SM Vermaak

Mrs Vermaak joined the company in August 1998 and was appointed as company secretary in March 2001 and group finance manager in July 2003. From 1 April 2015, she shifted focus from finance and was appointed as group risk and compliance manager. She completed her B Comm Financial Management degree (cum laude) in 2005 on a part time basis and has more than 14 years' experience in the listed company environment.

***Note:** As announced on 14 October 2016, Mr DR Wilson resigned as non-executive director with effect from 1 November 2016.*

Company secretary
SM Vermaak

Transfer secretary
Computershare Investor Services (Pty) Ltd

Rosebank Towers,
15 Biermann Avenue,
Rosebank, 2196

Registered office
10 Anerley Road, Parktown,
Johannesburg 2193

Registration number
1948/031013/06

CHIEF FINANCIAL OFFICER'S REPORT

The primary function of a business is to create a return for shareholders and other providers of capital. Ethical business requires that, in pursuing this goal, the legitimate interests of stakeholders, including local communities and broader society, are respected, and that the organisation's impact on the natural environment is responsibly managed.

This chief financial officer's report provides more detail on the financial position and performance of the group in 2016, together with a discussion of the segmental results and other salient features. A discussion of the most material financial aspects affecting the group is provided in the Financial Sustainability section on page 51. The group value-added statement on page 53 details the value created by the group in 2016 and how this was distributed to stakeholders or reinvested.

Key metrics

Group revenue of R8 954 million represents an increase of 16% on the prior year (2015: R7 732 million) due to a strong performance from Mutlu Akü and Rombat in the energy storage vertical, combined with technology advancements, the impact of an overall weaker Rand currency on the cost of imported components and material, as well as product and customer expansion in the automotive components vertical.

In the year of a major model launch in automotive components, we managed to restrict the group operating profit ("PBIT") decrease to 7%, achieving PBIT of R731 million (2015: R790 million). The group operating margin declined to 8.2% (2015: 10.2%) mainly due to costs linked to the new vehicle launch in the first half of the year, as well as increased competitive pressures in First National Battery's aftermarket where margins declined by 8%. Similarly, EBITDA declined to R1 034 million at an 11.5% margin, compared to R1 092 million at 14.1% in 2015.

Our share of results from associates reduced to R30 million from R58 million in 2015, mainly because Hesto recorded an operating loss of R12 million, compared to a profit of R48 million in 2015.

The group's effective tax rate reduced to 22.8% (2015: 25.5%), benefitting from increased profits from lower corporate tax rate jurisdictions, being Romania (16%) and Turkey (20%), as well as an investment tax credit of R22 million in Turkey related to investment in new technology (Start/Stop) capital.

Group net debt decreased to R1 281 million (2015: R1 398 million), but net finance expenses increased to R155 million (2015: R103 million). Although net debt reduced from last year, interest costs were higher due to increased lending rates in South Africa, combined with interest incurred on overdraft to support lower cash generation and working capital requirements in automotive components during model launch in the first six months of 2016.

Headline earnings decreased 7% to R453 million (2015: R488 million) while headline earnings per share decreased to 229 cents per share (2015: 248 cents).

Return on invested capital ("ROIC") at group level was 9.2% (2015: 10.4%), which is 3% behind our cost of capital of 12.4%. The 2016 ROIC reflects the impact of renewal in automotive components where major capital was invested in 2015 followed by a model launch year in 2016, as well as growth and acquisition capital invested in the energy storage business over the past two to three years.

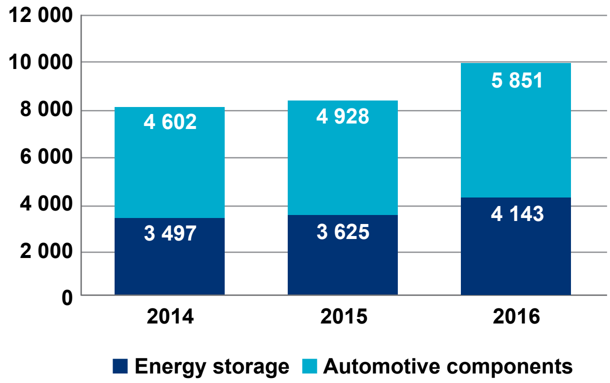
Segmental review

Note: The turnover and profit figures quoted in this section include the group's associate, Hesto, which aligns with the presentation in the segmental review on page 125.

Metair has two distinct business verticals – automotive components and energy storage. 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). All batteries, whether automotive batteries or industrial batteries are reported in the energy storage segment.

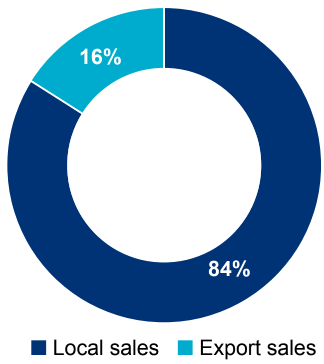
The automotive component segment contributed 41% to group turnover in 2016 and the energy storage segment 59% (2015: 42% automotive component and 58% energy storage).

Revenue* (R million)



** Includes Hesto*

Local and export sales 2016*



** Includes Hesto*

Energy storage vertical

Turnover improved by 18.8% to R5 851 million (2015: R4 928 million), mainly due to a combination of automotive battery volume growth of 9% (630 000 units) and price increases. Volume growth was largely attributable to Mutlu Akü and Rombat, who both achieved record sales volumes in 2016, while volume growth from First National Battery in South Africa was constrained by a very competitive landscape. But overall, aftermarket and OEM volumes performed well, while exports to Russian and other CIS countries increased to 400 000 units (2015: 182 000 units).

Operating profit increased to R558 million (2015: R546 million), while operating margin decreased to 9.5% from 11.1% in 2015. The margin decline was a result of lower aftermarket margins in South Africa as competition intensified, combined with manufacturing inefficiencies from an OEM battery production factory relocation in East London. In addition, market lead prices increased by 5% on average, resulting in a higher selling price to recover input costs.

Sales of industrial batteries declined by R63 million to R736 million (2014: R799 million) due to the timing of securing major contractual business in Turkey.

Return on invested capital for the segment was 14.1% (2015: 14.6%)

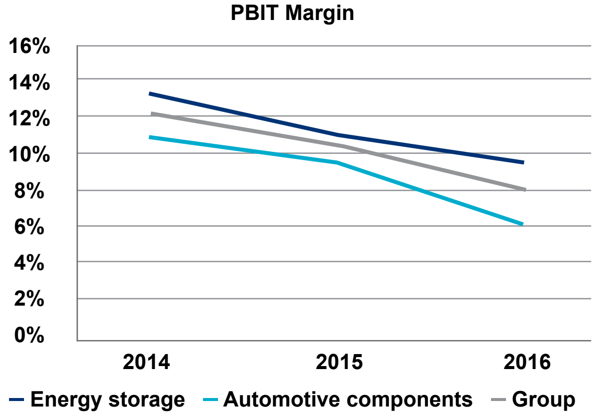
Automotive components

Revenue improved by 14.3% to R4 143 million (2015: R3 625 million) despite a 10% decline in overall production volumes from our main OEM customer as a result of the new model launch. The launch volume impact was offset by technology advancements, an overall weaker Rand which increased the cost of imported components and material, as well as product and customer expansion.

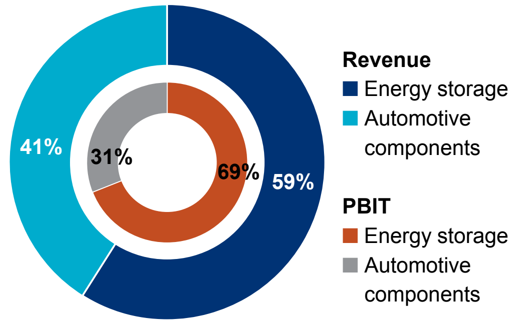
Total operating profit declined to R247 million (2015: R345 million) and the operating margin decreased to 6.0% (2015: 9.5%) as a result of the challenges during ramp-up of the launch and overall weaker Rand. The results were significantly impacted in the first half by Hesto's production inefficiencies during ramp up and the associated cost of overtime, training and airfreight for imported harnesses.

Return on invested capital for the automotive component segment was 16.1% (2015: 26.3%)

PBIT Margin



Revenue and PBIT contribution 2016



Currency impacts

The group has investments in four offshore businesses, of which two can be considered significant. The group's results are therefore exposed to the effects of exchange rate movements between its reporting currency (South African Rand) and those of its major offshore subsidiaries, being Mutlu Akü (Turkish Lira) and Rombat (Romanian Lei), and to a lesser extent Dynamic (British Pound) and ABM (Kenyan Shilling).

The Turkish Lira devalued 27% against the Rand from 2015 to 2016 year-end, but when comparing the average rates for 2015 and 2016, the average Lira/Rand exchange rate appreciated 4% in 2016. Earnings of our foreign operations are translated into Rand at the average rate for the period. Mutlu Akü reported a 46% increase in operating profit in Turkish Lira, which translated into growth of 52% when translated into Rand. The average Romanian Lei exchange rate for 2016 appreciated by 14% against the Rand, which supported reported earnings from Rombat.

At year end, the assets of foreign subsidiaries are translated into Rand at the ruling exchange rate. As a result of the devaluation of foreign currency spot rates (mainly the Turkish Lira), foreign exchange translation losses of R1.1 billion were recognised in other comprehensive losses in 2016, compared to a profit of R366 million in 2015. Should the Turkish Lira remain at levels similar to December 2016 throughout 2017, earnings from Mutlu Akü translated into Rand would be similarly impacted. A depreciating currency does, however, create opportunities as it improves the price competitivity of exports from that location. Approximately 30% of Mutlu Akü's sales volumes are exported to aftermarket and OEM customers.

Both the energy storage vertical (mainly US Dollar and Euro) and automotive components vertical (mainly US Dollar, Euro and Japanese Yen) are affected by currency movements on imported raw materials and components. Foreign exchange movement recoveries on these input costs are achieved through various contractual arrangements.

The energy storage business is also affected by hard currency movements on sales and receivables in its export markets.

The group follows a strict foreign exchange risk management policy and hedges foreign currency exposures on raw materials, components and capital equipment except where these exposures are offset by natural hedges.

Financial position

Group net asset value per share decreased to 2 059 cents per share (2015: 2 468 cents). The group's investment in working capital decreased by R365 million due to a combination of:

- The devaluation of the Turkish Lira, which reduced the carrying value of working capital at Mutlu Akü;
- Improvements in debtors and creditors profiles, offset by; a
- Increased inventory in the automotive components business to support new model launches.

Cash generated from operations increased 26% to R1 033 million (2015: R819 million), which represents a cash conversion ratio (based on EBITDA) of 100%. Cash and cash equivalents increased to R617 million from R567 million in 2015. Net debt (borrowings less cash and cash equivalents) decreased to R1.3 billion at year-end (2015: R1.4 billion) despite the acquisition of ABM for R122 million during the year.

The group's net debt/equity ratio increased slightly to 31% (2015: 29%). Metair's capital structure remains relatively conservative and in compliance with all of our lenders' covenants. Net debt to EBITDA decreased to 1.2 times (2015: 1.3 times).

As at 31 December 2016, Metair had access to unutilised facilities of approximately R1.2 billion (Rand equivalent), US$79 million and a revolving credit facility of R379 million. 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 renewable annually.

The repayment of the first R840 million tranche of preference share funding raised for the Mutlu Akü acquisition falls due at the end of September 2017. The settlement of this repayment will likely be sourced from cash generated within the group, as well as potentially drawing down on existing unutilised facilities.

Capital allocation

During 2015/2016 we shifted our primary financial return criteria for the allocation of capital to return on invested capital ("ROIC"). This metric is supplemented by the previous criteria of return on assets and internal rate of return.

We have defined ROIC targets and investment thresholds for each individual business unit, the automotive components vertical, energy storage vertical as well as the Metair group. Any capital allocated, with the exception of key strategic spend, should be able to meet or exceed its cost of capital within three years of the investment being made. It is Metair's obligation as the holding company, to source, allocate and control capital to achieve this objective.

The long-term return thresholds for the group are as follows:

Metair WACC	Energy Storage ROIC threshold	Automotive Components ROIC threshold
12.4%	15.5%	23.6%

We invested significant capital over the past three years into energy storage as well as automotive components, and we will continue to target our long-term return thresholds and efficiency gains. Our main objective in allocating capital for 2017 is to limit overall investment to the most meaningful projects with the highest probability of success to support the group's required return on invested capital.

The capital expenditure policy also includes a focus on cash flow management, in particular free cash flow generation, to support our ability to pay down our future debt repayment obligations, without constricting growth capital.

Total capital expenditure (including intangible assets) for 2016 was R373 million (2015: R497 million), with R84 million allocated to maintenance, R281 million to expansion capex and R8 million allocated to health and safety, improving the group's competitive position and efficiency.

Capital expenditure for 2017 will focus on:

- Maintaining and enhancing efficiency, as well as smaller investments for new models being launched over the next two to three years;
- Capital expenditure to meet our commitment to improve our competitiveness; and
- Localisation initiatives.

Intangible assets

Intangible assets decreased to R1.0 billion (2015: R1.4 billion) mainly due to the foreign exchange translation effects of Mutlu Akü. Intangible assets include goodwill, trademarks, licences, brands, customer relationships and software and other.

Capital allocation for 2017

(R'000)	Maintenance and general	Efficiency and expansion efficiency	Health, safety and environment	Total
Automotive components	27 474	64 965	6 148	95 587
Energy storage	46 744	39 451	2 556	88 751
Total commitments	**74 218**	**104 416**	**8 704**	**187 338**

Goodwill arises on the acquisition of subsidiaries and represents the excess in the consideration paid by the group over the acquiree's net fair value. Intangible assets have an indefinite useful life and are not subject to amortisation, but are tested annually for impairment. The carrying value of intangible assets are impaired when the recoverable amount of such an asset is less than its carrying value. Intangible assets are carried at cost less accumulated impairment losses.

We have concluded, based on value-in-use calculations, that the recoverable amount of all cash generating units (CGUs) exceeds their carrying amounts.

During 2016, the group invested R26 million in research and capitalised R33 million of development cost. Development costs capitalised relate to investments at Mutlu Akü in Start/Stop AGM battery production efficiency development, technical design efficiency enhancements on the new aftermarket range of products and lithium-ion starter battery development for a major OEM in Turkey.

Acquisitions and investments

An initial 25% investment in ABM was made during 2016. The transaction price, or equity value, was US$8.1 million at an EBITDA multiple of 4.5x. The acquisition gives Metair access to growth markets in Kenya, Tanzania, Uganda and Zambia. During the first six months post acquisition, Metair's share of ABM profits amounted to R11 million, which is well ahead of plan.

Dividend

A cash dividend of 70 cents per ordinary share (2016: 70 cents per share) has been declared, which represents a three times dividend cover, in line with our dividend policy of between two and four times cover.

S Douwenga
Finance director

OUR APPROACH TO SUSTAINABILITY

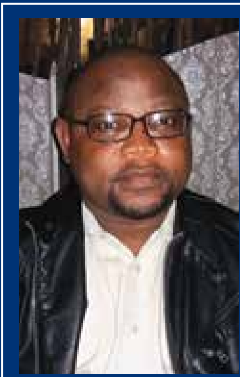
The principle of custodianship guides Metair's approach to sustainability. From our aspiration to be exemplary custodians, we manage the capitals available to the company in a responsible way for the benefit of our stakeholders. We take a precautionary approach when considering our impacts on the environment and the communities around us.

The principles of sustainability are designed into the way we do business, integrating awareness of our environmental and social impacts and responsibilities alongside our financial goals. Sustainability represents the health of our business, which supports the resilience and longevity of the organisation.

Our business is built on strong foundations that start with our core values and principles. These provide security in an increasingly changeable operating environment and out of them our mission and values arise. Our products and services are the tangible outputs of our business activities and our ethical and social responsibilities guide our day-to-day actions to ensure that we live our values.

The health of our business is supported by the four pillars of:

- Entrepreneurship, which is driven by our strategy.
- The efforts of our workforce, which represent the human capital in the group.



FANWELL MAKADZANGE

Process Engineering Manager at First National Battery. Honours Degree B.Eng – Chemical

Fanwell manages the process engineering team, optimises production processes and provides technical support

- The financial capital used in and generated by our activities.
- Our physical environment – land and what is on it, in it and above it.

Sustainability in all its forms is an important consideration in our strategy and operational activities. Manufacture of the batteries in our energy storage business is an energy intensive process, uses substantial quantities of water and the lead in these batteries can have a significant environmental and social impact if not managed responsibly. These same batteries have a significant role to play in the automotive industry's commitment to reduce automotive emissions to address global warming and as part of alternative power solutions including solar energy.

We aim to optimise the efficient use of scarce natural resources, minimise waste produced and maximise the use of recycled lead in our manufacturing processes, which helps to ensure that lead is managed responsibly throughout the battery lifecycle.

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

Ultimate responsibility for sustainability in the company rests with the board. The social and ethics committee has been tasked by the board to manage and monitor sustainability in the company. Metair's social and ethics framework defines and guides our approach to integrating sustainability into our strategy and operations.

At an operational level, sustainability is managed according to group policies and principles and reported quarterly to the group social and ethics committee. An annual sustainability conference is held to strengthen sustainability management reporting in the group.

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 97 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.

Peer benchmarking

As a way to benchmark our sustainability performance and to provide context to readers of this report, Metair this year has included several graphs that compare our sustainability performance against other manufacturing companies listed on the JSE. While there are no directly comparable companies in our sector, six manufacturing companies were selected for benchmarking. Two companies did not provide comparable information and have been excluded from the comparisons, while the other three have been included where they provided sufficient comparable information. Indicators have been used as disclosed in the latest publicly available annual reports, or calculated from the information available in those reports. These graphs compare Metair's LTIFR, CSI spending as a percent of profit, as well as our carbon footprint, electricity and water consumption per person hour worked in the relevant sections of this report.

STAKEHOLDER RELATIONS

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

Understanding the legitimate interests and concerns of our stakeholders is a priority. These engagements shape input into strategy, the determination of material matters and key risks, and the formulation of company policies and governance structures. When considering the company's response to a concern, the interests of a particular group of stakeholders are balanced against those of other stakeholders and against the long-term interests of the company.

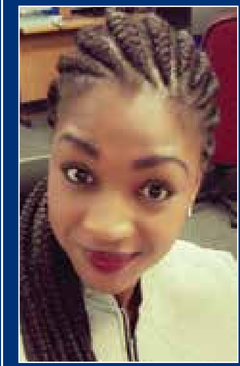
Stakeholder engagement is discussed as the first item on the agenda at every board meeting. Where appropriate, stakeholder concerns are delegated to the relevant functions for follow up and the stakeholder is engaged as necessary and kept appraised of progress in addressing the issue.

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 engagements were conducted specifically as part of the preparation of this report.

Feedback from various stakeholders, particularly shareholders, drove the revision of the remuneration policy, described more fully in the remuneration report on page 84. Following engagements with shareholders sharing their concerns, the chairman of the board and the chairperson of the remuneration committee met with various shareholders. The input from these engagements was included in the revised remuneration policy, such as the addition of ESG considerations and a return on invested capital benchmark in determining long-term incentives to better align with shareholder interests.

The section that follows lists Metair's key stakeholder groupings, the way we engage with these, their chief concerns, how these are addressed and which strategy focus areas they most closely relate to.



NOKWAZI MBELE

Development Engineer (Electrical) at Hesto National Diploma – Electrical Engineering

Nokwazi is responsible for all GM wiring harness design, development and project management, part of the energy efficiency (ISO 50001) team and is studying for her B. Tech in Electrical Engineering

Shareholders

Primary concerns: Acceptable return on invested capital, sustainability of the business and total shareholder returns.

How we address these concerns: Management engages regularly with shareholders to maintain awareness of shareholder expectations. The group states and reports against well-defined return targets. Metair's delivery on its strategy to develop balance in the business across customers, product lines and geographies supports returns and sustainability of the business.

Engagement channels include:

- Integrated Annual Report
- Sustainability information
- Results commentaries
- The abridged report
- Annual general meeting
- Annual and interim results presentations
- One-on-one meetings
- Investor perception surveys
- Site visits
- Website
- Pre- and post-results feedback
- Pre-close period meetings
- SENS announcements
- Press releases
- Analyst reports
- Ad hoc meetings (as requested)

Analysts

Primary concerns: Acceptable return on invested capital, sustainability of the business, access to management.

How we address these concerns: Management engages with analysts frequently to understand their needs and to meet their disclosure requirements where possible. Participation in industry forums.

Engagement channels include:
- Annual and interim results presentations
- One-on-one meetings
- Site visits
- Website
- Research papers

Customers (existing and potential)

Primary concerns: Product quality, delivery standards, cost competitiveness, brand strength, sustainability of our business, B-BBEE and transformation.

How we address these concerns: Metair's strategic focus on manufacturing excellence, marketing excellence and cost efficiencies aligns the company with customers' needs. We are committed to delivering flawless model launches, zero quality incidents and to continue to produce innovative products. We participate in industry forums to better understand our customers' needs and to represent the interests of automotive component and energy storage manufacturers. Metair's strategy includes effective management of ESG concerns, transformation and quality production, supported by external verification of sustainability reporting, B-BBEE status and ISO 9001 and ISO/TS 16949 accreditation.

Engagement channels include:
- 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

Suppliers and trading partners

Primary concerns: Fair payment terms, fair treatment and sustainability.

How we address these concerns: Metair takes an ethical approach to doing business and our payment terms align with industry norms. We participate in industry forums to better understand the concerns of suppliers.

Engagement channels include:
- Contract negotiations
- Ongoing interactions in the ordinary course of business
- Supplier audits
- Service level agreement negotiations
- Industry forums
- Trade shows and exhibits
- Annual meetings

Business partners (JVs and associates)

Primary concerns: Financial performance, fair treatment and quality of management.

How we address these concerns: Metair is committed to ethical business practices and respects the interests of our business partners. Implementation of strategy.

Engagement channels include:
- Ongoing interactions in the ordinary course of business

Government regulators

Primary concerns: Transformation, health and safety, environmental responsibility, regulatory compliance, sustainable employment, corporate social responsibility.

How we address these concerns: Metair's commitment to custodianship and ethical business practices supports social and environmental responsibility. The company invests in employee development and takes a responsible and sensitive approach where adjustments are required to employment levels in line with all regulatory requirements. Our CSI projects promote socio-economic development in our host communities. Policies and procedures are in place to ensure compliance with all relevant regulations.

Engagement channels include:
- Engagements on specific policy issues
- Representation on industry bodies
- Regular regulatory submissions
- Interactions as required

Employees

Primary concerns: Minimum wage demands, 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.

How we address these concerns: Metair's takes an ethical approach to doing business, including fair treatment and remuneration of our workers, and a focus on health and safety standards and procedures. Our operations ensure that working conditions are acceptable, including work stations, canteen facilities, ablution facilities and meeting areas. The company makes a substantial investment in skills development and aims to maintain good relationships with unions as representatives of our employees. Remuneration benchmarking and formal job grading and evaluation provide objective measures of fair remuneration. Metair is committed to transformation. CSI projects focus on rural and company-specific areas of support for schools, clinics, NGOs and any other feasible projects or entities. Internationalisation and globalisation driven by local sustainability needs to retain or gain international supply contracts and business opportunities.

Engagement channels include:
- Operational performance reviews
- Feedback sessions
- CEO 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

Industry bodies (NAACAM, NAAMSA)

Primary concerns: Good corporate conduct, support in engaging government and regulators on industry matters.

How we address these concerns: We take an ethical approach to doing business and engage with regulators and government to further the interests of the company and broader industry.

Engagement channels include:
- Representation on industry bodies
- Member of the South African Battery Manufacturers Association
- Member of NAACAM

Media

Primary concerns: Access to management

How we address these concerns: Management aims to be appropriately accessible within operational constraints.

Engagement channels include:
- Interactions as requested
- Press releases
- Website

Consultants and service providers

Primary concerns: Fair payment terms, fair treatment and fair contractual responsibility.

How we address these concerns: Metair takes an ethical approach to doing business and our payment terms align with industry norms.

Engagement channels include:
- Ongoing engagements in the normal course of business

FINANCIAL SUSTAINABILITY

The founding intention for a business has traditionally been to generate long-term economic returns for investors. Most businesses today take a broader view to value creation in line with a deeper sense of the role of an organisation as a corporate citizen.

Metair is committed to custodianship and ethical business practices. This commitment challenges the company to deliver financial returns while ensuring that we remain responsible custodians of the natural environment and communities around us, and create value for our broader stakeholder grouping. This broader focus is essential to support the long-term sustainability of the company. Failure to hold ourselves 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.

Enhancing the capitals available to the group usually requires a commitment of financial capital. For example, financial capital invested in more efficient production equipment increases manufacturing capital as well as decreasing energy and water use, waste production and the group's carbon footprint, thereby reducing the group's negative impact on our natural capital. Financial capital committed to skills and leadership development increases human capital and also builds the intellectual capital in the group over time.

Achieving the group's strategic goals is critically dependent on the effective allocation of financial capital to improve cost efficiencies, grow the group's operational footprint and product range, and further expand the energy storage business.

Over the last five years, Metair has created nearly R11 billion in cumulative total value, of which R8 billion was paid out to employees, government, providers of capital and other stakeholders. R80 million was invested in training initiatives over the same period and more than R59 million was spent over the last four years on socioeconomic development programmes for the benefit of communities.

Cost competitiveness

The markets in which Metair competes – automotive components and energy storage solutions – are extremely competitive. Global OEMs weigh their decisions on where to produce vehicles heavily on the cost of manufacture for their operations and their suppliers. Many of the countries that South Africa competes with as a manufacturing destination have input metrics, such as labour costs, labour efficiency and energy costs, that are far more favourable than in South Africa.

South Africa's Automotive Production and Development Programme (APDP) provides stability for the automotive sector until 2020 and there have been undertakings that the programme to follow the APDP will be structured to provide continuity. While the APDP is positive for the automotive industry in South Africa, increasing concerns about the country's socio-economic challenges, visible in political posturing, labour instability and concerns about failing infrastructure may offset this in long-term investment decisions. Rival manufacturing destinations such as Thailand, India and China, are not only more stable with lower cost, but are also strategically attractive due to their large domestic markets for new vehicles.

Metair participated in new model launches in both Turkey and South Africa during 2016 and will continuously participate in smaller new model launches. New vehicle launches are challenging for component manufacturers due to the considerable investment in tooling, machinery, time and management attention in preparing to meet the requirements of a flawless launch. Metair demonstrated its commitment to supporting its major customer in South Africa during 2016, which is one of Metair's key principles and strengths.

Components are priced at a Start of Production (SOP) pricing and it is critical for this price to be a realistic reflection of the cost of production over the entire production cycle of the model, which may stretch to seven years or longer. Certain input costs are tightly linked to hard currency rates. The recovery of foreign exchange fluctuations is particularly challenging and a significant amount of management time and effort is spent on ensuring implementation at appropriate contracting conditions and risk management policies.

Energy storage and aftermarket components

Aftermarket components and batteries are also subject to stiff competition from other local producers and importers, with a rapidly expanding range of products in the market, many imported from low cost and subsidised manufacturers in China and Korea. The International Trade Administration Commission of South Africa (ITAC) imposed an anti-dumping duty on automotive batteries in 2015, but competition remains strong. The entry of a major international battery player into one of our local markets would increase competition further. Metair's marketing programme aims to raise the profile of the group's brands in the aftermarket and to combat pressure from new market entrants.

A stable manufacturing environment is essential for the industry

In the highly competitive markets in which we operate margins are tight and without high levels of production efficiency it is difficult to generate a reasonable return. Manufacturing excellence is one of Metair's core focus areas and identification of cost-saving measures is a key performance measurement for all group companies.

Optimum production efficiency requires good line of sight on planned product demand, a stable manufacturing environment, a reliable supply of raw materials and sufficient volumes to achieve planned economies of scale. Labour disruptions, socio-economic and geopolitical developments, and unpredictable availability of key inputs like materials, water and electricity, reduce stability and predictability. There is also a risk during new model launches that production figures will undershoot the forecast volumes on which the capital investments and planned economies of scale benefits were based.

South African vehicle production levels appear to have peaked and have now settled at around 90% of previously levels.

In the past, the majority of this production was baseload and around 20% was opportunistic production for export, ad-hoc production or fill in production. In the last year or two, the proportion of opportunistic production has increased significantly, increasing the complexity and variability of production, requiring flexibility and adaptability, and reducing margins further.

These challenges have had a serious impact on industry margins, affecting the financial performance of the industry and zultimately 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 and feeds through into volatility in reported results. 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.

Continuity of supply and production

Metair'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.

A reliable supply of high-quality raw material at a realistic price is necessary to ensure cost-competitive production, without which it is not possible to submit cost-competitive quotes. This is particularly relevant for the lead required in battery manufacture, where in certain instances our quotes have been competitive on a regional basis, but not on a global basis.

Metair has increased electricity standby capacity at our production facilities and are securing water storage facilities to reduce the risk of supply disruptions. There is a risk of production interruption from natural disasters, explosions, fires or IT and other electronic system failures due to the nature of our operations. There are controls in place at all operations as well as recovery plans to minimise the impact of such disasters should these occur.

Product quality

Metair's operating philosophy is based on a commitment to manufacturing excellence to meet the stringent quality requirements of both OEM and aftermarket customers.

DUMITRU-CRISTIAN ZBINCA

Logistics Agent at Rombat
Bachelor's in Economics and Business Management, Bachelor's in Law, Master's in Economics and Accountability

Dumitru-Cristian is responsible for managing logistics for customers across Europe and North Africa

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 102 of this report.

Carbon tax

South Africa's carbon tax looks likely to come into effect in 2017. We support initiatives that encourage responsible use of natural resources and reduce carbon emissions in principle, but it is important that these are implemented responsibly to avoid further eroding South Africa's manufacturing cost competitiveness.

Our production facilities are below the threshold emission levels in the current draft legislation and will not be impacted, but 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.

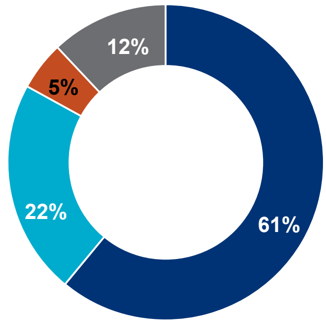
VALUE-ADDED STATEMENT

FOR THE YEAR ENDED 31 DECEMBER

The value-added statement reports the value created by the activities of a company and its employees and how this is distributed to stakeholders or reinvested in the business.

Employees received 61% of the wealth created in the form of remuneration and benefits, 5% was distributed to government in the form of taxes and 12% to providers of capital.
R602 million was retained in the group, of which R329 million was set aside for future expansion.

Distribution of value added %



	%	%	GROUP 2016 R'000	GROUP 2015 R'000	GROUP 2014 R'000
WEALTH CREATED					
Revenue			**8 953 710**	7 732 479	7 278 815
Less: Net cost of products and services			**(6 273 216)**	(5 245 941)	(4 820 683)
Value added			**2 680 494**	2 486 538	2 458 132
Add: Income from investments			**62 961**	91 397	92 704
Wealth created			**2 743 455**	2 577 935	2 550 836
WEALTH DISTRIBUTION	**%**	%			
	2016	2015			
Employees					
Salaries, wages and other benefits (note 1)	**61**	57	**1 676 133**	1 452 240	1 369 926
Providers of capital	**12**	11	**326 939**	294 101	255 757
Interest on borrowings	**7**	5	**187 905**	136 277	118 935
Dividends to shareholders	**5**	6	**139 034**	157 824	136 822
Government taxation (note 3)	**5**	7	**138 434**	189 843	170 845
Retained in the group	**22**	25	**601 949**	641 751	754 308
To provide for the maintenance of capital	**10**	10	**272 925**	244 681	258 825
To provide for expansion	**12**	15	**329 024**	397 070	495 483
	100	100	**2 743 455**	2 577 935	2 550 836
1) Salaries, wages and other benefits			**1 676 133**	1 452 240	1 369 926
Wages and salaries			**1 442 363**	1 255 440	1 164 284
Share based payment expenses			**18 135**	8 031	15 348
Termination benefits			**2 958**	3 668	10 162
Social security costs			**131 889**	108 525	113 088
Pension costs – defined contribution plans			**66 860**	62 441	58 495
Defined benefit plans			**3 042**	3 111	5 633
Post-employment medical benefits			**10 886**	11 024	2 916
2) Value added ratios					
Total number of employees at year end*			**5 955**	5 526	5 651
Hourly			**3 795**	3 401	3 385
Monthly			**2 160**	2 125	2 266
Revenue per employee			**1 504**	1 399	1 288
Value added per employee			**450**	450	435
Wealth created per employee			**461**	467	451
3) Monetary exchanges with governments					
SA normal Tax/Income tax			**138 434**	189 843	170 845
South Africa			**84 577**	139 952	100 572
Romania			**13 549**	4 827	6 993
Turkey			**40 308**	45 064	63 280

**This figure excludes Hesto employees in terms of IFRS10*

HUMAN CAPITAL

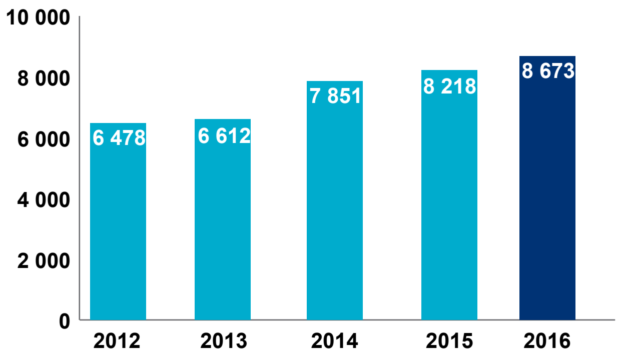
The theme and cover image of this year's integrated annual report recognises the critical role that the people of Metair play in the success of the business. Their skills, diligence and commitment are essential to achieve the manufacturing excellence required to meet our customers' quality standards and ensure cost-efficient production. As exemplary custodians, we 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.

Our human capital policies and practices aim to ensure that we attract, develop and retain the skills we need to execute our strategy, while building the skills and experience of the next generation of leaders and experts.

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.

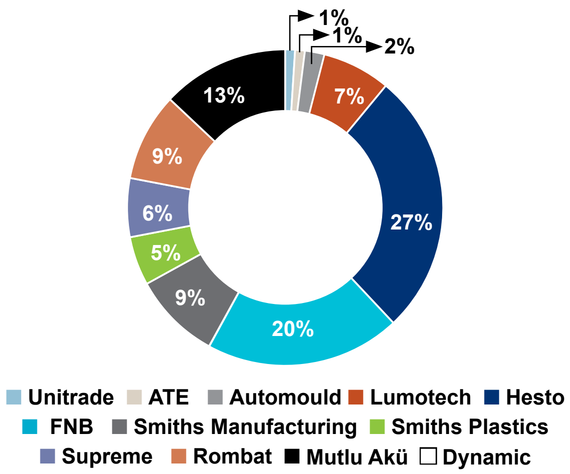
Note that the headcount figures reported in this section include Hesto employees as Metair is responsible for the day-to-day management of this associate. Since Hesto is not a subsidiary in terms of IFRS 10, employees are excluded from the headcount figures reported in the value added statement on page 53.

Staff complement (including Hesto)*



** Includes temporary workers and contractors*

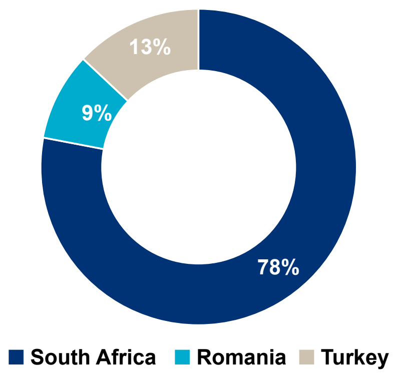
Staff by operation



The group's total staff complement (including contractors) increased 5.5% to 8 673, with headcount increases at Hesto, Mutlu Akü and Lumotech offset by decreases at most other operations. In 2016, 78% of our workforce was employed in our South African operations, 13% in Turkey, 9% in Romania and 0.1% in the UK. Contractors comprised 6% of the total staff complement in 2016 (2015: 7%). 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 47% of the group workforce, with Mutlu Akü employing 13% and Rombat 9%. Historically Disadvantaged South Africans (HDSA) represent 91% of the South African workforce (2015: 93%) and women comprise 33% of the total group workforce (2015: 33%).

Staff by region



Labour relations

We respect the rights of our employees to freedom of association and aim to maintain constructive relationships with unions. Most South African operations fall under Chapter III of the motor industry bargaining council, while First National Battery is covered at plant level. Union engagement takes place at national, provincial and company level through formalised recognition agreements. Across the group, 73% of employees belong to a union (2015: 58%).

A new wage agreement was negotiated in December 2016 with an 8.5% increase in 2016, 8.0% in 2017 and 7.5% in 2018.

Failure to manage 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.

There were 4 287 person days lost to industrial action during 2016 (2015: 7 407) with all but 7 of these lost at FNB.

Minimum notice periods regarding operational changes range from 24 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.

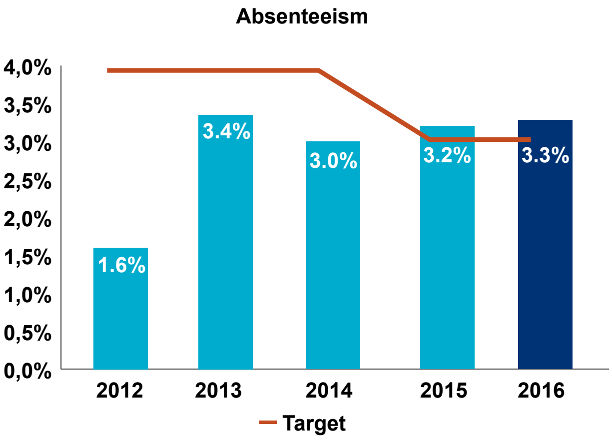
There were 57 retrenchments in the group during 2016 (2015: 27). The Section 189A labour restructuring process at Smiths Plastics concluded in March 2016 and across the group 45 employees took up voluntary severance packages during the year.

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

Attraction, retention and development

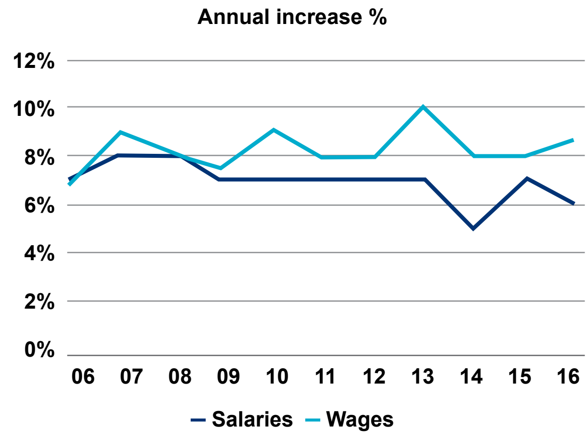
The world class technical and engineering skills Metair aims to attract, retain and develop are in global demand. We aim to be the employer of choice in our industry and to attract and retain talented employees through competitive remuneration packages, quality training programmes and practical learning 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.

Succession planning, talent identification and talent development were particular areas of focus during 2016. Succession plans are in place at most operations and the focus on talent management will continue in 2017.



Permanent staff turnover averaged 26% in 2016 (2015: 21%) with the majority of terminations relating to employees reaching the end of their contract term. Excluding these terminations, staff turnover averaged 8.4% (2015:8.2%). Absenteeism averaged 3.3% (2015: 3.2%), marginally above our target rate of 3.0%.

Metair is committed to ensuring workers receive fair and competitive remuneration and for the last decade the percentage annual increase in hourly wages has exceeded the increase in salaried pay.



Skills development

The group invested R14.6 million in skills development programmes 2016 (2015: R15 million) and R30.9 million in total on training, which represents 6.6% of net profit after tax (2015: 2.8%). Training spend per permanent employee increased to R4 399 from R2 206 in 2015. There were 17 592 training interventions during the year, including both internal and external training interventions, and 86% of training spend was directed to HDSA candidates in 2016.

There are a range of practical learning programmes that Metair offers to promising candidates to provide opportunities to develop a skills pipeline for future potential employment. These include learnership programmes, apprenticeship programmes, candidate technician internships, candidate engineers' programmes and graduate-in-training programmes. Hesto's training school is accredited with the Manufacturing, Engineering and Related Services SETA (MERSETA) and the company runs an accelerated artisan training programme in collaboration with the Department of Labour and MERSETA. Various operations also run adult education and training (AET) courses and Lumotech provides for permanent employees to further their studies at a recognised college or university. Mutlu Akü provides access to an e-learning platform (Mutlu Akudemi) for employees and distributors.

There were 87 participants on non-artisan learnerships in the group in 2016 (2015: 422) and 156 new recruits to artisan apprenticeship programmes. The group also invested R1.9 million to support 142 promising bursary students studying in engineering, finance and technical fields (2015: 93).

Health and safety

Metair's health and safety policies are aligned with the relevant legal frameworks, including the Occupational Health and Safety Act. The group safety, health and environmental (SHE) policy is available on our website at www.metair.co.za/health_safety.asp.

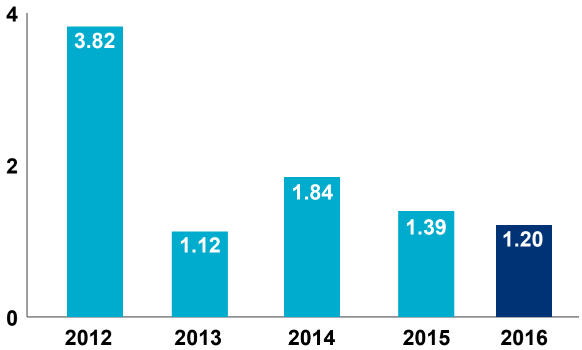
Health and safety is managed at operational level according to subsidiary SHE policies that align with the group policy.

Health and safety incidents and near-misses are monitored 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.

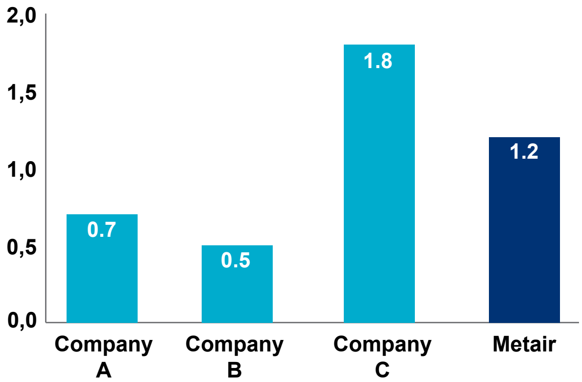
Nine of our operations are accredited in terms of OHSAS 18001, the international health and safety standard. Accreditation was deferred for Automould as it is in the process of being integrated into Smiths Plastics. Lumotech and Smiths Plastic have opted to seek accreditation under ISO 45001, the new occupational health and safety management standard that will replace OHSAS 18001.

There were no fatalities in the group in 2016 and 109 lost-time injuries (2015: 115). The lost-time injury frequency rate (LTIFR) improved to 1.20 per 200 000 person hours (2015: 1.39). Common workplace injuries in the group operations include cuts, bruises, back and muscle strains and burns.

LTIFR



Peer comparison – LTIFR per 200 000 person hours



Hazardous substances

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

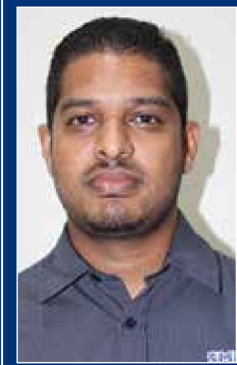
Lead is used at our First National Battery, Mutlu Akü and Rombat battery manufacturing facilities. EU directive 2000/53/EC classifies lead as a banned substance and producers are required to limit these substances in the manufacture of new vehicles.

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

There was an incident at Mutlu Akü during the year involving 190 employees after blood lead test results were given to employees for the first time. In response, Mutlu Akü established a ‘clean & dirty cloakroom’ system (similar to the mining industry), weekly counselling for at-risk employees, as well as increased awareness on what “health” is and how to improve it.

HIV/Aids

HIV/Aids prevalence rates at our South African operations are around 3%. 501 employees and contractors received counselling for HIV/Aids in 2016 (2015: 772) and 902 were tested (2015: 902). 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



YARIAH DEVASHAN

Key Accounts Manager at Smiths Plastics
B. Com – Strategic/ Business Management

Yariah manages relationships with OE and international customers, identifies new market opportunities and is responsible for SHEQ and marketing activities. Employees on the group's medical aid programmes can access Aids management programmes.

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. We take incidents of discrimination within the company extremely seriously and these 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 2016 human capital targets

- **Zero fatalities and reduce LTIFR to 1.0 or below.**
  Zero fatalities and LTIFR improved 13.7% to 1.20, although this is still above our target.
- **Absenteeism and staff attrition rate for the group should average below 3.0% (excluding contractors).**
  Absenteeism (3.3%) and staff attrition (8.4%) remain above our target.
- **Maintain group training spend at a minimum of R15 million. Training to be expanded to Turkey and Romania.**
  Total training investment for the year was R31 million (including induction, awareness and other non-skill building interventions), while skills development programmes totalled R14.6 million. Training was expanded to Mutlu Akü and Rombat.
- **Continue involvement in offering of learnership programs to 300 learners group wide.**
  There were 243 learnerships in the group.

Human capital targets for 2017

- 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.
- Continue involvement in offering of learnership programs to 300 learners group wide.

SOCIAL AND RELATIONSHIP CAPITAL

Metair's social and relationship capital is built through demonstrating its commitment to custodianship and ethical business practices in its dealings with all stakeholders. However, this capital is easily eroded should stakeholders or broader society lose trust, devaluing the reputation and brand of the organisation. The importance of custodianship to the group is emphasised by its inclusion as one of the strategic focus areas and supports the development of social and relationship capital.

Financial capital allocated to supplier development and socio-economic development initiatives builds social and relationship capital by showing that the company's actions align with its commitment to transformation and community support. Ensuring that the company acts in an ethical and responsible way also builds capital with our employees and this year the CSI policy was amended to allocate 10% of CSI spend to projects recommended by the workforce.

Metair's approach to stakeholder engagement, a discussion of the concerns of our key stakeholders and how we address these is available on page 48. The section that follows details the company's activities around transformation and corporate social responsibility.

Transformation

Metair is committed to the principles of transformation and views a strong B-BBEE performance as a potential competitive advantage. Failure to embrace transformation risks losing relevance with customers, suppliers, government and communities. 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 in the group is guided by the group transformation policy and the equal opportunity policy. The employment equity and transformation committees monitor and manage transformation in the group and report progress to the board. We measure our progress using the Department of Trade and Industry B-BBEE 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 2016 was for all certified entities to achieve level 4 under the new codes. At the end of December 2016, three of the nine operating companies had been certified under the new codes and all three achieved level 4 contributor status. The remaining companies were certified under the old codes with 4 companies achieving level 3, one level 4 and one level 5. The group's combined B-BBEE scorecard is shown in Appendix II on page 103.

The group's cumulative B-BBEE score declined 40 points to 682.04 (2015: 722.36) due to decreases in the scores for skills development and preferential procurement, and the impact of the new codes on the companies applying them.

The focus on talent management in the group in the short-term will prioritise identifying and developing good candidates to improve employment equity in the subsidiary companies. Enterprise and supplier development will be another priority area, focusing on developing raw material suppliers, suppliers of consumables, services and consultancy services. These projects will be supported by an HR conference with a focus on talent identification and employment equity as well as a procurement conference which is intended to foster cooperation at an industry level to identify sustainable enterprise and supplier development opportunities.

Ownership

Royal Bafokeng Holdings (RBH), the group's original 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. For the 2016 ownership assessment, the group achieved 22.23 points, which flows down to subsidiary level.

Metair commissioned an independent analysis of its ownership as at 31 December 2016, the results of which are summarised in the table below.

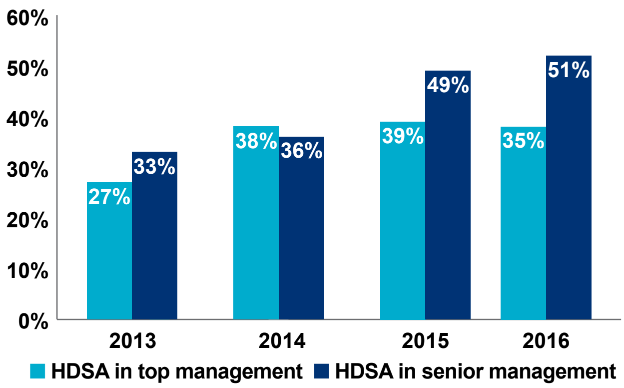
	Economic interest		Voting rights	
	2016	2015	2016	2015
B-BBEE shareholders	37.56%	35.53%	37.11%	34.73%
Female B-BBEE shareholders	18.94%	17.32%	13.69%	13.06%
Designated group B-BBEE shareholders	2.23%	2.21%	2.23%	2.21%

Management control

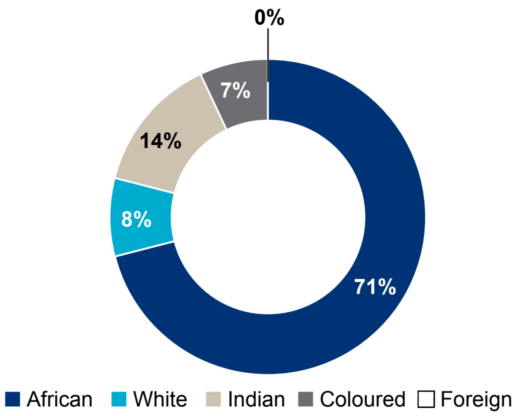
The highly technical nature of Metair's operating companies require managers with engineering or other technical qualifications, or skills built up through long practical experience and training. These skills and experience are highly sought after in a global context and when these skills are present in an equity candidate, long-term retention becomes very challenging. Over time, our skills development and employment equity programmes aim to develop the necessary skills and experience in the relevant candidates to improve representivity in the higher management levels.

Historically disadvantaged South Africans (HDSAs) comprised 91% of the total permanent workforce (excluding Mutlu Akü, Rombat and Dynamic) at the end of 2016. HDSA in top management decreased slightly to 35% in 2016 (2015: 39%) and HDSA in senior management improved to 51% (2015: 49%). The group's aggregate B-BBEE score for management control improved 5.39 points to 48.46.

HDSA in workforce (SA operation only)



Staff composition (SA) only



Employment equity

Employment equity in the South African operations is driven by 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.

Under the new codes, employment equity and management control are combined into a single category. For the six companies verified under the old codes, the aggregate employment equity score decreased 4.75 points to 53.51 in 2016.

Skills development

The group commits significant investment into skills development to develop and sustain the technical skills to support manufacturing excellence in our operations. Our aggregate skills development score increased 18.19 points to 112.26. Total skills development spend was R14.6 million in 2016 (2015: R15 million) and total training spend increased to R30.9 million, representing 6.6% of group net profit after tax (NPAT) (2015: 2.8%).

Preferential procurement

Preferential procurement supports the development of black-owned businesses increasing procurement spend with these businesses. Total group preferential procurement from HDSAs was R1 733 million in 2016 in the South African operations (2015: R1 378 million), which represents 50.7% of total discretionary procurement spend. The new codes combine the preferential procurement and enterprise development categories from the old codes into a new category – enterprise and supplier development. Aggregate preferential procurement for the six companies still reporting under the old codes decreased 11.35 points to 83.0.

Enterprise development

Enterprise development (ED) initiatives aim to provide opportunities and support to HDSAs in small businesses to help them grow their businesses. Support can include 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 R21.5 million in enterprise development projects during 2016 (2015: R27.3 million) and the aggregate ED for the six companies on the old codes decreased 13.47 points to 65.61.

Socio-economic development

Metair's investment in socio-economic development/corporate social investment projects in 2016 was R13.5 million (2015: R21.4 million), with the decrease attributable to the completion of a number of large projects in 2015 as well as the intense operational focus in 2016. 32% of total CSI spend was allocated to education-related initiatives, 17% to health projects and 16% to basic needs and social development. The group's aggregate socio-economic development score remained largely unchanged at 40.11 points.

Progress against 2016 transformation target

- **Maintain and improve our level 4 B-BBEE target going forward on the new codes.**
  Three of the nine South African operations have achieved level 4 under the new codes. The remaining companies will be assessed under the new codes in the next assessment cycle, but achieved level 3 on the old codes, barring Smiths Plastics and ATE.

Transformation target for 2017

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

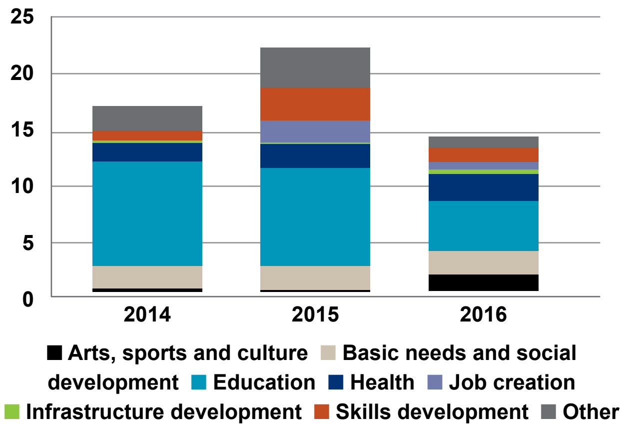
Corporate Social Investment

Our strategic focus on being exemplary custodians guides us to not only manage our impacts on the communities around us responsibly, but to actively contribute to their socio-economic development through various corporate social investment initiatives. These 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. At group level, a further 1% of group net profit after tax is invested in community projects.

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.

Allocation of CSI spend 2016 (R million)



Initiatives supported during 2016 included:

- ATE supported Oliver's House, a non-profit organisation in the Zenzele township near Benoni.
- First National Battery supports the READ Project and this year distributed reading materials to two schools in the Butterworth area. FNB also partners with ITEC's Community Library Project, which set up literacy areas at ten early childhood development centres and resourced these with reading books and pre-writing materials for the benefit of 4 560 children and 187 adults.
- FNB completed the renovation of Encotsheni Primary School, including installing two 5 000 litre eco rainwater tanks and donated two battery banks for the installation of a solar system to make East London's local chamber of commerce the first 'Green' business chamber in South Africa.
- 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.
- Hesto also supported Inqolobane Home for the Disabled through renovating and upgrading the home, training of staff (cooking, CPR etc.) and through the donation of food and beds as a Mandela Day initiative.
- Lumotech supports 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 as well as supporting the IGems Maths and Science Programme for aspirant engineering students. One of the students is starting a 12-month learnership at Lumotech in 2017.
- Rombat supports the Bucurie Association, a day centre for disabled people, with meals for more than 15 people daily.
- Smiths Plastics and Automould supported various child and family welfare, crisis care, Aids and educational organisations.
- Smiths Manufacturing supported the construction and supply of classrooms, libraries and school infrastructure, sponsored a township rugby tournament, supported various NPOs in healthcare, caregiving and feeding schemes, and sponsored 104 bursaries, including for 13 learners at Fulton School for the Deaf.
- Supreme Spring supported a local feeding scheme and supplied books and shelving to Nigel Secondary School.
- Unitrade continued to support Inqolobane Home for the Disabled with specially designed beds and mattresses to cater for the unique needs of the children. Training was provided to the caregivers of the home in first aid and fire-fighting. Unitrade also partners with Macmillan Teachers Campus and in 2016 sponsored training sessions to local teachers from various schools as well as study guides and materials to help bridge the gap and assist teachers with problem subjects like Physical Science, Mathematics and English.
- 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.

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 donations of food and blankets (Lumotech) and participation in a Community Chest day to upgrade an old age home (Smiths Manufacturing).

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 supports the Khaya Community Centre in Lehae, Johannesburg. 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 Khaya Centre reopened in January 2016 and in the six months to June 2016 supported the local community in the following ways:

- 720 Orphans and Vulnerable Children received two meals a day.
- 106 elderly palliative clients receive one meal a day and one food parcel a week.
- 102 Early Childhood Development (ECD) students attend our learning facility each day and receive three meals a day.
- 109 clients were counselled and assisted in the Victim Empowerment Centre.

- 120 children and 20 staff members have acquired basic computer skills in our IT Training Centre.
- 6 ECD teachers have received further education and qualification training at a professional learning institution.
- 80 teenagers are enrolled in our Young Life Program.

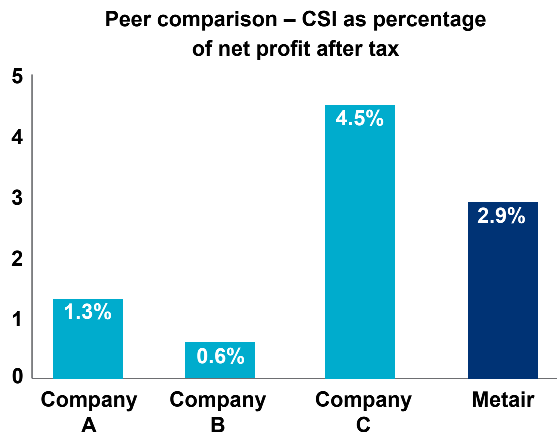
For Christmas, Metair funded food parcels for 300 households, feeding an estimated 1 800 beneficiaries for 14 days. We also donated a sculpture of a young girl, Themba (Hope), for the trauma room, which is used as an entry point to conversation and an insight into the mental state of young girls and women who have suffered trauma, domestic violence or rape.

Progress against 2016 CSI target

- **1% of net profit spent on CSI projects.**
  Total CSI spend of R13.5 million represents 2.9% of net profit.

2017 CSI target

- 1% of net profit spent on CSI projects.



MANUFACTURED CAPITAL

The manufactured capital available to Metair is present in the buildings, infrastructure, machinery and tooling that is used to manufacture our products. This capital is augmented by capital investments and technology transfers from our technology partners, and depleted by wear and tear, deterioration and breakdowns.

As a manufacturing company in a highly technical industry, it is essential that the highly skilled human capital available to the company is matched with high quality machinery to ensure cost-competitive production of quality components and energy storage solutions. Refinements to manufacturing structure at Lumotech led to a more focussed approach to scrap and productivity. Smiths Plastics completed the consolidation of its Pinetown plants as well as achieving a flawless launch of its East London and Hesto facilities.

New model launches feature significant investments of financial capital into manufactured capital to ensure that the required tools are in place, that facilities meet the required standards and that they are laid out in the most efficient way.

Manufactured capital is also expanded by intellectual capital in the company, or introduced into the company by technology partners or customers, where these lead to improvements to equipment or facilities that improve production. These technological advances are critical to meet the rapidly evolving needs of customers and maintain competitiveness.

The battery plants in the energy storage vertical plan to implement Industry 4.0 manufacturing principles over the next five years. Industry 4.0 seeks to address the challenges to the traditional manufacturing model posed by increasing product complexity, shorter product lifecycles and the intricacies of global supply chains. Digitalisation of the product lifecycle helps to identify key market trends at an early stage, recognise unmet customer needs and react faster to demand changes and the need to implement new configurations. The application of advanced technologies creates a fully integrated and autonomous value chain, driving value creation by enhancing flexibility, reducing development time from first idea to finished product, improving quality and increasing productivity.

The capital expenditure required to maintain and improve manufactured capital is discussed in more detail in the CFO report on page 44.

INTELLECTUAL CAPITAL

Intellectual capital is built up in the skill and experience of the technical experts in the group. This improves the quality of our human capital and can be applied to our manufactured capital through improved processes, product designs and factory layouts. Our interactions with our technology partners and customers are critical in developing intellectual capital in the group and a key benefit of our activities in the automotive component sector.

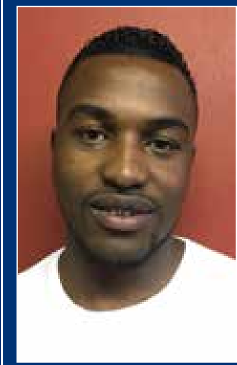
The group's energy storage research and development expertise has been centralised at the Battery Technology Centre (BTC) in Turkey. The intellectual capital built up in the BTC is applied across the group through engagements with the other production facilities to ensure that leading practices are disseminated to each operation.

Several projects at the BTC are focussing on developing more energy efficient and environmentally friendly products. A new production range project resulted in improved lead efficiency and cost reduction in both products and processes. Development of lithium-ion cell type batteries is progressing well.

Given the rapid pace of advances in the automotive and energy storage industries, it is essential that Metair's intellectual capital keeps pace, while at the same time staying within the group's core competencies. This will require that we partner with the OEMs at the forefront of the latest trends to develop of the next generation of energy storage systems.

Various projects are underway at the energy storage manufacturing facilities to test new ways to improve the weight, technical performance, lead consumption and specifications of our batteries, while reducing scrap and non-conforming products. Metair will also participate in the development of the first hybrid vehicle in South Africa.

Financial capital invested in research and development reduces the value available for distribution to our stakeholders in the short term, but strengthens the group's intellectual capital, leadership and sustainability in the medium to long term. This year the group invested R59.8 million in research and development, of which R45 million relates to Mutlu Akü in Turkey.



MICHAEL MODISE

Production Planner at Supreme Spring Quality Management, Supply Chain Management

Michael is responsible for full material planning, production planning, control functions and liaises with internal employees, suppliers and customers

ABM – LIGHTING HEARTS

ABM's 'Lighting Hearts' initiative supports community institutions that cater for the disadvantaged by donating and installing solar equipment that improves peoples' lives, such as solar powered lighting, water pumps and water heaters.

The Happy Nairobi Children's Home provides a safe home for approximately twenty vulnerable girls from the local community. ABM installed a PV solar system that provides power for at least 20 lights for around 15 hours, so that the children can read and study after dark. The installation also includes a solar water pump to provide irrigation from the shallow well on the property. Previously, the children had to draw water from the well by hand, but now the water can be used to develop a vegetable garden to provide vegetables for the home.

Most of the institutions identified support anywhere from 100 to 500 pupils or people that benefit directly from these installations. However, installations such as solar water pumps can have a far wider impact where these improve access to water for the broader community.

ABM's goal is to identify and support institutions in communities around its 16 service centres across Kenya.

ENVIRONMENT

Metair's most significant impacts on natural capital and the environment are through our carbon emissions, energy consumption, water consumption and the waste produced in our manufacturing activities and recycling facilities. Taking a responsible approach to managing our impact on the natural environment aligns with our core social and ethical values and helps to build social and relationship capital with customers, communities and regulators. Failure to adequately manage our environmental impacts risks reputational damage, fines and the loss of our social licence to operate.

Environmental issues are monitored by the social and ethics committee, which reports to the board. The chief executive officer is a member of the social and ethics committee. At operational level, environmental management forms part of the safety, health and environment (SHE) function.

We believe that formal measurable and auditable systems are of utmost importance to allow objective measurement of performance against world class standards and expect our businesses to adhere to the highest standards regarding their environmental impact. All of the group's subsidiaries are accredited under ISO 14001 (environmental management) and are in the process of implementing ISO 50001 (energy management).

Climate change

Metair is committed to making a contribution to addressing the challenges posed by climate change. Increasing global concern about the impact of climate change resulted in stringent motor vehicle emission regulations, led by the EU. These have a direct bearing on the automotive industry, our OE customers and the vehicles they produce. Greenhouse gas emissions from transportation are estimated to contribute around 14% of global emissions[1]. Metair's energy storage vertical is well positioned to support reduced motor vehicle emissions in the short-term through our Start/Stop battery technology and in the longer term through our next generation of automotive energy storage systems. Energy storage solutions also play an important role in alternative energy production, such as solar systems.

Potential direct impacts of climate change on our business 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.

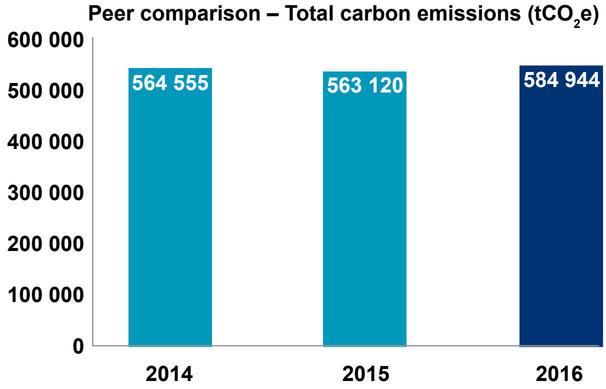
[1] www.epa.gov

Carbon footprint

The group's total carbon footprint increased 4% to 585 944 tCO_2e in 2016 (2015: 563 120 tCO_2e). Scope 1 (direct emissions) and Scope 2 (indirect emissions from electricity) emissions decreased. Scope 3 emissions increased 7% as a result of increased purchase of raw materials at Mutlu Akü and Rombat linked to higher production for the year and increased upstream transport and distribution costs at Hesto related to the model launch.

Emissions embedded in raw materials accounted for 57% of the group's total carbon footprint and electricity for 24%.

Peer comparison – Total carbon emissions (tCO_2e)



	2016[2]	2015	Change
Scope 1	46 468	46 353	0.2%
Scope 2	141 376	146 046	(3.2%)
Scope 3	398 100	370 722	7.4%
Total	**585 944**	**563 120**	**4.1%**

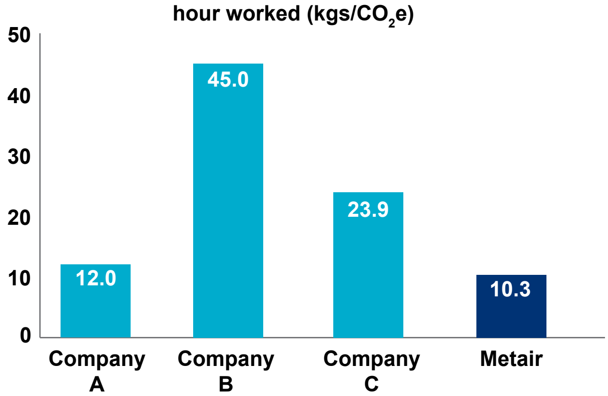
[2] The carbon footprint was calculated using the GHG Accounting Protocol (WRI, WBCSD) as a guideline, and the equity share approach to consolidate carbon emissions. The relevant DEFRA emissions factors were used for the 2016 and 2015 emissions calculations. For 2016, the grid emission factor of 1.01 kg/CO_2e per kWh was used (Eskom 2016). The calculation included CO_2, CH_4 and N_2O. Refrigerant gases included hydrofluorocarbons (HFCs) and hydrochlorofluorocarbons (HCFCs R22).

The manufacture of batteries in our energy storage segment consumes carbon dense materials and is an energy intensive process. Downstream logistical costs are higher at First National Battery due to the spread of its operations over a relatively wide area. The three battery manufacturing operations – First National Battery, Rombat and Mutlu Akü – combined contribute 70% of the group's carbon footprint.

Given that just over 86% of the group's carbon footprint is attributable to the consumption of raw materials, electricity and stationary fuels, Metair's focus on optimising manufacturing efficiencies (including energy use) and reducing waste is also the most effective means for reducing our carbon footprint.

Scope one and two emissions per person hour worked decreased 11.2 % in 2016 compared to 2015.

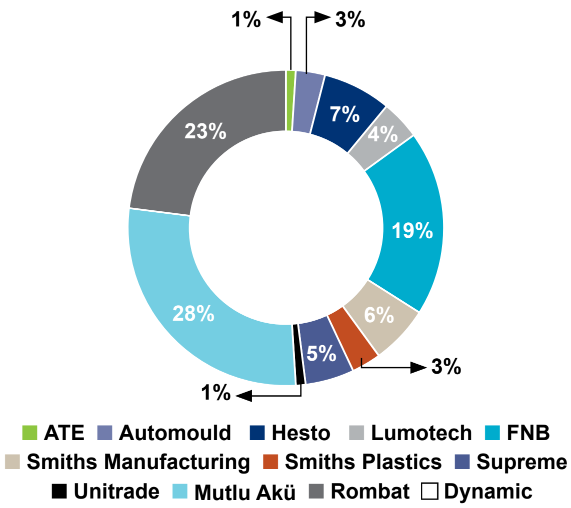
Peer comparison – Carbon footprint per person hour worked (kgs/CO_2e)



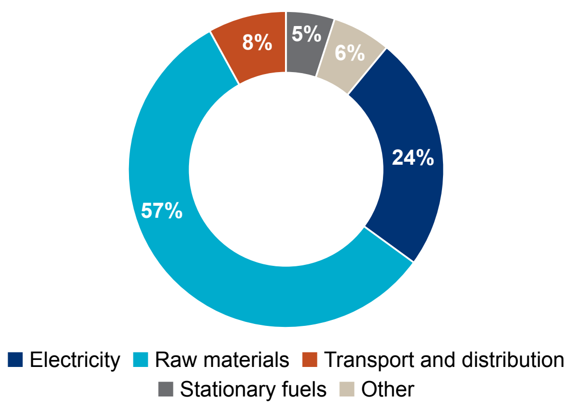
Metair continues to monitor developments in the proposed carbon tax regime that is expected to come into force in the next 12 to 18 months as is discussed in more detail in the financial sustainability section on page 51.

Metair has historically not submitted a CDP report, but may consider doing so in the future.

2016 Carbon footprint by operation



2016 Carbon footprint by source



Energy consumption

The group consumes energy in the form of fuels, such as petrol and diesel, gases and electricity. Electricity is a key input in both our manufacturing facilities and our costings. Our focus on manufacturing excellence includes improving production efficiencies to use machinery and energy more efficiently. This is achieved through initiatives such as redesigning processes to improve efficiencies, installing more energy efficient machinery and maintaining a high awareness among employees about the need to increase energy efficiency.

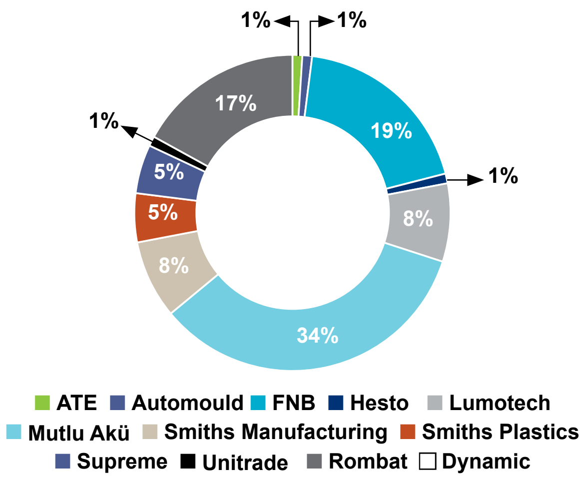
Examples of initiatives to improve energy efficiency in our operations include:

- Installing more efficient variable speed compressors;
- Installing energy efficient LED lighting and daylight sensors;
- Resizing capacitor banks and electrical motors;
- Insulating cooling tanks, pipes and pumps;
- Training and awareness of staff;
- Implementation of ISO 50001 energy management systems across operations by the end of 2018;
- Resizing boilers for water heating.

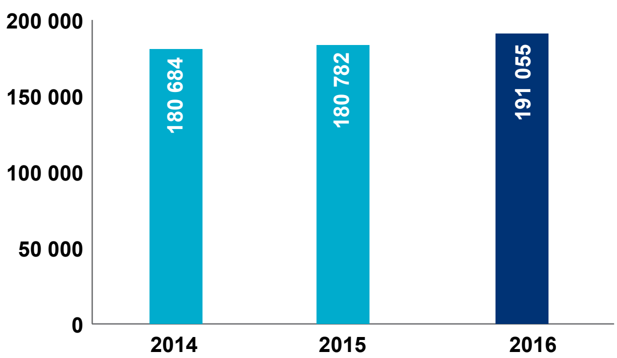
The new processes/lines and additional products added to the automotive component operations to support the new vehicle launches in 2015 included new methods to improve efficiency of production and reduce scrap. With the launches now bedded down, our focus will be on realising these planned efficiencies. Improvements in electricity consumption per operation are measured against the representative products each operation produces.

The redesign of our lead acid battery range prioritised not only further improvements to technical performance, but also reduced lead consumption per unit, minimising scrap and nonconforming products in the manufacturing process, and reducing environmental impact by improving the collection and recycling of scrap batteries.

Electricity consumption by operation



Electricity consumption (MWh)



Electricity consumption increased 5.7% to 191 055 MWh or 687 798 Gigajoules (2015: 180 782 MWh or 650 817 GJ). Electricity consumption per person hour worked decreased 3.9%. First National Battery, Mutlu Akü and Rombat together account for 70% of group electricity consumption, but it should

SINENHLANHLA MSHENGU

Process Engineer at Unitrade

B. Tech Industrial Engineering

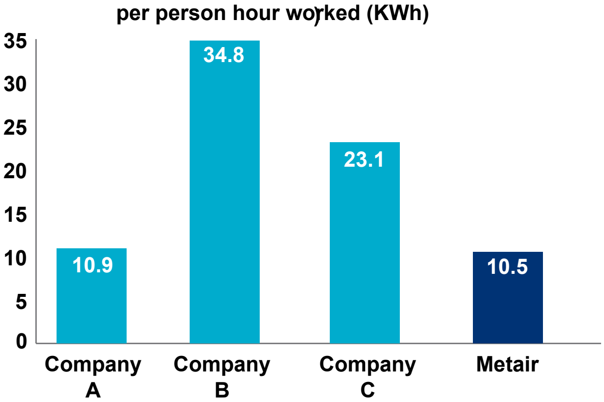
Sinenhlanhla identifies and implements process improvements, compiles process analytics and control plans, and conducts capability studies, process audits and root-cause analyses

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. So far Mutlu Akü has implemented the system and one of Metair's associate companies – Tenneco – was the first company in the South African automotive component industry to obtain ISO 50001 accreditation during 2013.

Peer comparison – Electricity consumption per person hour worked (KWh)



Waste management

Minimising waste from production processes is an important aspect of improving production efficiency and sustaining manufacturing excellence. Scrap reduction targets are set at each subsidiary for primary and secondary materials and the yield on lead recycling and plastic recycling percentage are tracked 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 in compliance with the relevant legislation. Hazardous waste is disposed of using registered disposal companies.

The group recycled 71% of its non-hazardous waste (8 366 tonnes) in 2016 (2015: 5 999 tonnes) mainly in the form of externally recycled plastic and metal, as well as internal recycling of plastics. We also recycled 67 000 litres of used oil during the year.

Batteries and recycling

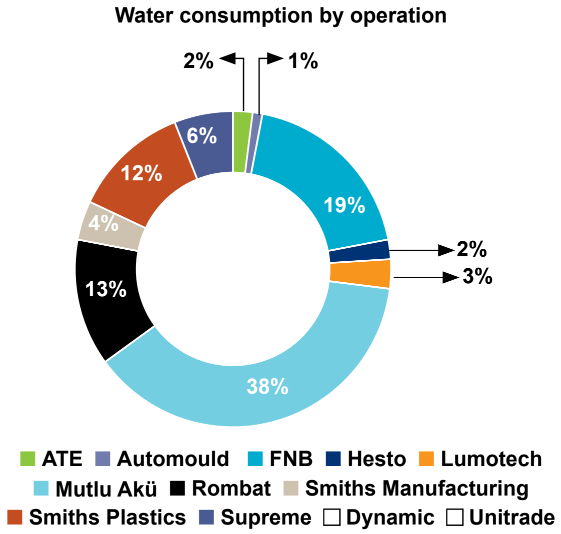
Lead acid car batteries are nearly 100% recyclable. Battery acid is neutralised and processed through an effluent plant. Plastic from the casing is processed into pellets and used to make new battery casings. Battery plates, terminals and other extracted lead are refined and blended to produce high-quality lead alloys for new batteries. Recycling batteries removes plastic, lead and acid from the environment, all of which are potentially harmful substances. Recycled lead is cheaper to access, saves energy and reduces emissions as it uses around a third of the energy needed to produce virgin lead from ore.

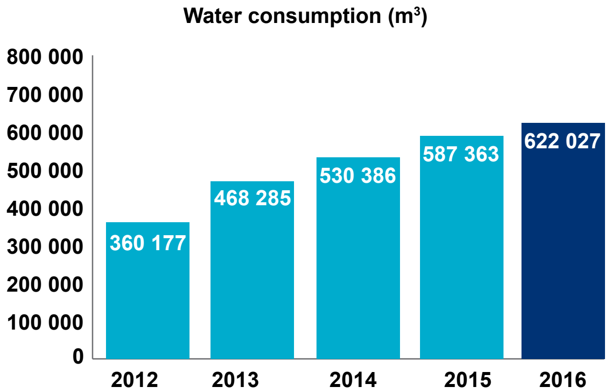
First National Battery, Rombat and Mutlu Akü all have recycling plants.

Our goal as a battery manufacturer is to take more lead out of the environment than we put into it. We incentivise customers to return old batteries when buying new ones and dispose of non-recyclable components in a responsible way. In 2016 the group recycled nearly 75 000 tonnes of lead.

Water consumption

The group withdrew 622 027m³ of water in 2016 from municipal sources, an increase of 6% on 2015 (587 363m³). Group water consumption per person hour worked decreased 3.7% to 34.3 litres (2015: 35.6).





Water consumption is calculated from municipal meter readings, corroborated by readings from internal meters where these are installed.

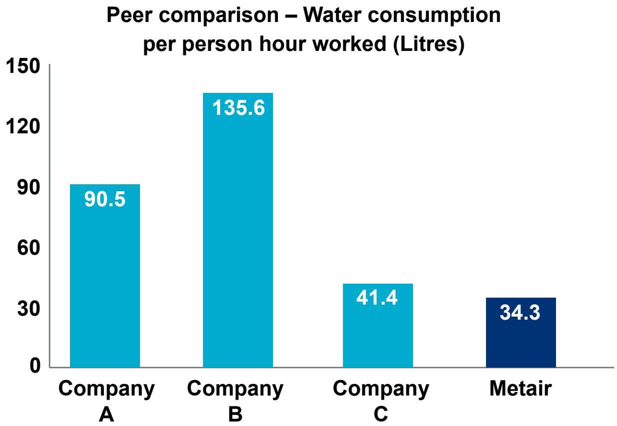
Battery manufacturing uses a lot of water and the three battery operations together account for 71% of group consumption.

While there were no water supply interruptions that affected production this year, Metair recognises the increasing risk to business of poor quality or interrupted water supply.

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 uses a reverse osmosis water purification plant to recycle and recover 90% of the water used in the wet fluxing and evaporation coating processes.
- Supreme Spring has installed meters in paint lines to monitor water consumption and enforce reduction in water usage.
- Lumotech harvests rainwater for use in its processes and recycles waste water from the cleanroom humidifiers and pump plant. Effluent water from the spraying process is stored for reuse.
- Across operations, leak identification and repair is a priority.

Metair does not currently participate in the CDP water programme.



Environmentally friendly products

The group's technical expertise and culture of innovation position it well to develop energy efficient and environmentally friendly products. In addition to Start/Stop lead acid and lithium-ion batteries, the group offers a range of other environmentally friendly products, including:

- Lumotech produces a range of high-efficiency streetlights and warehouse lights. In 2016, Lumotech launched their bulk LED lights.
- Smiths Plastics is involved in a project to manufacture a low cost, low pressure solar water heating and storage unit proposed for use in previously disadvantaged areas.
- Durable M Solar batteries for solar powered installations.
- Spill-proof Gel VRLA batteries.
- Solinc, one of ABM's subsidiaries, manufactures solar panels.

Environmental impacts

The stringent environmental regulatory regimes in Europe and Japan that apply to our OEM customers mean that we are required to clearly understand and closely monitor the environmental impact of our products and their constituents. 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.

GERALD NAIDOO

Senior GM Manufacturing at Smiths Manufacturing

National Higher Diploma – Mechanical Engineering, B. Tech Management, Honours Diploma in Management, MBA

Gerald manages all operations on site at Plant 2

Given the strategic nature of lead as an input for our energy storage businesses, we prioritise recycling of used batteries in all our markets, which reduces potential environmental impacts.

Certain brake shoes imported from China by ATE were found to be contaminated with a negligible percentage of chrysotile asbestos. All brake shoes were recalled, most of which were still in ATE's warehouse. The National Regulator for Compulsory Specifications will inspect all of the goods before they are sent back to the manufacturer.

During the preparation of an environmental clearance certificate at ATE, chrome 6 was discovered in the ground, which is likely from the chrome plating facility that historically operated on the premises. The affected area was rehabilitated, with the contaminated rubble disposed of at a class one dump site by an accredited subcontractor as per the environmental regulations. ATE ceased chrome plating in 2012 and the facility was dismantled and the equipment discarded at that time.

Environmental protection expenditure totalled R4.4 million in 2016.

	2016	2015
Waste disposal, emissions treatment and remediation costs	**R1.4m**	R5.9m
Prevention and environment management costs	**R3.0m**	R0.4m

Progress on 2016 environmental targets

- **Target 1% improvement on site specific production scrap percentages.**
  Not achieved at most subsidiaries, partly due to new products and processes. All operations have initiatives in place to reduce scrap in future.
- **All companies to achieve ISO 50001 accreditation by the end of 2018.**
  Mutlu Akü achieved accreditation during 2016. Other operations are in the process of implementing.
- **Energy storage businesses to improve yield at recycling facilities by 5% especially at lead recycling facilities.**
  Achieved at Mutlu Akü. FNB improved yield, but by less than 5%. Rombat improved bullion yield, but not alloy yield.
- **Increase usage of recycled plastic by 10%.**
  Achieved at those facilities that use plastic and are allowed to use recycled plastics by product specifications. Not achieved at Mutlu Akü and Rombat, however initiatives are in place to increase the use of recycled plastic in future.
- **Target a 5% improvement in consumption of water per person hour worked.**
  Achieved an improvement of 3.7% in litres consumed per person hour worked.

2017 environmental targets

- All companies to target achievement of ISO 50001 accreditation by the end of 2018.
- Target 1% improvement on site specific production scrap percentages.
- Energy storage businesses to improve yield at recycling facilities by 2% especially at lead recycling facilities.
- Target a 2% improvement in consumption of water per person hour worked.
- Reduce total energy consumption by reducing electricity consumption per person hour worked by 5% by December 2018.
- Reduce Scope 1 and 2 emissions per person hour worked to below 10 kgs/CO_2e.

CORPORATE GOVERNANCE

Ethical and effective leadership and corporate citizenship

In a very challenging environment two requirements remain constant – sound business principles and competent motivated people. More specifically, a challenging environment calls for quality, motivated leadership as well as an organisational focus on leadership development and talent management. The foundation of Metair's business is not only built by design, but also on principles including respect for people and the environment, and ethical and effective leadership. This year's cover image depicts a mosaic of the people in the group representing our leadership through management. It also includes the support structure behind our leadership that makes it possible for us to execute our responsibilities as well as the people that we do our jobs for. We operate in a fast and continually changing environment, and our strong roots in sound principles align with a culture that stimulates creativity and innovation to ensure that we can adapt quickly and align to new trends, requirements and expectations to be a sustainable business.

The board continues to provide effective leadership based on a foundation of high ethical standards. Our golden rule is always to reflect the truth in all oral and written communications. The group is committed to a policy of fair dealing and integrity in the conduct of its business, based on our fundamental belief that business should be conducted honestly, fairly, legally and transparently. All employees are required to share the group's commitment to high moral and ethical standards, and to adhere to all legal requirements. The core principle of the group's ethical policy is the ethical culture that exhorts all employees to be exemplary custodians in their areas of responsibility in their workplace, home, community, country and the world. This policy was reinforced throughout the group during 2016. The group also has an anonymous whistleblowing programme covering all subsidiaries through which employees can report any unethical behaviour without fear of being victimised.

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 conduct incorporates corporate citizenship and ethical leadership policies. The group is involved in a number of corporate social investment projects which are discussed on page 59.

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

Refer to the social and ethics committee section on page 78 for more information.

Governance framework

The group's governance framework is illustrated on the next page. The board is the principal decision maker, supported by the various committees and 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 group's governance framework are as follows:

- Focus on Metair vision and strategy
- Corporate responsibility and ethics
- Risk management
- Sustainability
- Cost, delivery, quality and competitiveness
- Health, safety and the environment
- Finance – budgets and forecasts
- Wellness of employees
- Being a supplier of choice

Corporate governance compliance

The audit and risk committee performs an annual review to ensure that the group applies the principles and recommended practices of King III and that it complies with the highest standards of corporate governance. 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 2016 financial year and continues to strive to improve on the application of the recommended practices in our governance systems, processes and procedures. The King III checklist on page 107 indicates the level of compliance against each principle.

King IV was released on 1 November 2016 and is effective for financial years commencing from 1 April 2017. Metair will apply the principles and recommended practices of King IV and will report on their application in our next integrated annual report. The implementation process has already started and certain of the new reporting requirements are included in the 2016 integrated annual report.

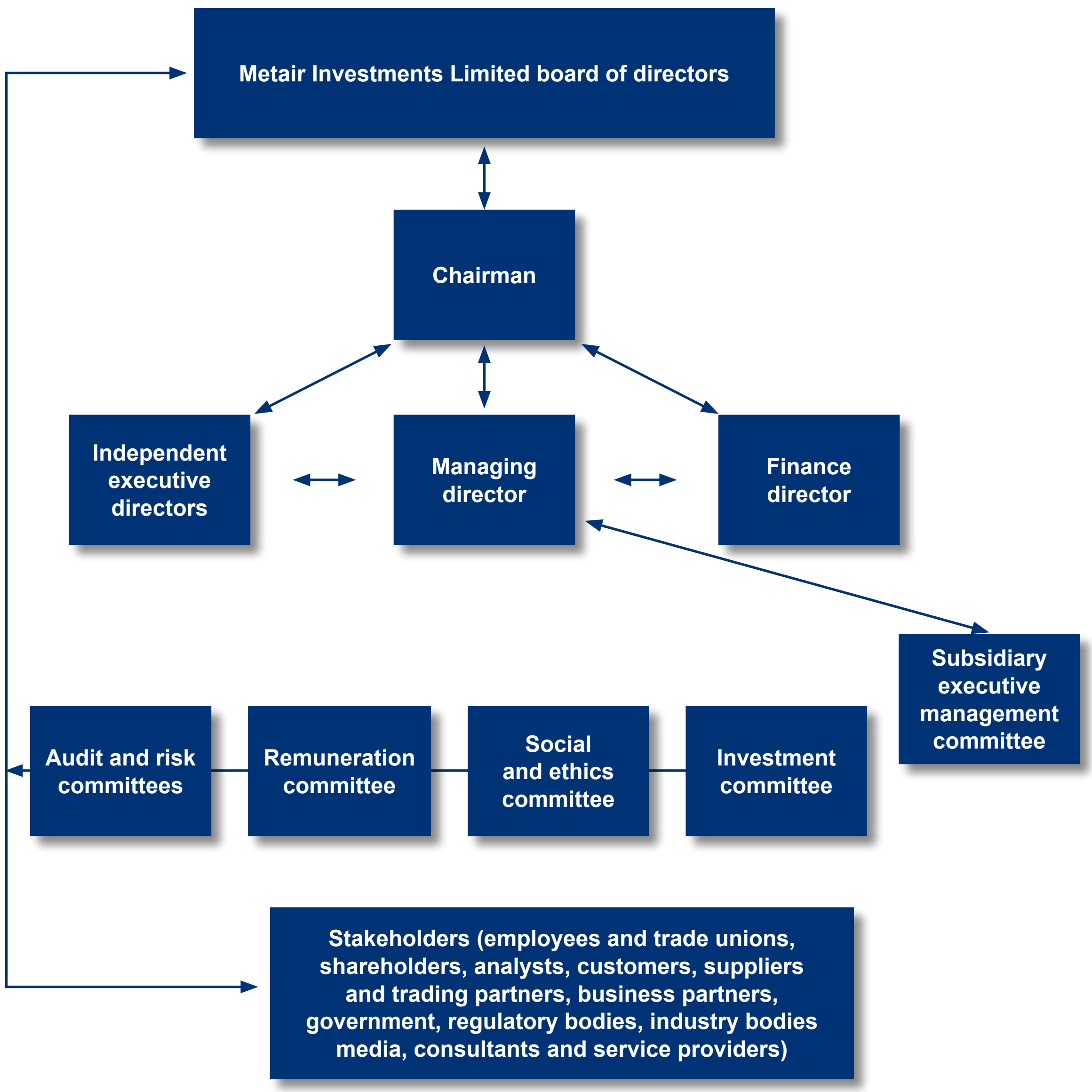
The group ensures that it complies with all applicable laws and regulations in each jurisdiction in which it operates, including, where applicable, non-binding rules, codes and standards. The group complies with the JSE Listings Requirements by fulfilling its obligations such as advising the JSE and 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.

Metair is in the process of enhancing its compliance program and will be rolling out a compliance dashboard during 2017. The dashboard aims to enhance compliance governance by entrenching a culture of compliance flowing from the tone set at board level through top management, middle management and all employees. A compliance report was done during the year 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 assist committee members abreast with developments in legislation, the JSE Listings Requirements and general compliance trends 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 charter is reviewed annually to ensure relevance and is updated if necessary. The board is satisfied that it discharged its duties and responsibilities in relation to its charter. The key roles 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 known 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;
- Ensure 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; and
- Perform the role of the nominations committee for appointments to the board following recommendations from the nominations committee.

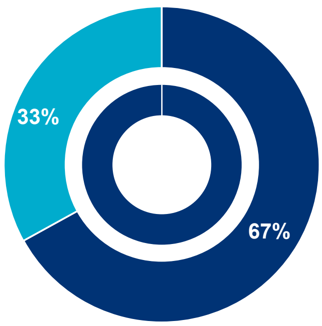
The board comprises nine directors, of whom two are executive directors (the managing director and the finance director) and seven independent non-executive directors (one being the chairman). The average age of directors is 59.8 years and the average length of service is 6.4 years. No employees aside from the executive directors are deemed to be prescribed officers.

Mr David Wilson resigned as non-executive director of the Company and as a member of the Company's audit and risk committee with effect from 1 November 2016 as a result of increased executive responsibilities at Royal Bafokeng Holdings (Pty) Limited. The board initiated a recruitment exercise to replace Mr Wilson by forming a sub-committee to assess nominations and provide the board with a short list, which led to the appointment of Ms HG Motau to the board on 1 November 2016 as independent non-executive director and a member of the audit and risk committee.

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 may offer themselves for re-election.

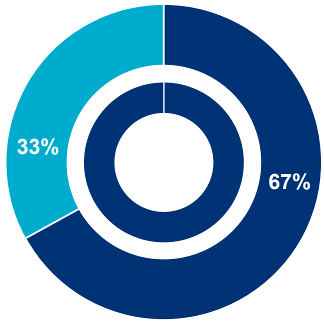
In appointing new directors, the board took into account gender and racial representation to redress the historical imbalances at this level. The appointment of Ms TN Mgoduso, Ms PPJ Derby and Ms HG Motau has largely addressed this imbalance. The new board composition enhances the knowledge, skills, experience, independence, diversity and effectiveness of the board, as well as ensuring that the board reflects the context in which the company operates. It is the intention of the Metair group to have at least a third of the board membership being women, wherever possible. Metair continues to evaluate potential long term strategic BEE partners.

Board composition – diversity



Inner ring – 2015 Outer ring – 2016

Board composition – diversity



Inner ring – 2015 Outer ring – 2016

Directors' industry experience

Metair believes that the new board composition creates an environment which supports executives in executing their roles while remaining motivated, thus ensuring Metair's sustainability.

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. Meeting dates are communicated to the board on a meeting plan and are normally agreed to by the end of the preceding 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 meeting dates 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.

The board self-evaluation was enhanced by adding roundtable discussion points. Two self-evaluations were conducted during the year. This process was coordinated by the company secretary and the results were discussed at the board meetings in June and November 2016. The chairman concluded that the board is functioning well and noted areas that require improvement. The self-evaluation process is coordinated and repeated twice annually to assess the functioning of the board and to track progress on areas requiring improvement. Once every three years a board evaluation of individual board members is done by an outside service provider. This evaluation is due to be done again in 2017.

The chairman reviewed the managing director's performance appraisal after which it was discussed by the board at the November 2016 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 the 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.

The board reviews and approves all board and committee charters annually. King IV references will be added early in 2017 so that the charters are fully compliant on the effective date.

Board members are required to regularly declare any shareholding and any interest they might have in transactions with the group.

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 tenures are both in excess of nine years, however, the board is satisfied that they are still of an independent mind.

Succession planning was highlighted as an important leadership issue that needed attention. The increased focus on succession planning can also be seen in this year's cover image, which depicts a mosaic of the people in the group representing our leadership potential. The arrow on the cover image represents the young talent in the group – the leadership and experts that will drive the company forward and ensure its sustainability in the future. Management's focus on succession planning during the year resulted in succession plans being developed 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 finalising the way forward. Talent management and development programmes have also been identified as focus areas for the next few years. 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

Director's attendance at board and committee meetings during the year are shown in the table below.

	Board	Audit and risk committee	Social and ethics committee	Remuneration committee	Overall attendance#
Number of meetings	6	4	3	4	
SG Pretorius (Chairman)	6	–	–	–	100%
CT Loock	6	–	3	–	100%
S Douwenga	6	–	2†	–	89%
JG Best	6	4	–	–	100%
RS Broadley	5†	–	3	4	92%
L Soanes	6	4	–	4	100%
DR Wilson*	5	3	–	–	100%
TN Mgoduso**	5	–	–	4	100%
PPJ Derby***	4†	–	3	–	88%
HG Motau****	1	1	–	–	100%
S Kahn	-	–	3	–	100%
Overall director attendance#	96%	100%	93%	100%	

 # Attendance percent calculated on board attendance during the tenure of directorship. Executive directors attend all committee meetings.

† Apologies tendered.

** Mr Wilson retired from the Metair board and from the audit and risk committee on 1 November 2016.*

*** Ms Mgoduso was appointed to the Metair board and the remuneration committee on 1 March 2016.*

*** Ms Mgoduso was appointed to the Metair board and the remuneration committee on 1 March 2016.*

**** Ms Derby was appointed to the Metair board and the social and ethics committee on 1 March 2016.*

***** Ms Motau was appointed to the Metair board and the audit and risk committee on 1 November 2016.*

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 scheduled annually on topical subjects by external and internal trainers. During 2016 the following training programmes were delivered:

Training	Training Topic
KPMG	Competition Law
IRAS	Sustainability, GRI guidelines
KAR Presentations	JSE Listings Requirements update, Information types and policy, Companies Act 2008, Financial Markets Act, Takeover law

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.

Investment committee

The board established an informal investment committee during the year which comprises of three independent non-executive directors, namely, Mr JG Best, Ms PPJ Derby and Ms HG Motau. The main aim of the committee is to look at investment opportunities brought to the board by executive management.

The board decided to formalise the committee in November 2016 and an investment committee charter was drawn up and approved.

The roles and responsibilities of the committee are:

- To satisfy itself that Metair's project and investment evaluation guidelines are consistently and properly applied;
- The committee's duties are to:
  – Review and evaluate all investments, disinvestment, corporate structuring and financing proposals which exceed the delegated authority levels of the executive committee and which require prior approval of the board;
  – Carry out post-completion reviews of projects;
  – Review and evaluate all capital investment and disposal requests submitted by management; and
  – Report to the board.
- Review capital expenditure;
- Review activities of the group's corporate finance function;
- Review the group's project evaluation guidelines;
- Monitor investment and disposal decisions by the executive committee; and
- Perform such other duties as may be assigned by the board.

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 Ms HG Motau. Ms Motau was appointed to the audit and risk committee on 1 November 2016 to replace Mr DR Wilson who resigned on the same day. For the experience and qualifications of the audit committee members, refer to the directors and officers of the company section on pages 40 and 41 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. The committee reviews the charter on an annual basis to ensure it remains current and updated. A copy of the charter is available on the company's website (www.metair.co.za). 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.

During the year the committee approved various policies which were recommended to the board for final approval where required:

- Information policy
- Foreign exchange policy
- Authority levels
- Capital expenditure policy
- Accounting policies

These policy changes were all based on refinements and continuous improvements.

The committee has an independent role with accountability to both the board and shareholders. The role of the committee is to assist the board in carrying out its duties relating to accounting policies, internal controls, financial reporting practices and identification of exposure to significant risk.

The audit and risk committee has specific responsibilities relating to the monitoring and oversight of:

- The preparation of accurate financial reporting and financial statements in accordance with International Financial Reporting Standards;
- Integrated reporting;
- Combined assurance;
- Internal audit;
- External audit;
- Information technology; and
- Group risk management, 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 was expanded to include a control self-assessment questionnaire that has been signed by all subsidiaries 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 the company's lead auditors since 1998. Mr G. Hauptfleisch, the current designated audit partner, has held that role since 2012 and will be rotated in June 2017. Mr Hauptfleisch will be replaced by Mr de Wet.

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.

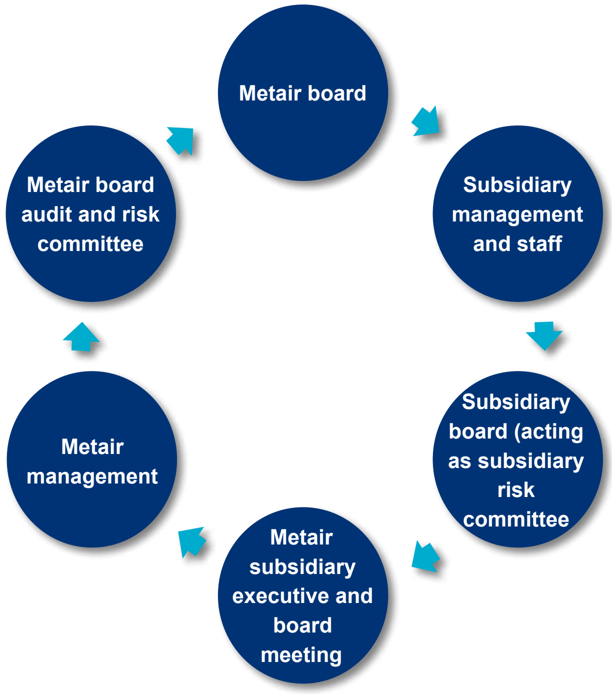
KPMG is appointed to perform the function of internal audit and the committee is satisfied with their performance following an effectiveness review and that they meet the test of independence.

Internal audits were performed at most subsidiaries during the past year and no significant breakdowns in internal controls were identified. Internal audit takes a risk-based approach to audit planning. 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.

Four meetings were held during the year as indicated in the table on page 71. 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 2017 was held in March. For audit and risk committee attendance – refer to page 71.

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 (www.metair.co.za).

The risk reporting structure is illustrated above.

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 appropriate assurance efforts;
- Assess the adequacy of the assurance provided by management, internal audit, 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 rated 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. King IV principles will be applied and reported on for our next risk management reporting cycle.

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 enables the group to anticipate and respond to changes in the environment, as well as 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 was 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 continuously monitored.

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.

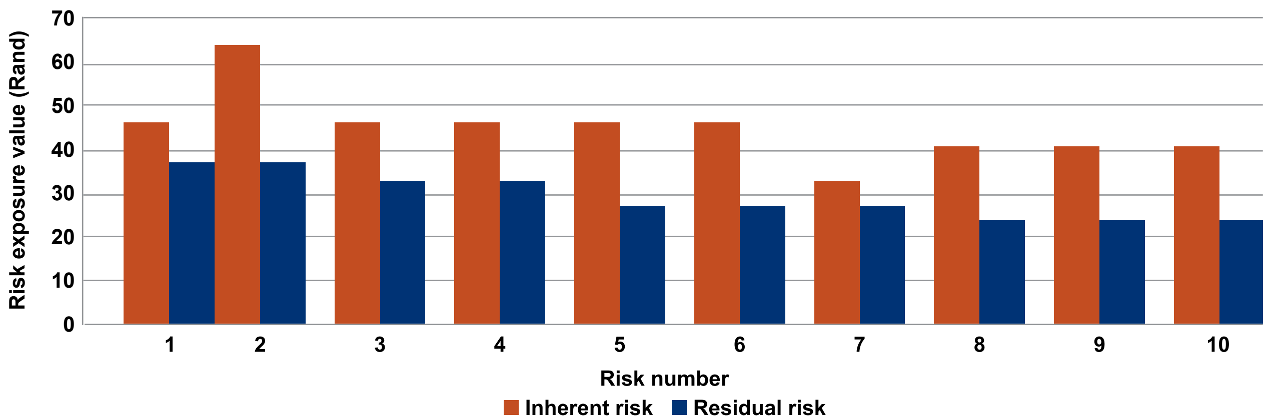
The group has identified an overall group financial risk tolerance level as well as individual tolerance levels per risk and during the year completed a risk dashboard which indicates the inherent and residual risk exposure of each risk as well as a graph to indicate where the group consolidated tolerance 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 management retention, shareholder expectations and increased dominance and related practices by world dominant players compared to this year's focus on Turkey and South African political, social and economic stability and currency volatility as can be seen with the new top two risks.

The table below and on the next page 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	↑	Turkey political, social and economic stability	Strategic			Competitiveness, Macroeconomic and geopolitical factors
6	2	↑	Policies aimed at managing and controlling currency volatility and alignment with customer requirements and views / continued downward trend of rand with no stabilisation	Financial			Competitiveness

Previous rank	Rank	Move	Risk name	Risk category	Residual vs inherent risk exposure Low High	Link to strategy	Material aspect affected
	3	↑	South African political, social and economic stability	Strategic			Competitiveness, Macroeconomic and geopolitical factors, Human Capital
	4	↑	Decrease in aftermarket margins due to strong local competition and changing market practice regarding one for one battery return system	Financial			Competitiveness, Balanced business
	5	↑	Production shortage (human resources, skill competency and technical)	Continuity of supply			Competitiveness, Human capital
3	6	↓	Mismatch of labour and management expectations resulting in Marikana-type events / volatile labour market with political overlay	Strategic			Human Capital, Competitiveness
	7	↑	Capacity utilisation and efficiency challenge due to change in customer product demand	Continuity of supply			Competitiveness, Balanced business
	8	↑	Critical machine breakage linked to specific product positioning	Continuity of supply			Competitiveness, Balanced business
	9	↑	Inability to qualify new generation batteries to customer specifications	Continuity of supply			Competitiveness, Balanced business
11	10	↑	Natural disasters, explosions and conflagrations	Continuity of supply			Competitiveness, Balanced business

◆ Residual risk ◆ Inherent risk



Risk 1 – Turkey political, social and economic stability

Risk Indicator	Individual risk tolerance levels
Length of state of emergency	6 months
Number of foreign businesses seized by government	Zero

The socio-political situation in Turkey, including the lead up and reaction to the attempted coup in July 2016, affected the Turkish economy and business community, and increases the chances of further unrest such as demonstrations, strikes and changes to the rule of law. Potential impacts on Metair include challenging operating conditions, the sterilisation of investment and an inability to execute our strategy in the region. Broader geopolitical developments also pose a risk to the regional economy.

Mutlu Akü is a key strategic asset for the group, delivering 29% of group revenue and offering access to key markets in Europe, North Africa and Russia. Ongoing instability could affect strategy implementation by impacting expansion of the energy storage vertical and affecting our ability to supply regional OEMs. Operational disruptions could result in cost inefficiencies. Metair's research and development facility is in Turkey and disruptions could affect the group's ability to develop the necessary battery technology to remain relevant in the energy storage space.

Key controls include building good relationships with government and remaining aware of and sensitive to the evolving social, political and economic context. Senior management is proactively monitoring changing government policies and macroeconomic indicators while maintaining the company's economic, social and political relevance.

The current instability offers Metair the opportunity to strengthen its position in the Turkish, regional and European markets, by taking market share if it can weather the local challenges better than its competitors.

Risk 2 – Policies aimed at managing and controlling currency volatility and alignment with customer requirements and views / continued downward trend of Rand or Turkish Lira with no stabilisation

Risk Indicator	Individual risk tolerance levels
Budgeted Rand exchange rate against key currencies (US Dollar, Euro, Turkish Lira, Yen, Thai Bhat, Romanian Lei)	Budgeted quarterly average exchange rates
Key customer contracted exchange rate vs forward exchange contract rate (Yen, Thai Bhat, US Dollar)	< 5% variance

Metair operates internationally and is therefore exposed to foreign exchange risk arising from various foreign currency exchange exposures. Group companies manage their foreign currency exchange risk against their functional currency. Long term customer tenders or orders in a foreign currency are hedged through forward exchange contracts to minimise the potential volatility of the cash flows from these transactions (supplier and customer sides).

Significant short term currency fluctuations create unpredictability in profit forecasts and cashflow planning risk of under recovery on foreign exchange exposure with suppliers and customer contracts, as well as currency translation risks when converting earnings from foreign operations to Rand. Metair has a currency risk management policy in place and the effectiveness of foreign exchange policies is continuously evaluated. Exchange rate fluctuations and forward exchange cover positions are closely monitored. Management engages with customers to renegotiate ineffective foreign exchange recovery policies and where significant event adjustments are required. Negotiations with key customers are ongoing to increase the frequency of foreign exchange adjustments with the goal of achieving foreign exchange neutrality.

The weakening of the Turkish Lira does, however, provide us the opportunity to become more competitive in Mutlu Akü's export markets.

Risk 3 – South African political, social and economic stability

Risk Indicator	Individual risk tolerance levels
Incidents of closure of universities	Zero
Number of changes in finance minister	Zero
Rating agency downgrading SA	Zero

Weak leadership, increasing populism and a rise in anti-business rhetoric in the context of South Africa's many socio-economic challenges increase the risk of political instability through demonstrations, strikes and the erosion of the rule of law. Political and labour instability feed into manufacturing instability, which affects production costs, country competitiveness and influences the long-term investment decisions of OEMs. Government is a key stakeholder for the group and we endeavour to engage constructively, stay aware of developing political trends and demonstrate Metair's commitment to playing its part in addressing the country's challenges to the extent possible.

Metair's strategy of developing balance in the business through international expansion, broadening our client base and participating in the development of new technologies helps to ensure the group's continued relevance and reduces the risk of operating in a single industry segment or geography.

Risk 4 – Decrease in aftermarket margins due to strong local competition and changing market practice regarding one for one battery return system

Risk Indicator	Individual risk tolerance levels
Aftermarket share	1% downward movement
One-for-one battery return ratio	90%
Inability to effect budgeted price increases	Zero

FNB continues to experience strong competition in the South African automotive battery aftermarket with pricing pressure and competition for scrap batteries and. The increased cost of lead also contributes to reduced recycling margins, further reducing profitability. These developments pose a challenge to Metair's strategy of securing and growing the aftermarket product range and have a direct impact on FNB's ability to manage costs effectively.

Plans to counter these challenges include implementing a balanced scorecard system at the Battery Centre franchises and changes to scrap battery collection policies to improve return ratios.

Risk 5. Production shortage (human resources, skill competency and technical)

Risk Indicator	Individual risk tolerance levels
Number of key technical people leaving the company	Zero
Number of employees short on production line	Zero

There is a risk that the targeted increases in battery production may not be achieved due to a lack of skills in employees due to absenteeism, the use of temporary workers, efficiency problems, a lack of technically qualified personnel or health and safety issues. This would result in a loss of sales volumes, decreased margins and reduced profitability. It could also have a negative impact on staff development, succession planning and potentially impact health and safety.

Production interruptions would affect our strategic focus on cost containment as well as our ability to service the aftermarket, supply OEM customers and sell the additional battery capacity in the group timeously.

Talent management, talent development and succession are key focus areas for the group. Technical skills forecasts to achieve planned battery production are being performed, candidates have been identified to develop to technical positions and development plans for these employees are being executed.

Risk 6. Mismatch of labour and management expectations resulting in Marikana-type events / volatile labour market with political overlay

Risk Indicator	Individual risk tolerance levels
Cumulative internal incident counter	Zero events
Cumulative external incident counter	Zero events

South Africa is experiencing rising discontent about the slow progress in addressing the wide range of political, economic and social inequality facing the country, which is particularly evident among the youth, the unemployed and organised labour. There is a risk of increased government intervention, legislative changes, more stringent social and economic delivery requirements and a realignment of general business practices to meet these demands.

These interventions could impact Metair in a number of ways, including through strikes, prescriptive labour rates and employment conditions, and shareholding structures. Changes to the labour environment and production interruptions could affect our strategic focus on cost efficiencies and our ability to be competitive in meeting the needs of our customers. At the same time, these challenges offer Metair an opportunity to demonstrate through its actions the company's commitment to ethical business, transformation and custodianship.

These challenges require that senior management remain aware of and sensitive to the operating environment, and focus on developing the flexibility and resilience to adjust to changes as they happen. Metair group companies prioritise constructive labour relations, effective communication structures and sound wellness programmes.

Risk 7. Capacity utilisation and efficiency challenge due to change in customer product demand

Risk Indicator	Individual risk tolerance levels
Line manufacturing efficiencies - IP LHD (instrument panel harness – left hand drive)	Budget (67%)
Line manufacturing efficiencies – Floor LHD (floor harness – left hand drive)	Budget (67%)
Line manufacturing efficiencies – Engine GD (new generation diesel engine replacing the previous KD engine series)	Budget (67%)
Number of production shortfalls – IP LHD (instrument panel harness – left hand drive)	Zero
Number of production shortfalls – Floor LHD (floor harness – left hand drive)	Zero
Number of production shortfalls – Engine GD (new generation diesel engine replacing the previous KD engine series)	Zero
Number of harnesses imported	Zero

It is difficult to rapidly and cost-effectively adjust labour-intensive manufacturing processes for changes in volumes and new product ranges required by customers, which may lead to an inability to satisfy customer demand. Ensuring a constant supply to customers under these conditions results in unsustainably high production costs that are not recoverable from customers.

Key controls for this risk are monitoring the release and forecast from customers and ensuring the achievement of planned efficiencies. An efficiency improvement plan is in place at Hesto, supported by investment in additional manufacturing capacity and a strategy to ensure costs are controlled to reasonable levels.

Risk 8. Critical machine breakage linked to specific product positioning

Risk Indicator	Individual risk tolerance levels
Number of breakdowns	Zero
Time lost due to breakdowns	Zero
% Shortfall in production	Zero

Mechanical failure of critical components in the manufacturing process could impact Metair's ability to supply customers with the contracted quantity of product and would disrupt efficiencies and increase costs.

Risk 9. Inability to qualify new generation batteries to customer specifications

Risk Indicator	Individual risk tolerance levels
Number of contracts lost due to non-qualifications	Zero

Rapid technological advances in the automotive industry and stringent customer specifications combine with an extremely competitive qualification process. There is a risk that contracts could be lost should new products not be qualified, resulting in additional design requirements and lost production. This would negatively impact our ability to sell spare battery manufacturing capacity, grow our international OEM customer base and continue to meet the technological challenge.

Risk 10. Natural disasters, explosions and conflagrations

Risk Indicator	Individual risk tolerance levels
Annualised cumulative event counter	Zero

There is a risk that manufacturing processes could be interrupted by natural disasters, explosions and fires. Such interruptions could lead to a failure to meet contracted supply levels, leading to loss of revenue and increased costs.

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.

The new accounting system, Cognos, has been fully implemented by all subsidiaries. Project Sustain for the reporting of sustainability and non-financial information onto the system was started during the year and sustainability information for the 2016 year-end was reported on the system. The next project will look at the risk and compliance dashboard.

Regular IT steering committee meetings are planned to commence in 2017 to be attended by all subsidiaries.

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 two independent non-executive director, Ms PPJ Derby (chairperson) and Mr RS Broadley, two executive directors, Messrs CT Loock and Mr S Douwenga and a subsidiary representative, Mr S. Khan. Ms Portia Derby joined the committee with effect from 1 March 2016 and was appointed as chairperson of the committee from 20 October 2016, replacing Mr Broadley who will remain a member of the committee.

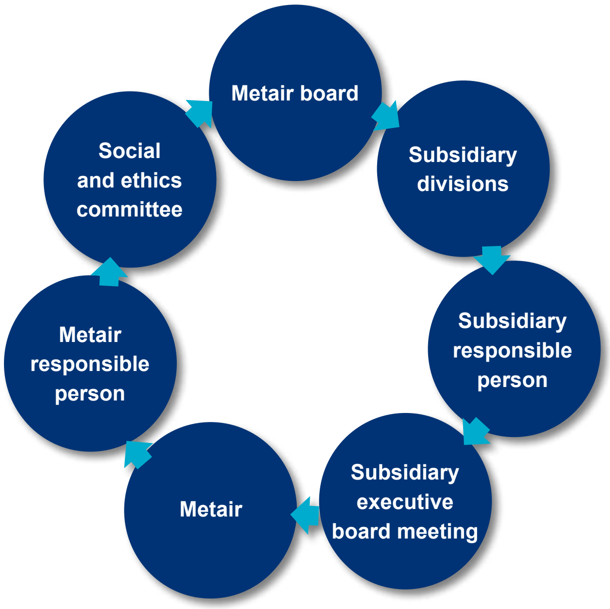
Ms J Gressel replaced Mr S. Khan as subsidiary representative to the social and ethics committee from January 2017. The reason for the rotation is to enhance awareness and implementation of the social and ethics programme across the group as well as to use the subsidiary from which the representative comes as an incubator for testing new ideas before these are rolled out to all the group subsidiaries.

The committee functions according to its terms of reference included in the social and ethics committee charter, which have been approved by the Metair board. The charter is reviewed on an annual basis. The committee performs a self-evaluation of its effectiveness on an annual basis. The results of the self-evaluation confirmed that the committee is functioning well and that the information presented to the social and ethics committee is satisfactory. A specific 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 these.

Currently the committee assesses ethics performance through a self-evaluation questionnaire that is completed by all subsidiaries to verify the roll out of ethics initiatives and the adequacy thereof. A sustainability template including non-financial narrative information is also completed on a quarterly basis by the subsidiaries, which is consolidated and presented to the social and ethics committee. This template has been integrated onto the Cognos IT reporting system and information is captured onto the system from December 2016. A social and ethics register forms part of the quarterly reporting and includes reportage of compliance and non-compliance to the social and ethics functions, disciplinary action status, CSI initiatives, risks and opportunities, responsible persons and general comments. Targets are set and progress against targets is monitored on a continuous basis. A consolidated B-BBEE scorecard is kept to monitor subsidiary performance and stakeholder interaction is reported. A King III gap analysis is performed annually and the principles relating to social and ethics matters are checked to ensure that the company is compliant, to identify areas of weakness and to put action plans in place. Feedback on the annual work plan is also used to ensure that all actions indicated on the work plan are implemented. 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. During the year, KPMG reviewed Metair's ethical management programme and the results of this review were used to enhance practices, policies and procedures. Risk audits are being done by Marsh to identify health and safety hazards.

A social and ethics dashboard is in the process of being developed to enhance reporting and performance assessment going forward. This project is done in conjunction with implementation onto the Cognos IT system and hence will take some time to finalise.

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 thereto;
- 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; and
- Ensure that the internal audit function is responsible for assessing the ethical culture of the company as well as the adequacy and effectiveness of the ethics programme of the company.

Metair launched its new code of conduct in August 2016 during the group sustainability conference. Subsidiaries were asked to give their input and all comments were taken into account to finalise the document. The code of conduct was signed off by the Metair board in November 2016. The leadership message has been translated into four other languages, including the English version, and is therefore available in five languages. The code of conduct has been sent to subsidiaries to roll out and obtain sign on to demonstrate adherence to the policy from all staff. This process is currently underway and will be completed in 2017. A new whistleblowing policy has been drawn up and approved by the committee. This policy has been rolled out at the subsidiaries. The social and ethics committee work plan for 2017 will include enhancing various other policies and drawing up new policies.

The committee also amended the CSI policy with regards to the allocation of funding to CSI projects. The main change is that 10% of CSI spend will be allocated according to a suggestion box initiative to include projects recommended by the workforce in each operational locality. The projects are presented to the transformation committee of each subsidiary who will decide on which project to approve.

The company's code of ethics is available on the Metair website (www.metair.co.za/ethics.asp).

A sustainability conference was held in August 2016 attended by all subsidiaries and across all departments within the subsidiaries, including all managing directors. The aim of the conference was to give delegates a better understanding of what information Metair requires with regards to social performance, ethics and in particular sustainability. The conference also included an analysis of transformation based on the B-BBEE scorecard gap analysis, employment equity status and enterprise development and CSI initiatives. In light of the group's focus on procurement, the procurement policy was amended to enhance the use of B-BBEE accredited suppliers. Environmental, social and governance (ESG) key performance indicators (KPIs) have been put in place and will form part of the group's short-term incentive plan. Specific targets have been set for warranty rates, blood lead levels, LTIFR and quality rejection rate. Refer to page 88 of the remuneration committee report for further details. A yellow card system was also introduced on ESG elements whereby under-performing subsidiaries will receive a yellow card if they are performing below target. This initiative will be put into practice in 2017. The delegates recognised the value that the consolidated data adds to the group by allowing comparisons between the subsidiaries to highlight areas that need to be attended to. A narrative report has been designed to assist subsidiaries with quarterly reporting to management. The conference emphasised the importance of feedback up, down and sideways – i.e. from Metair to subsidiaries, from subsidiaries to Metair, between 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. General areas were introduced at subsidiaries where employees have access to computers with some standard applications loaded to access the Tip Offs website and other personal services for workers' convenience, for example to allow employees to access their banking websites. Twenty six tip offs were received during 2016. 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 of the committee in 2017 was held in March. Refer to page 71 for social and ethics committee meeting attendance.

The chairperson reported to the board after each meeting that was held in 2016.

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

Social and ethics 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 forms 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 2016 was approved and implemented by the committee.

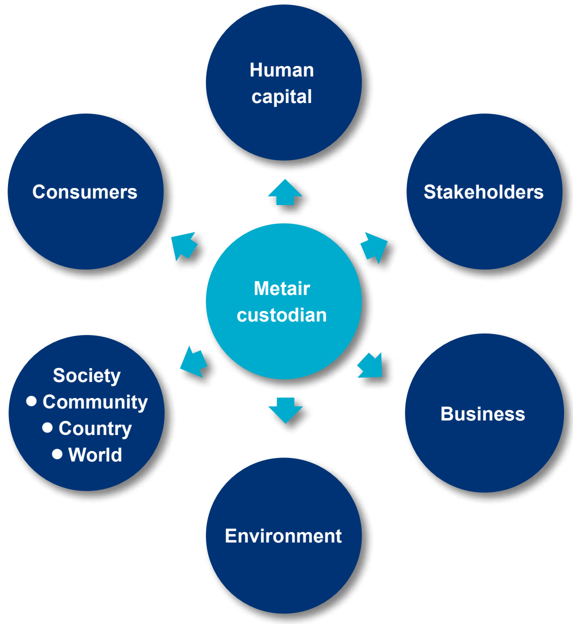
The core principle of the social and ethics framework is custodianship and the core values are unity, harmony, equality, respect for human dignity and doing what is right, fair, reasonable, lawful and just. Metair has expanded the definition of custodianship within the company to include not only business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

Being a custodian has the built-in notion that as individuals we have an important 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 personal interests to build a sustainable legacy while recognising the broad responsibilities we have as corporate citizens to our 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 of being a custodian also requires accountability, and thus 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. Past themes of the annual reports include:
- Transformation
- Transparency
- Balance
- Measure
- Adjust
- Reflection
- Growing an international footprint
- Excellence through brands
- Creativity and innovation

These themes and the 2016 theme of a mosaic of the people in the group representing our leadership through management 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. This project is running in conjunction with the Cognos IT system implementation, a significant undertaking that will take time to complete.

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 2016), 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 58.

Broad-based black economic empowerment

Metair is looking at the standardisation of B-BBEE verification times, agencies and procedures which will be finalised in 2017. The group focus is on management control and enterprise and supplier development. Preferential procurement was addressed at a conference held in February 2017 and focused on raw material, consumables, services and consultancy. This conference will be followed by another conference to include customers and industry. Employment equity will be addressed at a conference planned for April 2017. The B-BBEE strategy was discussed at the sustainability conference as well as at the managing directors' conference. The appointment of a B-BBEE partner will be investigated again in 2017.

Metair maintained a score of 22.23 points for the ownership element on the generic Broad-based Black Economic Empowerment scorecard (2015: 22.21). The transfer of these points to the subsidiaries results in all subsidiary companies being compliant during the period. Some subsidiaries have already reported against the new codes and the others will be converting during 2017. All subsidiaries achieved their goal of level four contributor with the exception of one subsidiary that is on a level five. Some subsidiaries are at level three, but once the new codes are applied, it will be very difficult for subsidiaries to achieve the budgeted level four 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 four 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 has been maintained between the board and the company secretary, in accordance with the recommended practice of King III. The board 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 Sponsor Services (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 V on page 107. At the date of the report the group applied all the principles of King III. King IV was released on 1 November 2016 and is effective for financial years commencing from 1 April 2017. Metair will apply the principles and recommended practices of King IV and will report on their application in our next integrated annual report. The implementation process has already started and certain of the new reporting requirements are included in the 2016 integrated annual report.

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 as 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 2016 financial year.

Names and qualifications of committee members

JG Best (Chairman)	ACMA, ACIS, MBA
L Soanes	National Certificate of Engineering
HG Motau	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 (www.metair.co.za).

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.

Ms Motau joined the audit and risk committee on 1 November 2016 replacing Mr DDR Wilson who resigned on the same day.

Meetings

Four 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 72 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
- 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. All non-audit services have been reviewed and approved by the committee and the independence of the auditors confirmed.

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 reviewed the annual financial statements of Metair Investments Limited and the group for the year ended 31 December 2016 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
22 March 2017

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 as 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 2016 financial year.

Names and qualifications of committee members

PPJ Derby (Chairperson)	Bachelor of Science Honours (Economics), MBA
RS Broadley	Advanced Technical Certificate (Engineering)
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 Ms PPJ Derby (chairperson), Mr RS Broadley, two executive directors, namely Messrs CT Loock and S Douwenga and a subsidiary representative, Mr S Khan.

Ms Derby joined the committee with effect from 1 March 2016 and was appointed as chairperson on 20 October 2016 replacing Mr Broadley who will remain a member of the committee.

Meetings

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

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

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

On behalf of the social and ethics committee

PPJ Derby
Social and ethics committee chairperson
22 March 2017

REMUNERATION REPORT

Preamble and background

Remuneration and reward systems remain sensitive matters in the group, especially in the socio-political environment currently prevailing in South Africa. We believe our approach to remuneration aligns with the principles underlying the group's corporate governance philosophy – fairness, justness, transparency, responsibility and accountability.

This remuneration report aims to provide the group's stakeholders with business intelligence that demonstrates a professional management approach and a world best practice remuneration system as context for this sensitive and sometimes emotional subject. The group uses the Towers Watson global grading system (GGS) to evaluate each position, combined with the Exsys scorecard system to manage the 21 different levels of work in the group.

The future requirement for a binding shareholder vote on executive remuneration escalates the responsibility for all stakeholders to apply their minds to this subject, particularly executives, shareholders and remuneration committees.

Executives can no longer only take a self-serving approach and shareholders can no longer automatically vote 'No' in the first instance according to some general principle.

The most common general principle used by the investor community to justify a 'no vote' arises from shareholders objecting to the issue of shares to executives. This approach cements the 'against' vote as the general norm and renders unresolvable long-term disparity that will threaten sustainability.

Companies, through their remuneration committees, have to do everything they can to ensure that acceptable and exemplary remuneration policies are in place, to bridge the divide between all stakeholders where awards are capped and subject to clawback.

Remuneration policy

Remuneration strategy

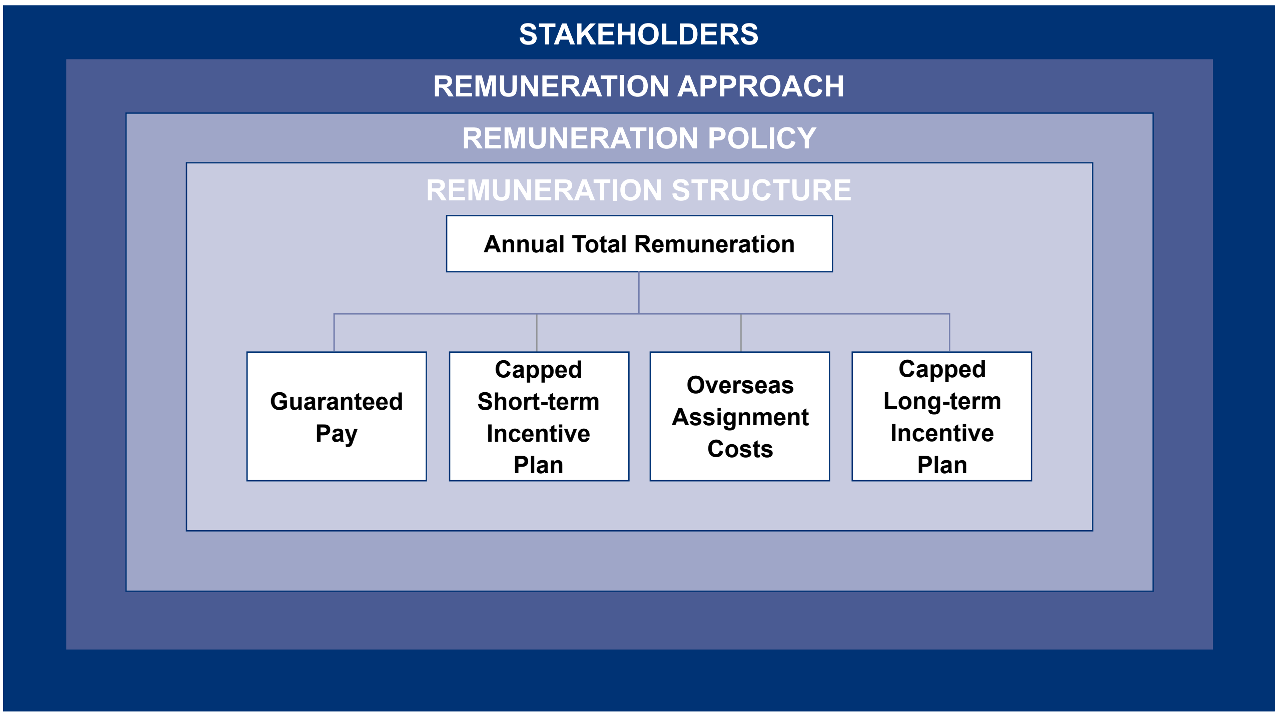
Metair recognises that the group's reward strategy has a direct impact on operational expenditure, group culture, employee behaviour and ultimately, with correct alignment, on the group's ongoing strategic sustainability. Metair aims to reward its employees in a way that reflects the dynamics of the market and the context in which the company operates. All components of the group reward strategy, including fixed pay, variable pay and performance management, are aligned to the strategic direction and business-specific value drivers of Metair and its subsidiaries.

The remuneration policy was developed from an understanding of all stakeholders' requirements, guided by an approach that sets the framework for the policy and in the final analysis delivered a designed remuneration structure. This remuneration structure formulates the implementation and resulting financial remuneration.

Metair approach

With such sensitivities around the subject of remuneration, Metair believes that the only responsible approach is to apply a professional stance based on world best practice that is progressive and sensitive to all stakeholders' requirements, including shareholders. Total annual remuneration in the group is designed around a remuneration counter system consisting of four pay elements:

Remuneration model and strategy



a. Guaranteed pay – Count 1
b. Capped short-term incentive – Count 2
c. Overseas assignments – Count 3
d. Capped long-term incentive – Count 4

For guaranteed pay, the approach starts by evaluating, understanding, comparing, measuring and grading every single position in the group.

The group's approach has three main elements:
1. Job grading and ranking system
2. Position relative to market
3. Pay structure
   – Guaranteed
   – Short-term incentive plan (STIP)
   – Special assignments
   – Retention and long-term incentives

The principle applies that guaranteed pay and short term incentives form part of the budgeted expenses of the business. Any incentive payment is subject to a self-funding requirement to ensure that targeted earnings attributable to shareholders are grossed up by the incentive payment amount and earned above target before pay-out.

1. Job grading and ranking system for guaranteed pay – Count 1

The benefit of using an objective international job grading system is that it allows stakeholders to compare positions and grades across all companies in the industry. This year's grading for the top positions at Metair graded the CEO position at 21 points and the group CFO at 18 points. These rankings allow stakeholders to make peer comparisons and evaluate the correctness and fairness of the group's remuneration practices. This ensures that pay is capped at the relevant graded level.

As a further enhancement in the group, we use the Exsys job and evaluation system to determine the ranking across the 21 graded positions in the group.

This year's generalised outcome on the Towers Watson and Exsys system is summarised in the table below.

2. Market position cap

The second element of Metair's approach plots remuneration for each position relative to the market and our peers. The pay scale graph on page 88 shows the results of benchmarking Metair group salaries for job grades 4 to 15 for 2016.

The pay grade scale indicates that Metair lags global pay competitiveness for all pay grades but especially for grades 4 to 10.

This market comparison is performed by an independent third party that benchmarks Metair against global peers in other manufacturing businesses. The comparison is used to determine where we should remunerate within a three-tier grading across the lower quartile, the median or the upper quartile of the global peer group.

Metair uses the global median as the targeted remuneration level to ensure sustainability. The median level is at 50% of the market, meaning that 50% of the market is still above the level of remuneration set at Metair.

The table on page 88 (Count 1 – Guaranteed Pay) shows the lower quartile, median and upper quartile position for the guaranteed pay of the CEO and CFO in terms of 2016 guaranteed package, excluding short term incentive:

As can be seen from the table, the group CEO is at 91% of the global median and the group CFO is at 99% of the median.

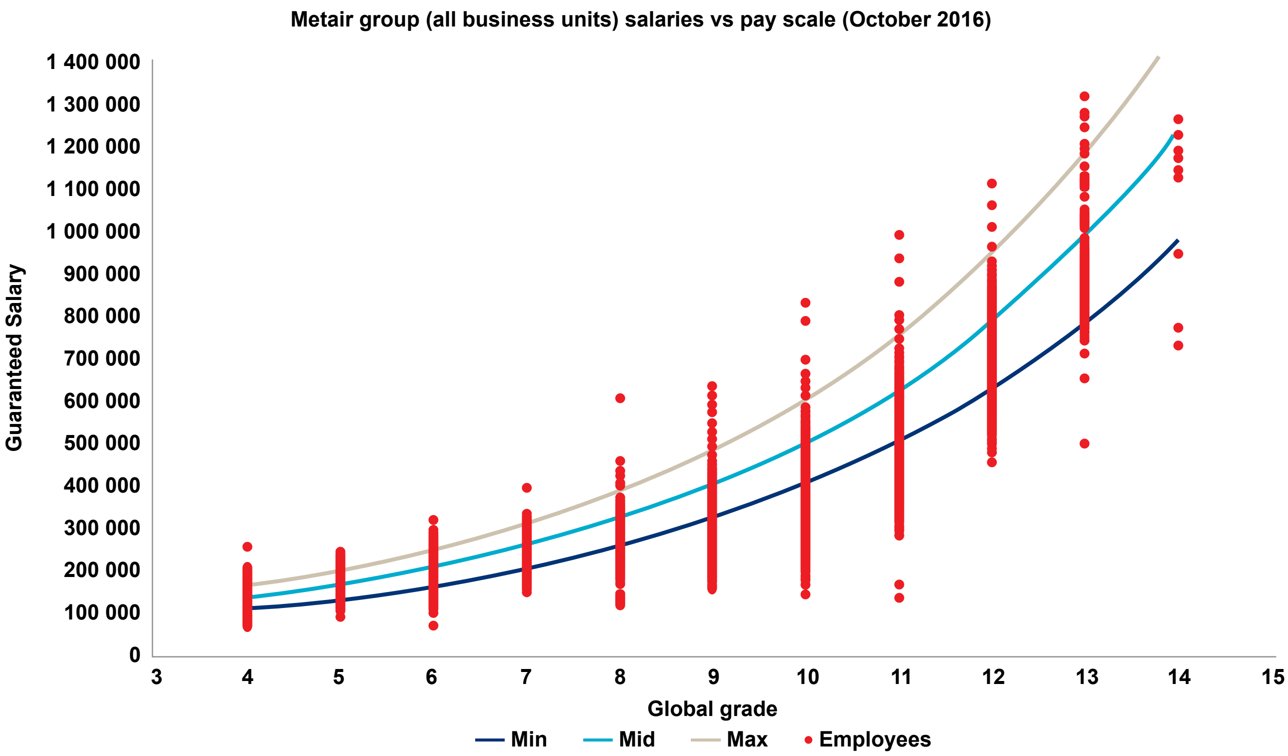
The related market surveys and published reports on remuneration for 2016 indicated a 7% increase for executive remuneration. The group decided to recommend a 6% salary increase for 2017 except for pay grade levels 4 to 7, where an increase of 8% was recommended in line with the agreed increase negotiated with union members. This should remedy our below-market competitiveness in these areas. Grades 8 to 10 will be reassessed during 2017 with a view to improving their position to the market median in 2018.

3. Pay structure

Annual guaranteed pay

The guaranteed pay structure for the group is on a cost to company (CTC) basis, where all employee-costs are accounted for as remuneration. The level of pay is derived from the job grading and ranking. Pay performance against the median can be influenced over time by employee performance, retention and years of service. At Metair this is count 1 of four counts used to derive total remuneration.

Global grade	Industry benchmark positions	Equivalent Metair positions
21	Group CEO	Metair CEO
18	Group level CFO, company level MDs	Metair CFO, large company MDs
17, 16, 15, 14	Company level MDs, directors, senior managers, specialised group and company level	Small company MDs, directors, senior exco members, senior specialists, Metair company secretary
13, 12, 11, 10	Junior managers, engineers, accountants	Junior exco members, managers, engineers, accountants
9, 8, 7	Team leaders, line managers	Company team leaders, junior staff and clerks, technicians
6, 5, 4	Indirect labourers, production support staff	Company quality controllers, logistics staff, administrative staff
3, 2, 1	Unionised and non-union labourers	Direct labour



Annual performance assessments are used to adjust recommended base increases up or down.

Even in the case of above-normal performance appraisals for the group CEO and CFO the group increase of 6% was applied/recommended for 2017.

The table below shows group CEO and CFO remuneration for 2017 with the 6% increase applied.

Annual variable pay

Variable pay in the group consists of two elements – the short-term incentive program (STIP) (count 2 of total pay) and the long-term incentive program (LTIP) (count 4 of total pay).

Capped short-term incentive program (STIP) – Count 2

Metair undertook a complete overhaul of its STIP this year to ensure total alignment with company and shareholder requirements driven by specific performance outcome objectives and long-term strategy support.

The table below (Count 2 – Short-term Incentive) indicates the CEO and CFO short-term incentive participation for 2016 compared to the market:

International Financial Reporting Standards result in a disconnect in the timing in which short-term incentives show in financial accounts since these incentives are paid and reflected in the year following the achieved and audited results

Count 1 – Guaranteed Pay

		Market data January 2017			Actual earnings as % of market level		
Position	Current earnings (R)	Lower quartile (R)	Median (R)	Upper quartile (R)	Lower quartile	Median	Upper quartile
CEO	6 027 431	5 610 931	6 601 095	7 591 259	107%	91%	79%
CFO	3 712 700	3 203 330	3 768 624	4 333 918	116%	99%	86%

Count 2 – Short-term Incentive

			Market data January 2017			Actual earnings as % of market level		
Position	Actual % of CTC	Short-term Incentive (R)	Lower quartile (R)	Median	Upper quartile (R)	Lower quartile	Median	Upper quartile
CEO	32%	1 912 983	3 317 125	3 902 500	4 487 875	58%	49%	43%
CFO	22%	816 035	894 011	1 051 778	1 209 545	91%	78%	67%

on which the incentive is based. In this instance, the short-term incentives reflected in the table above for 2016 are based on the performance delivered against the 2015 financials and key performance indicator (KPI) performance.

The CEO can participate at a theoretical capped maximum of 100% of CTC and the CFO at 70%. Actual achieved in 2016 was at 32% for the CEO and 22% for the CFO.

The design architecture for the STIP is based on a below-market position as set out below:

Specific elements	Maximum capped theoretical % CTC participation CEO	Maximum capped theoretical % CTC participation CFO
Actual HEPS vs budgeted HEPS	45	39
Annual specific performance KPI's	10	5
ROIC vs target	13	6
Actual HEPS vs target	22	10
One Board specific KPI	10	10
Total maximum theoretical participation	100	70
Market position	100 – 150	80 – 100

HEPS – Headline earnings per share

ROIC – Return on invested capital

The table below shows the proposed actual performance elements for the 2017 STIP structure.

Specific elements	Capped % CTC participation CEO	Capped % CTC participation CFO
Actual HEPS vs budgeted HEPS *Incentive will be paid on a straight-line basis starting from 90% of budgeted HEPS*	45	39
Annual specific performance KPI's:		
Cash generated from operations must be >80% of PBIT	2	1
Secure industrial business	2	1
Obtain AGM start/stop business	2	1
Improve SA automotive business financial performance with PBIT above a targeted percentage	2	1
Manage optimal repayment of R830 million debt or refinancing of debt raised for Mutlu acquisition	2	1
TOTAL	**10**	**5**
ROIC vs Target *Incentive will be earned on a straight-line basis between a ROIC of 11% and 15.5% for 2017*	13	6
Over-performance Level 1: Budgeted HEPS vs targeted HEPS for 2017 *Additional incentive paid on a straight-line basis between budgeted HEPS and targeted HEPS*	22	10
Board Specific KPI – Performance against B-BBEE targets and management control element *Metair to appoint at least three black females and one black male as non-executive directors to the Metair board of directors*	10	10

Total Count 2 of annual remuneration (excluding LTIP and overseas assignment costs)

Total annual remuneration excluding LTIP participation and overseas assignment costs for group executives consists of two elements:

- Guaranteed pay
- Capped annual short-term incentive

The table below shows the total remuneration for the CEO and CFO for 2016:

The inclusion of the STIP participation puts the CEO at 77% of the median of industry peers and the CFO at 94%.

Total Count 2 – Guaranteed Pay and Short-term Incentive

Position	Current earnings (R)	Market data January 2017 Lower Quartile (R)	Market data January 2017 Median (R)	Market data January 2017 Upper Quartile (R)	Actual Earnings as % of market level Lower Quartile	Actual Earnings as % of market level Median	Actual Earnings as % of market level Upper Quartile
CEO	7 925 213	8 673 056	10 203 595	11 734 134	91%	77%	68%
CFO	4 513 535	4 097 342	4 820 402	5 543 462	110%	94%	81%

Count 3 – Overseas assignments

The group is in the process of establishing and expanding our Energy Vertical internationally. The refunding of costs related to temporary overseas assignments also reflect in the accounts as remuneration, although these are reimbursements.

Assignment costs consist of three elements and is the third count in total remuneration:

- Living cost
- Housing allowance and security
- Government and country legislated taxes and levies

In order to execute the Mutlu acquisition and identify future expansion opportunities the Group CEO was assigned a three-year expatriate assignment in Turkey from 2013 to 2016. The board subsequently approved a further one-year extension on the overseas assignment.

The total cost related to the expatriate assignment for the CEO for 2016 was R3 757 040. This assigned cost is included in the remuneration of the CEO in addition to his normal remuneration.

Total Count 3 of annual remuneration (excluding LTIP)

The third count of annual remuneration excluding LTIP participation for the group executives therefore consists of three elements:

- Guaranteed pay (Count 1)
- Capped annual short-term incentive (Count 2)
- Overseas assignment costs (Count 3)

The final and more complex element of Metair's executive remuneration policy is participation in the long-term incentive program.

Count 4 – Retention and the capped long-term incentive programme (LTIP)

The aim of the LTIP is to obtain, retain and extend the services of executive management of Metair. However, where required, the LTIP can be expanded to include certain high potential subsidiary senior executives with scarce and critical skills or key employees, even if they are not executives. All candidates recommended for inclusion in the scheme must be approved by the remuneration committee before being submitted to the board for final sign off.

The long-term incentive structure in Metair is highly skewed towards performance as the system awards annual performance shares and share appreciation rights to participants.

Architecture of the long-term incentive structure

The long-term incentive structure was designed by an independent third party with high integrity, local and international recognition. Like the STIP, it is based on cost to company of the participant to ensure fairness, justness and to have an automatic built-in protection against exorbitant reward.

The table below indicates the percentage of CTC that is used to calculate the number of share appreciation rights and performance shares that were issued in 2016 to the CEO and CFO. The percentage of CTC allocation is applied on an annual basis.

Share appreciation rights vest in year 3, 4 and 5 and therefore have a three year waiting and total five year retention period. Performance shares have a 3 year waiting period before vesting, and therefore have a three year retention period.

Share appreciation rights

The board recognised the requirement for the remuneration committee to have a claw back right on the vesting of share appreciation rights, therefore any vesting of any number of shares is always subject to remuneration committee approval at the time of vesting.

In addition to the claw back, the board added some penalty clauses linked to four environmental, social and governance (ESG) elements this year.

The Elements

a. Health and safety: Blood lead and lost time injury frequency rate (LTIFR)
b. Quality: Warranty rate and parts per million (PPMs)
c. B-BBEE focus: Procurement and local content
d. Transformation: Management control and gender equality

Each element can reduce the vesting by 5% for a total of 20% if the performance on these elements is below target or if they cause the company to suffer reputational, brand or sustainability damage.

The final number of shares allocated to the participant at vesting of the share appreciation rights is based on the growth in share price for the number of shares allocated divided by the share price at vesting.

Performance shares

The performance criteria used for measuring the performance award at vesting of performance shares is the aspect of Metair's remuneration that was subject to the biggest revision in 2016.

Position	Share appreciation rights			At share value R/c	Performance shares			At deemed share value R/c
	% of CTC	Value (R)	No. of shares		% of CTC	Deemed Value (R)	No. of shares	
CEO	40%	2 404 882	120 124	20.02	19%	1 142 321	57 693	19.80
CFO	32%	1 183 202	59 101	20.02	15%	555 608	28 061	19.80

Metair redesigned the performance criteria to adjust for the fact that the acquisition expansion of the Energy Vertical introduced debt into the company. The criteria were therefore moved from return on assets (ROA) and return on equity (ROE) performance measurements to a return on invested capital (ROIC) performance target.

The ROIC target was combined with total shareholders' return (TSR) to align with shareholder requirements in long-term performance. Therefore 50% of the vesting of performance shares is linked to meeting the ROIC target and the other 50% is based on Metair's TSR performance compared to our peer group of mid-tier industrial and trading companies.

Return on invested capital calculation (ROIC)
The return on capital or invested capital in a business attempts to measure the return earned on capital invested in an investment. In practice, it is usually defined as follows:

$$\text{Return on capital (ROIC)} = \frac{\text{(A) Operating Income (t) x (1 – tax rate)}}{\text{(B) Book Value of Invested Capital (t-1)}}$$

Where:
(A) After-tax operating income =
a. Profit after tax
b. Add back interest expenses (1 – tax rate)
c. Adjusted for HEPS adjustments (1 – tax rate)

(B) Book value of invested capital (t-1) =
a. Opening book value (BV) of interest-bearing debt + opening BV of equity
b. Plus weighted average BV of debt + BV of equity for acquisition of new businesses
c. Adjusted for the weighted average BV of debt repaid during a year
d. Adjusted for the foreign currency translation reserve (FCTR) effect associated with intangible assets that arose on acquisition of subsidiaries.

Targets:
During Metair's growth and technology balance phase – whilst Metair is still expanding and building the energy vertical through acquisitions:
- ROIC upper target = weighted average cost of capital (WACC) + 3%
- ROIC lower threshold = 90% of WACC

After growth and technology balance phase – once acquisitions to expand the energy vertical is complete and has had 3 years to deliver targeted ROIC at company level:
- ROIC upper target = WACC + 4%
- ROIC lower threshold = 100% of WACC

LTIP participation threshold and multipliers
1. At 90% of WACC – 0 times
2. At WACC – 1 times
3. From WACC to target – 1 to 3 times (straight line)
4. Above target ROIC – 3 times

Determination of WACC
The remuneration committee will appoint a third party corporate finance specialist to determine the WACC for Metair, individual companies and segments at the start of each financial year.

Total shareholder return (TSR)
TSR is measured against a benchmark of mid-tier industrial and trading companies. While very few can be considered direct competitors, collectively they can be deemed to be an alternative investment portfolio for Metair's shareholders.

a) Definition
TSR is defined as the increase in the value of a portfolio of shares on the assumption that any dividends accruing to shareholders are immediately invested in additional shares in the portfolio.

For a single share, TSR can be calculated mathematically as the increase (or decrease) in share price plus dividends reinvested over the performance period, expressed as an annual rate of return.

A relatively strict approach in adopting the above formula is as follows:
- Starting share price is the average of the middle market closing prices of the share taken from the stock exchange over the three-month period ending on the business day before the start of the performance period.
- Ending share price is the average of the middle market closing prices of the share taken from the stock exchange over the three-month period ending on the last business day of the performance period.
- Cumulative dividend yield is the aggregate distributions to shareholders paid over the performance period divided by the middle market closing price of a share taken from the stock exchange on the relevant ex-dividend date.

The starting and ending share prices are averaged over a period – in this case three months – to reduce the sensitivity of the three-year TSR calculations to short-term share price volatility.

TSR is a well-established metric, understood by and relevant to institutional shareholders, and can be obtained on request from sponsors or any financial institution.

b) Peer group
The peer group of companies will be considered and reviewed with each new award. The peer group should represent an alternative investment destination for shareholders.

c) Targets (Metair TSR relative to the peer group)
1. For TSR performance below the median for the peer group, none of the TSR-related maximum award will vest;
2. At the median 33.3% will vest;
3. Between the median and upper-quartile the gradient will be from 33.3% to 100% vesting; and
4. At or above the upper quartile 100% of the maximum TSR-related award will vest.

Retention shares

The final retention element is a specific retention award aimed at attracting, retaining and extending service contracts with key talent at the Metair and group level. Retention awards will be made in the form of bonus shares, the quantum of which will depend on what incentive would be required to retain that specific individual for at least a five-year forward period.

LTIP from the company's perspective

Vesting of bonus shares occurs three years from award date, in line with the Metair Investments Limited 2009 Share Plan, but to support retention a contract to hold the shares for a further two years will be entered into between the company and the executive. This contract will ensure a minimum retention period of five years from date of award, with the proviso that, in the case of hardship in meeting tax obligations at the time of the shares vesting, the remuneration committee can approve the sale of some of these shares to pay part or all of the tax.

Any decision by the remuneration committee will be made with the shareholder requirement in mind to hold three times the individual's CTC in shares, but will view any tax hardship in a sympathetic manner.

Should the individual leave the company before the five-year period ends the award will be lost.

LTIP from the shareholders' perspective

Shareholders expect Metair executives to show commitment and confidence in the company by holding unvested and vested shares. The board supports this view and has targeted a value of approximately three times annual CTC in total share exposure, but also recognises that sufficient time needs to be allowed to accumulate this shareholding as it is a significant number.

For the period under review the board awarded the CEO 800 000 retention shares to secure his services for the next five years. The award is linked to an understanding by the executive to retain all future vestings and to purchase shares in his own capacity.

The CEO currently holds purchased, vested and unvested shares of 1 000 000 Metair shares. This is at a level agreed with the board.

Total Annual Remuneration – Total Count 4

Total Annual Remuneration for the Group CEO and CFO consisting of all 4 pay counters from 2016 is tabled below:

Implementation of annual long-term incentive awards

The implementation of the LTIP will lead to the following summarised rewards and vesting for 2016.

Awards during the year

Share appreciation rights	
Metair CEO	120 124
Metair CFO	59 101
Total group allocation	1 038 484
Allocation date	25 November 2016
Allocation price	R20,02
Vesting date	From 26 November 2019 in three equal portions annually
Performance shares	
Metair CEO	57 693
Metair CFO	28 061
Total group allocation	608 420
Allocation date	1 April 2016
Vesting date	1 April 2019
Retention bonus shares	
Special allocation to Metair CEO for retention purposes	800 000
Allocation date	1 April 2016
Vesting date	1 April 2019 *

** Contracted to be held to 2021 in addition to the agreement to accumulate total shareholding to 1 million shares.*

Position	Count 1 Guaranteed	Count 2 Short-term Incentive	Count 3 Assignments	Count 4 Long-term Incentive	Total
CEO	6 027 431	1 912 983	3 757 040	3 746 896*	15 444 350
CFO	3 712 700	816 035			4 528 735**

* *CEO retained the value of this vesting invested in Metair shares as per his agreement with the company and carried the tax burden related to this in his personal capacity.*

*** Total CFO annual remuneration excludes subsistence allowance amounting to R86 430.*

All the shares vesting as indicated below and in note 14 relate to previously approved allocations.

Vesting during the year

Share appreciation rights
No share appreciation rights were exercised as there was no appreciation from grant price. The exercise of the last third of shares allocated on 26 September 2011, the first third of the shares allocated on 13 November 2012 as well as the first third of shares allocated on 26 November 2013 were rolled to next year.

Performance shares
Performance shares granted on 8 June 2012, 2 April 2013 and 26 November 2013 did not vest as the performance criteria were not met.

Bonus shares*	
Metair CEO	30 222
Total group allocation	193 819
Allocation date	2 April 2013
Vesting date	2 April 2016
Metair CEO	150 000
Allocation date	26 November 2013
Vesting date	26 November 2016

** The above vesting of bonus shares was based on the old LTIP which included an automatic bonus share allocation. This allocation has been discontinued in line with best practice principles and increased focus on shareholder alignment linked to performance.*

Board remuneration and nominations committee

The committee comprises three non-executive directors: Ms TN Mgoduso, who is also the chairperson, Messrs RS Broadley and L Soanes. Ms Thandeka Mgoduso was appointed to the Metair board as well as the remuneration and nominations committee chairman of the committee on 1 March 2016 and replaced Mr Broadley, who remains a member of the committee. Board appointments are handled by the Metair board directly with Mr Pretorius chairing.

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 assessed itself against the requirements of King III and drew up an annual King III work plan to ensure that it remains compliant. King IV was released on 1 November 2016 and is effective for financial years commencing from 1 April 2017. The committee will be applying the King IV principles and will report on it in the next integrated annual report.

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 makes 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 and were attended by all members. Please refer to page 71 for more details on meeting attendance. 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.

The next meeting was held in February 2017.

Succession planning

Succession planning was highlighted as one of the important leadership issues that needed attention. The increased focus on succession planning can also be seen in this year's cover image depicting a mosaic of the people in the group representing our leadership through management. The arrow on the cover image represents the young talent that will be the leadership and experts that will drive the company forward and ensure its sustainability in the future. 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. Talent management and development programmes have also been identified as focus areas for the near future. The board is engaged in addressing succession planning for the executive directors and the chairman.

Performance appraisals

The committee reviewed performance appraisals of 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

Appraisals also include specific shareholder objective assessments which include company and individual specific key performance areas. A development assessment has been added this year to focus on leadership competencies, management competencies, interpersonal competencies and business competencies.

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

Top three executives' remuneration

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

Executive emoluments	Executive 1 R'000	Executive 2 R'000	Executive 3 R'000
Salaries and allowances	6 599	5 476	3 772
Performance bonuses	954	818	
Pension and provident fund contributions	285	156	
Company contributions	15	8	12
Gain on exercise of share options	248	68	
Total	**8 101**	**6 526**	**3 784**

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 2017 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
Investment committee chairman	R 23 400 per meeting
Investment 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 Limited
Register date:	30 December 2016
Issued Share Capital:	198 985 886

SHAREHOLDER SPREAD	No of Shareholdings	%	No of Shares	%
1 – 1 000 shares	1 096	43.63	495 664	0.25
1 001 – 10 000 shares	936	37.26	3 131 099	1.57
10 001 – 100 000 shares	291	11.58	9 764 399	4.91
100 001 – 1 000 000 shares	152	6.05	53 195 440	26.73
1 000 001 shares and over	37	1.47	132 399 284	66.54
Totals	**2 512**	**100.00**	**198 985 886**	**100.00**

DISTRIBUTION OF SHAREHOLDERS	No of Shareholdings	%	No of Shares	%
Banks/Brokers	53	2.11	27 871 956	14.01
Close Corporations	24	0.96	219 163	0.11
Endowment Funds	20	0.80	736 688	0.37
Individuals	1 789	71.22	6 957 444	3.50
Insurance Companies	27	1.07	6 325 199	3.18
Investment Companies	7	0.28	15 996 153	8.04
Medical Schemes	6	0.24	461 641	0.23
Mutual Funds	123	4.90	67 730 411	34.04
Other Corporations	13	0.52	39 615	0.02
Private Companies	67	2.67	1 519 127	0.76
Public Companies	2	0.08	1 925	0.00
Retirement Funds	111	4.42	67 511 125	33.93
Treasury Stock	2	0.08	1 015 527	0.51
Trusts	268	10.67	2 599 912	1.31
Totals	**2 512**	**100.00**	**198 985 886**	**100.00**

PUBLIC/NON-PUBLIC SHAREHOLDERS	No of Shareholdings	%	No of Shares	%
Non - Public Shareholders	12	0.20	30 138 962	15.15
Directors and Associates of the Company	2	0.08	320 222	0.16
Treasury Stock	2	0.06	1 015 527	0.51
Strategic Holders of more than 10%	8	0.06	28 803 213	14.48
Public Shareholders	2 500	99.80	168 846 924	84.85
Totals	**2 512**	**100.00**	**198 985 886**	**100.00**

BENEFICIAL SHAREHOLDERS HOLDING 3% OR MORE	No of Shares	%	No of Shares	%
Government Employees Pension Fund			28 803 213	14.48
Foord			17 871 854	8.98
Investment Solutions			10 316 896	5.18
Investec			9 287 035	4.67
Coronation Group Investments Ltd			9 048 531	4.55
Somerset Capital Management			8 162 167	4.10
Metal & Engineering Industries			6 367 239	3.20
Eskom Pension & Provident Fund			6 136 169	3.08
Old Mutual			6 117 156	3.07
Totals			**102 110 260**	**51.32**

SHAREHOLDER ANALYSIS CONTINUED

INSTITUTIONAL SHAREHOLDING 3% OR MORE	No of Shares	%
Foord Asset Management	33 772 080	16.97
Kagiso Asset Management	24 231 442	12.18
Public Investment Corporation	20 758 129	10.43
Investec Asset Management	20 474 065	10.29
Somerset Capital Management	9 133 201	4.59
Sentio Capital Management	8 315 719	4.18
Totals	**116 684 636**	**58.64**

BREAKDOWN OF NON-PUBLIC HOLDINGS		
Directors	No of Shares	%
Soanes, L	**120 000**	**0.06**
Soanes, L	120 000	0.06
Loock, CT	**200 222**	**0.10**
Loock, CT	200 222	0.10
Totals	**320 222**	**0.16**
Treasury stock	No of Shares	%
Business Venture Investments No.1217	800 000	0.40
Business Venture Investments No.1217	215 527	0.11
Totals	**1 015 527**	**0.51**
Strategic holders of more than 10%	No of Shares	%
Government Employees Pension Fund (5 Holdings MultiManaged)	**28 803 213**	**14.48**
Government Employees Pension Fund – Public Investment Corporation	19 246 189	9.67
Government Employees Pension Fund – Sentio Capital Management	4 131 561	2.08
Government Employees Pension Fund – Kagiso Asset Management	3 720 832	1.87
Government Employees Pension Fund – Public Investment Corporation	938 410	0.47
Government Employees Pension Fund – Perpetua Investment Managers	326 891	0.16
Government Employees Pension Fund – LEGACY AFRICA Fund Managers	154 783	0.08
Government Employees Pension Fund – Mvunonala Asset Management	144 547	0.07
Government Employees Pension Fund – Mianzo Asset Management	140 000	0.07
Totals	**28 803 213**	**14.48**

BREAKDOWN OF BENEFICIAL SHAREHOLDERS HOLDING 3% OR MORE		
Beneficial shareholders holding 3% or more	**No of Shares**	**%**
Government Employees Pension Fund	**28 803 213**	**14.48**
Government Employees Pension Fund – Public Investment Corporation	19 246 189	9.67
Government Employees Pension Fund – Sentio Capital Management	4 131 561	2.08
Government Employees Pension Fund – Kagiso Asset Management	3 720 832	1.87
Government Employees Pension Fund – Public Investment Corporation	938 410	0.47
Government Employees Pension Fund – Perpetua Investment Managers	326 891	0.16
Government Employees Pension Fund – LEGACY AFRICA Fund Managers	154 783	0.08
Government Employees Pension Fund – Mvunonala Asset Management	144 547	0.07
Government Employees Pension Fund – Mianzo Asset Management	140 000	0.07
Foord	**17 871 854**	**8.98**
Foord Balanced Fund	8 273 145	4.16
Foord Equity Fund	8 124 292	4.08
Foord Absolute Return Fund	985 790	0.50
Foord Domestic Balanced Fund	488 627	0.25
Investment Solutions	**10 316 896**	**5.18**
Investment Solutions Funds	4 223 491	2.12
Investment Solutions Funds – Equity	3 274 101	1.65
Investment Solutions Fully Discretionary Local	892 306	0.45
Investment Solutions Funds	813 880	0.41
Investment Solutions Funds – Low Equity Conserver	325 231	0.16
Investment Solutions Funds – Institutional Equity	262 597	0.13
Investment Solutions Fully Discretionary Global Balanced Fund	121 330	0.06
Investment Solutions Funds – Local Balanced	77 992	0.04
Investment Solutions Funds – Local Balanced	71 026	0.04
Investment Solutions Funds – Performer Balanced	68 410	0.03
Investment Solutions Funds- SWIX ALSI Tracker	68 087	0.03
Investment Solutions Funds	59 560	0.03
Investment Solutions – Aggressive Equity	58 885	0.03
Investec	**9 287 035**	**4.67**
Investec Value Fund	5 826 846	2.93
Investec Cautious Managed Fund	2 563 550	1.29
Investec Absolute Balanced Fund	816 125	0.41
Investec SA Cautious Managed Fund	56 082	0.03
Investec SA Value Fund	21 229	0.01
Investec Securities – Proprietary STRATE A/C No 2	3 203	0.00
Coronation Group Investments Ltd	**9 048 531**	**4.55**
Coronation Group Investments Ltd	9 048 531	4.55
Somerset Capital Management	**8 162 167**	**4.10**
PFS Somerset Emerging Markets Small Cap Fund	6 421 049	3.23
PFS Somerset Emerging Markets Small Cap Fund	1 373 381	0.69
PFS Somerset Emerging Markets Small Cap Fund	367 737	0.18

BREAKDOWN OF BENEFICIAL SHAREHOLDERS HOLDING 3% OR MORE (continued)		
Beneficial shareholders holding 3% or more (continued)	No of Shares	%
Metal & Engineering Industries	**6 367 239**	**3.20**
Metal Industries Provident Fund – Kagiso Asset Management	2 805 259	1.41
Engineering Industries Pension Fund – Kagiso Asset Management	2 694 950	1.35
Metal Industries Provident Fund – Metal & Engineering Industries	283 469	0.14
Metal Industries Provident Fund – Metal & Engineering Industries	196 142	0.10
Engineering Industries Pension Fund – Sentio Capital Management	110 700	0.06
Engineering Industries Pension Fund – Metal & Engineering Industries	81 329	0.04
Engineering Industries Pension Fund – Mianzo Asset Management	58 090	0.03
Metal Industries Provident Fund – Sentio Capital Management	55 100	0.03
Metal Industries Provident Fund – Mianzo Investment Management	28 872	0.01
Engineering Industries Pension Fund – LEGACY AFRICA Fund Managers	27 045	0.01
Metal Industries Provident Fund – LEGACY AFRICA Fund Managers	13 520	0.01
Engineering Industries Pension Fund – Afena Capital	8 509	0.00
Metal Industries Provident Fund – Afena Capital	4 254	0.00
Eskom Pension & Provident Fund	**6 136 169**	**3.08**
Eskom Pension & Provident Fund	3 058 651	1.54
Eskom Pension & Provident Fund	2 687 225	1.35
Eskom Pension & Provident Fund	162 547	0.08
Eskom Pension & Provident Fund	96 860	0.05
Eskom Pension & Provident Fund	80 962	0.04
Eskom Pension & Provident Fund	49 924	0.03
Old Mutual	**6 117 156**	**3.07**
Old Mutual Multi-Managers Satellite Equity Fund No.4	3 283 314	1.65
Old Mutual Albaraka Equity Fund	842 942	0.42
Old Mutual Life Assurance Company SA	740 721	0.37
Old Mutual Life Assurance Company SA	640 000	0.32
Old Mutual Albaraka Balanced Fund	324 476	0.16
Old Mutual Multi-Managed Equity Fund	200 155	0.10
Old Mutual Life Assurance Company SA	77 726	0.04
Old Mutual Core Diversified Fund	4 878	0.00
Old Mutual Dynamic Floor Fund	2 944	0.00
Totals	**102 110 260**	**51.32**

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 2016 Integrated Annual Report (hereafter, referred to as 'the Report'), covering the period 01 January to 31 December 2016. The assurance team consisted of Michael H. Rea, our Lead Certified Sustainability Assurance Practitioner, with more than 18 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 that would impede our independence. 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:

- 2016 – ATE and Unitrade
- 2015 – Lumotech, Smiths Manufacturing and Supreme Spring
- 2014 – First National Batteries, Hesto Harnesses and Smiths Plastics

Moreover, our 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 the sustainability content within Metair's 2016 IAR, and no non-assurance fees were billed to Metair during the reporting period. Rather, this work has allowed IRAS to increase the level of scrutiny over all of the reported sustainability data reported by all of Metair's operations, regardless of whether or not the data formed part of the annual site visit reviews.

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 R399 500 (exclusive of VAT and expenses), with no portion of these fees assigned to tasks deemed 'advisory services'.

Assurance objectives

The objectives of the assurance process were to:

- Assess the extent to which Group policies and procedures for sustainability data collection, collation and reporting are effectively applied at the following operations: ATE and Unitrade.
- 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.
- 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).
- 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:

- 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 sustainability measurement and reporting procedures at Metair's head offices, via management interviews with the reporting team, as well as through desktop research;
- A review of data collection, collation and reporting procedures at the selected operational sites, with specific reference to 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 sustainability performance assertions could be duly 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 & Recommendations

In general, Metair's sustainability reporting processes continue to improve towards measured excellence, 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. During the year under review, Metair transitioned from reliance on multiple Excel spreadsheets to collect, collate and report data to use of a Group-wide sustainability data management system, significantly reducing the potential for data transcription errors that may affect the accuracy and/or reliability of some data at some collection points at the sites. The use of this new system, coupled with the annual workshops on sustainability management, has led to significant improvements in both the quantity (completeness) and quality (accuracy, consistency and reliability) of reported ESG data.

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:

	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.	8 181	p.104	No concern
2	HDSA in Management	Number of persons in management levels – excluding non-executive directors – who are 'Historically Disadvantaged South Africans' (HDSA).	58.00%	SDTI table	No concern
3	Females in Management	Number of women in management levels – excluding non-executive directors.	18.80%	SDTI table	No concern
4	Absenteeism	Total number of person days lost due to all forms of absenteeism (i.e. sick, abscond, etc.), including formal/annual leave.	69 699	p.104	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.).	25.60%	p.104	No concern
6	PHW	Total number of person hours worked (PHW) for all employees and contractors.	18 160 037	p.104	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.	0.000	p.104	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.	1.200	p.104	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.	9.330	p.104	Low concern
10	Electricity	Total direct and indirect consumption of electricity for primary purposes.	191 055 MWh	p.104	No concern
11	Petrol	Total direct and indirect consumption of petrol for primary purposes.	303 528 litres	p.104	No concern

	Indicator	Definition	Value	Location	Concern
12	Diesel	Total direct and indirect consumption of diesel for primary purposes.	690 653 litres	p.104	No concern
13	Water	Total volume of water consumed – from all sources (i.e. municipal sources, boreholes, etc.) – for primary purposes.	622 027 m³	p.105	No concern
14	Waste to Landfill	Total volume of waste generated that is sent to landfill	21 296 tonnes	p.105	No concern
15	Waste Recycled	Total volume of waste generated that is sent for recycling.	8 433 tonnes	p.105	No concern
16	CSI/SED Spend	Total Rand value of expenditures on Corporate Social Investment (CSI)/Socio-Economic Development (SED) projects.	R13 500 000	p.105	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	p.78	Moderate concern

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.

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.

Based on our reasonability testing assessment of 175 ESG data points collected and collated by Metair for all of its 13 reporting entities, it was determined that – over and above the points stated above – improvements need to occur in the following areas:

Training data should be improved by ensuring that training interventions are duly categorised into 'skills development training', 'mandatory re-certifications' and 'awareness training', such that each operation can offer improved information regarding the investments the Group are making in upskilling employees for an evolving work environment.

Enterprise Development Spend data should be improved to ensure that the common scenario of under-reporting of ED Spend can be rectified, in order to align to the dti Codes of Good Practice expectations.

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 the 96 Sustainability Data Transparency Index (SDTI) indicators, scoring a remarkable 97.78%.

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 2016 IAR represents significant improvement over the previous report, with a score of 84.70%. The addition of a standalone CFO statement has certainly added clarity to the IAR, and while areas for further improvement still exist, we believe that Metair's IAR has become a leading example of effective reporting.

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
22 March 2017

GLOSSARY

ABM	Associated Battery Manufacturers (East Africa) Limited
AET	Adult Education and Training
AGM	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.*
AGOA	Africa Growth and Opportunity Act *US legislation to support the development of Sub-Saharan countries*
APDP	Automotive Production and Development Programme *A government support programme for the South African automotive industry*
B-BBEE	Broad-based black economic empowerment
BTC	Battery Technology Centre *Metair's centralised research and development facility*
BV	Book value
CDP	Carbon Disclosure Project
CEO	Chief executive officer
CFO	Chief financial officer
CSDP	Central Securities Depository Participant
CSI	Corporate Social Investment
CTC	Cost to company
EBITDA	Earnings before interest, tax, depreciation and amortisation
ECD	Early childhood development
ED	Enterprise development
EFB	Enhanced Flooded Batteries *EFB batteries 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.*
ESG	Environmental, social and governance
EU	European Union
FCTR	Foreign currency translation reserve
FNB	First National Battery
GDP	Gross domestic product
GJ	Gigajoules
GRI	Global Reporting Initiative
HDSA	Historically disadvantaged South African
HEPS	Headline earnings per share
IIRC	International Integrated Reporting Council
IPAP	Industrial Policy Action Plan *Industrial development framework for South Africa*
IT	Information Technology
ITAC	International Trade Administration Commission of South Africa
JSE	Johannesburg Stock Exchange
KPI	Key Performance indicator
LTIFR	Lost time injury frequency rate
LTIP	Long-term incentive plan
MERSETA	Manufacturing, Engineering and Related Services SETA

MIB	Metair International Battery *Metair's international battery marketing organisation*
MOI	Memorandum of Incorporation
MWh	Megawatt hours
NAACAM	National Association of Automotive Component and Allied Manufacturers of South Africa
NAAMSA	National Association of Automobile Manufacturers South Africa
NPAT	Net profit after tax
OE	Original Equipment
OEM	Original Equipment Manufacturer
PBIT	Profit before interest and tax
RBH	Royal Bafokeng Holdings
ROA	Return on assets
ROE	Return on equity
ROIC	Return on invested capital
SENS	Stock Exchange News Service
SETA	Sector Education and Training Authority *Skills development institutions established by the Skills Development Act in South Africa*
SHE	Safety, health and environment
SOP	Start of production pricing *The basis of pricing of automotive components in OEM contracts*
STIP	Short-term incentive plan
TSR	Total shareholders return
VCT	Voluntary counselling and testing
VLRA	Valve regulated lead acid batteries
WACC	Weighted average cost of capital

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	✔	✔	✔	✔		N/A	✔	✔	N/A	N/A
Smiths Manufacturing	✔	✔	✔	✔	Planned for 2017/18	N/A	✔	N/A	N/A	N/A
Hesto Harnesses	✔	✔	✔	✔	Planned for 2017	N/A	✔	N/A	N/A	N/A
Smiths Plastics	✔	ISO 45001 planned for Stage 1 2017	✔	✔	Stage 1 planned for 2017	Petition planned for 2018	N/A	N/A	N/A	N/A
Automould	✔	Will be assessed with Smiths Plastics		✔		N/A	N/A	N/A	N/A	N/A
Supreme Spring	✔	✔	✔	✔		✔	✔	✔	N/A	N/A
Alfred Teves Brake Systems	✔	✔	✔	✔	Planned for 2017	N/A	N/A	N/A	✔	N/A
Lumotech	✔	ISO 45001 planned for 2017	✔	✔		✔	N/A	✔	✔	✔
Tenneco Automotive Holdings	✔	✔	✔	✔	✔	✔	✔	✔	N/A	N/A
Valeo Systems South Africa			✔	✔		N/A	N/A	N/A	N/A	N/A
Unitrade	✔	Stage 1 complete Stage 2 planned for 2017	✔	✔		N/A	N/A	N/A	N/A	N/A
Rombat	✔	✔	✔	✔	Planned for 2017	N/A	N/A	N/A	N/A	N/A
Mutlu Akü	✔	✔	✔	✔	✔	✔			N/A	N/A
ABM	ABM site only		✔	Planned for 2018		N/A		N/A	N/A	N/A

APPENDIX II – B-BBEE CERTIFICATION

B-BBEE CERTIFICATION – December 2016

Expiry date of last verified scorecard		07/03/17	16/05/17	25/05/17	18/05/17	16/05/17	11/05/17	08/05/17	27/04/17	25/05/17	
B-BBEE ELEMENTS		**Smiths Plastics**	**Smiths Manu-facturing**	**Lumo-tech**	**Supreme**	**Hesto**	**Unitrade**	**FNB**	**Automould**	**ATE**	**Group total**
Ownership	23	20.97	19.79	22.46	22.21	21.61	20.11	22.21	20.11	19.88	189.35
Management Control	11	6.75	3.85	0	8.82	8.48	8.00	3.76	3.13	5.67	48.46
Employment Equity	18	11.54	9.5	7.12	N/A	N/A	12.78	N/A	10.26	2.31	53.51
Skills Development	15	6.89	12.00	15.00	16.68	17.49	12.08	17.01	10.47	4.64	112.26
Preferential Procurement	20	10.77	18.67	13.49	N/A	N/A	12.21	N/A	18.30	9.56	83.00
Enterprise and Supplier Development	15	6.96	15.00	15.00	28.28	28.93	5.52	32.53	8.13	15.00	155.35
Socio-Economic Development	5	3.82	5.00	3.67	5.00	5.00	4.66	5.00	5.00	2.96	40.11
TOTAL		**67.70**	**83.81**	**76.74**	**80.99**	**81.51**	**75.36**	**80.51**	**75.40**	**60.02**	**682.04**
Level Contributor		4	3	3	4	4	3	4	3	5	
					N1	N1		N1			

N1 – New codes

APPENDIX III – SUSTAINABILITY DATA TABLE

Metair – Sustainability Data Table		FY2016	FY2015	FY2014	FY2013	FY2012
Labour						
Total number of permanent employees	Number	**7 028**	6 801	6 607	6 457	6 223
Total number of temporary employees	Number	**1 153**	849	655	N/R	N/R
Total number of contractors	Number	**492**	568	589	155	255
Total employees (including contractors)	Number	**8 673**	8 218	7 851	6 612	6 478
Percentage of employees who are deemed 'HDSA' (South Africa Only)	%	**90.90%**	92.0%	92.0%	90.0%	89.5%
Percentage of employees who are women	%	**32.8%**	33.3%	31.4%	35.1%	34.4%
Percentage of employees who are permanent	%	**81.0%**	82.8%	84.2%	97.7%	96.1%
Percentage of employees who belong to a trade union	%	**72.8%**	58.5%	67.3%	79.1%	67.8%
Total number of employee terminations	Number	**2 096**	1 619	1 399	771	877
Employee turnover rate	%	**25.6%**	21.2%	19.3%	6.4%	N/R
Total number of person hours worked - all employees (excluding contractors)	Number	**18 160 037**	16 518 238	15 733 797	11 832 172	N/R
Total number of person days lost due to absenteeism	Number	**69 699**	60 501	59 105	N/R	N/R
Absenteeism rate (excluding contractors)	%	**3.3%**	3.2%	3.0%	3.4%	1.7%
Total number of person days lost due to industrial action	Number	**4 287**	7 407	0	65 272	N/R
Industrial action rate	%	**0.2%**	0.4%	0.0%	0.6%	N/R
Total number of employees trained	Number	**8 590**	6 122	5 021	5 396	N/R
Total number of training interventions	Number	**17 592**	30 633	16 834	N/R	N/R
Rand value of employee training spend	R (million)	**30.9**	15.0	13.6	9.9	11.0
Rand value of research and development spend	R (million)	**59.8**	74.7	22.5	31.6	N/R
Health and Safety (all employees and contractors)						
Total number of fatalities	Number	**0**	0	0	0	0
Total number of lost time injuries	Number	**109**	115	145	66	160
Total number of medical treatment cases	Number	**156**	243	146	116	N/R
Total number of first aid cases	Number	**582**	661	389	N/R	N/R
Total number of recordable injuries	Number	**265**	358	291	182	N/R
Fatal injury frequency rate	Rate	**0**	0	0	0	0
Lost time injury frequency rate	Rate	**1.20**	1.39	1.84	1.12	3.82
Total injury frequency rate	Rate	**9.33**	12.34	8.63	N/R	N/R
Total recordable injury frequency rate	Rate	**2.92**	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	**501**	772	1 002	433	N/R
Total number of employees and contractors tested for HIV/Aids	Number	**902**	902	972	433	N/R
Environmental						
Carbon footprint						
– Scope 1	tCO_2e	**46 468**	46 353	50 747	N/R	N/R
– Scope 2	tCO_2e	**141 376**	146 046	149 015	N/R	N/R
– Scope 3	tCO_2e	**398 100**	370 722	364 793	N/R	N/R
– Total	tCO_2e	**585 944**	563 120	564 555	N/R	N/R
Energy						
Total electricity consumption	MWh	**191 055**	180 782	180 684	N/R	N/R
Total petrol consumption	litres	**303 528**	290 229	322 608	N/R	N/R
Total diesel consumption	litres	**690 653**	651 778	607 066	N/R	N/R

Metair – Sustainability Data Table		FY2016	FY2015	FY2014	FY2013	FY2012
Water						
Total water consumption	m^3	**622 027**	587 363	530 438	468 285	360 177
Total volume of water discharged	m^3	**180 595**	191 948	1 769 450	N/R	N/R
Non-hazardous waste						
Total volume of non-hazardous waste sent to landfill	kgs	**3 457 811**	5 841 258	2 241 700		
Total volume of paper recycled	kgs	**660 000**	369 592	337 024	N/R	N/R
Total volume of cardboard recycled	kgs	**867 985**	854 426	849 805	N/R	N/R
Total volume of plastic recycled (internal and external)	kgs	**4 142 133**	2 728 303	1 653 402	N/R	N/R
Total volume of glass recycled	kgs	**490**	1 045	360	N/R	N/R
Total volume of metal recycled (including tin cans) (internal and external)	kgs	**1 799 905**	1 323 514	1 034 515	N/R	N/R
Total volume of biodegradable wet waste recycled	kgs	**350 855**	409 980	591 330	N/R	N/R
Total volume of other waste recycled (e-waste, wood, polystyrene, packaging foil etc.)	kgs	**544 963**	312 594	3 826	N/R	N/R
Total volume of non-hazardous waste recycled	kgs	**8 366 331**	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	**17 838 510**	19 274 878	6 620 470	N/R	N/R
Total volume of lead recycled	Tonnes	**±75 000**	±68 000	±60 000	N/R	N/R
Total volume of oils recycled	kgs	**66 701**	58 098	66 690	33 381	49 481
CSI/SED Expenditures						
Rand value of Corporate Social Investment (CSI) / Socioeconomic Development (SED) expenditures	R (million)	**13.5**	21.4	16.3	8.4	N/R
Rand value of CSI/SED spend on education	R (million)	**2.9**	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)	**1.2**	2.9	2.1	2.0	N/R
Rand value of CSI/SED spend on health, including HIV/AIDS	R (million)	**2.3**	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)	**2.2**	2.0	2.0	1.8	N/R
Rand value of CSI/SED spend on infrastructure development	R (million)	**0.4**	0.2	0.2	0.0	N/R
Rand value of CSI/SED spend on arts, sports and culture	R (million)	**1.4**	0.2	0.3	0.3	N/R
Rand value of CSI/SED spend on other	R (million)	**2.4**	3.5	0.9	0.3	N/R
Rand value of CSI/SED spend on environmental projects	R (million)	**0.0**	0.0			
Rand value of CSI/SED spend on job creation/small business support	R (million)	**0.7**	1.9	0.1	0.0	N/R
Rand value of enterprise development spend	R (million)	**21.5**	27.3	28.6	32.3	N/R
Preferential procurement (South African operations only)						
Rand value of total discretionary procurement spend	R (million)	**3 416.3**	2 241.4	2 755.7	N/R	N/R
Rand value of HDSA procurement spend	R (million)	**1 732.5**	1 377.9	324.0	572.5	
Preferential procurement spend rate	%	**50.7%**	61.5%	11.8%	N/R	N/R

N/R – Not reported

APPENDIX IV – HUMAN CAPITAL

Total headcount	Male	Female	Total
South Africa			
Permanent	3 450	2 041	5 491
Temporary	278	477	755
Contractors			492
Total	**3 728**	**2 518**	**6 738**
Romania			
Permanent	620	96	716
Temporary	35	3	38
Total	**655**	**99**	**754**
Turkey			
Permanent	756	55	811
Temporary	360	0	360
Total	**1 116**	**55**	**1 171**
UK			
Permanent	9	1	10
Total	**9**	**1**	**10**
Group	**5 508**	**2 673**	**8 673**

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	68
1.2	The board should ensure that the company is and is seen to be a responsible corporate citizen.	⬆	Corporate governance report	68
1.3	The board should ensure that the company's ethics are managed effectively.	⬆	Corporate governance report/social and ethics committee report	78/83
2.	**Boards and directors**			
2.1	The board should act as the focal point for the custodian of corporate governance.	⬆	Corporate governance report	69
2.2	The board should appreciate that strategy, risk, performance and sustainability are inseparable.	⬆	Corporate governance report – group risk management	73
2.3	The board should provide effective leadership based on an ethical foundation.	⬆	Corporate governance report	68
2.4	The board should ensure that it is and is seen to be a responsible corporate citizen.	⬆	Corporate governance report	68
2.5	The board should ensure that the company's ethics are managed effectively.	⬆	Corporate governance report/social and ethics committee report	78/83
2.6	The board should ensure that the company has an effective and independent audit committee.	⬆	Corporate governance	72
2.7	The board should be responsible for the governance of risk.	⬆	Corporate governance report – group risk management	73
2.8	The board should be responsible for information technology (IT).	➡	Refer to item 5 overleaf	
2.9	The board should ensure that the company complies with applicable laws and considers adherence to non-binding rules, codes and standards.	⬆	Corporate governance	68
2.10	The board should ensure that there is an effective risk-based internal audit.	⬆	Corporate governance	72
2.11	The board should appreciate that stakeholders' perceptions affect the company's reputation.	⬆	Stakeholder relations	48
2.12	The board should ensure the integrity of the company's integrated report.	⬆	About this report	3
2.13	The board should report on the effectiveness of the company's system of internal controls.	⬆	Board audit and risk committee report	82
2.14	The board and its directors should act in the best interest of the company.	⬆	Corporate governance report	69
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	70
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	68
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	70
2.19	Directors should be appointed through a formal process.	⬆	Corporate governance report	70
2.20	The induction of an ongoing training and development of directors should be conducted through formal processes.	⬆	Corporate governance report	72

⬆ Applied ➡ Under review ⬇ Do not apply

		Status	Integrated report section	Page
2.	**Boards and directors (continued)**			
2.21	The board should be assisted by a competent, suitably qualified company secretary.	⬆	Corporate governance report	81
2.22	The evaluation of the board, its committees and the individual directors should be performed every year.	⬆	Corporate governance report	70
2.23	The board should delegate certain functions to well-structured committees but without abdicating its own responsibilities.	⬆	Corporate governance report	72
2.24	A governance framework, including strategic objectives of the policy, should be agreed between the group and its subsidiary boards.	⬆	Corporate governance report	68
2.25	Companies should remunerate directors and executives fairly and responsibly.	⬆	Remuneration report	84
2.26	Companies should disclose the remuneration of each individual director and certain senior executives.	⬆	Remuneration report Annual financial statements – Note 3	86/131
2.27	Shareholders should approve the company's remuneration policy.	⬆	Notice to shareholders	184
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	72/82
3.2	Audit committee members should be suitably skilled and experienced independent non-executive directors.	⬆	Board audit and risk committee report	40/82
3.3	The audit committee should be chaired by an independent non-executive director.	⬆	Board audit and risk committee report	82
3.4	The audit committee should oversee integrated reporting.	⬆	Board audit and risk committee report	82
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	82
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	82
3.7	The audit committee should be responsible for overseeing the internal audit.	⬆	Board audit and risk committee report	82
3.8	The audit committee should be an integral component of the risk management process.	⬆	Board audit and risk committee report	82
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	82
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	82
4.	**The governance of risk**			
4.1	The board should be responsible for the governance of risk.	⬆	Corporate governance report – group risk management	73
4.2	The board should determine the levels of risk tolerance.	⬆	Corporate governance report – group risk management	74
4.3	The risk committee or audit committee should assist the board in carrying out its risk responsibilities.	⬆	Corporate governance report – group risk management	73
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	73
4.5	The board should ensure that risk assessments are performed on a continual basis.	⬆	Corporate governance report – group risk management	73
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	73

⬆ Applied ➡ Under review ⬇ Do not apply

		Status	Integrated report section	Page
4.	**The governance of risk (continued)**			
4.7	The board should ensure that management considers and implements appropriate risk responses.	⬆	Corporate governance report – group risk management	74
4.8	The board should ensure continuous risk monitoring by management.	⬆	Corporate governance report – group risk management	74
4.9	The board should receive assurance regarding the effectiveness of the risk management process.	⬆	Corporate governance report – group risk management	73
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	74
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	74
5.2	IT should be aligned with the performance and sustainability objectives of the company.	⬆	Forms part of risk management	74
5.3	The board should delegate to management the responsibility for the implementation of an IT governance framework.	⬆	Corporate governance report – group risk management	73
5.4	The board should monitor and evaluate significant IT investments and expenditure.	⬆	Forms part of risk management, Financial review	44
5.5	IT should form an integral part of the company's risk management.	⬆	Corporate governance report – group risk management	73
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	73
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	82
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	68
6.3	Compliance should form an integral part of the company's risk management process.	⬆	Corporate governance report – group risk management	74
6.4	The board should delegate to management the implementation of an effective compliance framework and processes.	⬆	Corporate governance report	68
7	**Internal audit**			
7.1	The board should ensure that there is an effective risk -based internal audit.	⬆	Board audit and risk committee report	82
7.2	Internal audit should follow a risk based approach to its plan.	⬆	Corporate governance report	73
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	73
7.4	The audit committee should be responsible for overseeing the internal audit.	⬆	Corporate governance report	72
7.5	Internal audit should be strategically positioned to achieve its objectives.	⬆	Corporate governance report	73

⬆Applied ➡Under review ⬇ Do not apply

APPENDIX V – KING III CHECKLIST CONTINUED

		Status	Integrated report section	Page
8.	**Governing stakeholder relationships**			
8.1	The board should appreciate that stakeholders' perceptions affect the company's reputation.	⬆	Stakeholder relations	48
8.2	The board should delegate to management to proactively deal with stakeholder relationships.	⬆	Stakeholder relations	48
8.3	The board should strive to achieve the appropriate balance between its various stakeholder groupings, in the best interests of the company.	⬆	Stakeholder relations	48
8.4	Companies should ensure the equitable treatment of shareholders.	⬆	Stakeholder relations	48
8.5	Transparent and effective communications with stakeholders is essential for building and maintaining their trust and confidence.	⬆	Stakeholder relations	48
8.6	The board should ensure that disputes are resolved as effectively, efficiently and expeditiously as possible.	⬆	Stakeholder relations	48
9.	**Integrated reporting and disclosure**			
9.1	The board should ensure the integrity of the company's integrated report.	⬆	About this report	3
9.2	Sustainable reporting and disclosure should be integrated with the company's financial reporting.	⬆	Integrated annual report 2016	
9.3	Sustainability reporting and disclosure should be independently assured.	⬆	Independent assurance statement	97

⬆Applied ➡Under review ⬇ Do not apply

ANNUAL FINANCIAL STATEMENTS

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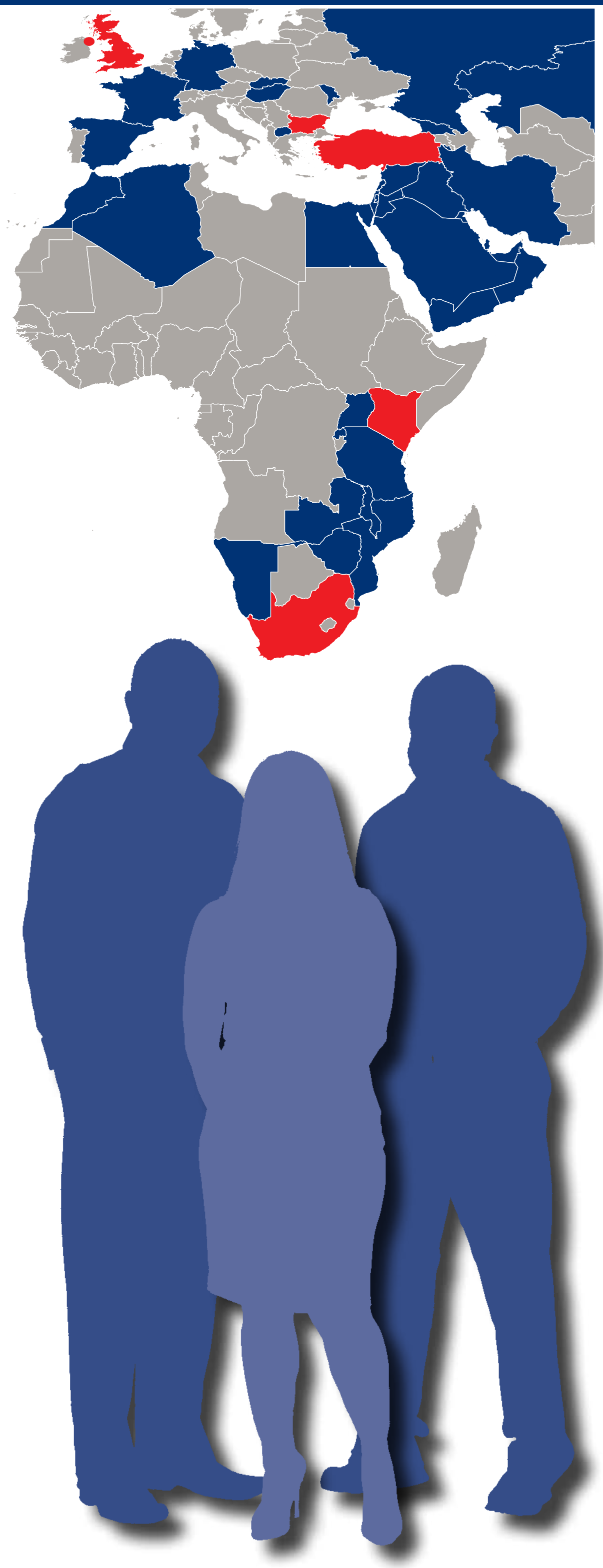

LEVEL OF ASSURANCE
These annual financial statements have been audited in compliance with the applicable requirements of the Companies Act of South Africa.

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

PUBLISHED
22 March 2017

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 auditor's 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 2016 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 2016, set out on pages 113 to 183, were approved by the board of directors and signed on its behalf by:

SG Pretorius
Chairman

CT Loock
Managing director

Johannesburg
22 March 2017

The audit report of PricewaterhouseCoopers Incorporated is presented on page 116.

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 2016, 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
22 March 2017

DIRECTORS' REPORT

The directors have pleasure in submitting their report for the year ended 31 December 2016.

GENERAL REVIEW

The main business of the group is the manufacture and supply of motor vehicle components and energy storage solutions such as automotive and industrial batteries. The group also manufactures non-automotive products. The annual financial statements on pages 119 to 183 set out fully the financial position, results of operations and cash flows of the group and company for the financial year.

FINANCIAL RESULTS

The consolidated net profit for the year attributable to equity holders of the company was R447.9 million (2015: R527.4 million).

DIVIDENDS

The following dividends were declared for ordinary shares:

Declared and paid – 31 December 2015
Ordinary dividend - 70 cents per share

A dividend of 70 cents per share was declared on 22 March 2017 in respect of the year ended 31 December 2016.

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 group were as follows:

	R'000
Additions	321 954

The main changes to the intangible assets of the group were as follows:

	R'000
Additions	50 992

There were no changes for the company. Details can be found in note 7 of the annual financial statements.

DIRECTORS

The composition of the board of directors is set out on page 40.

SG Pretorius (appointed January 2014)
CT Loock (appointed March 2006)
S Douwenga (appointed March 2014)
L Soanes (appointed May 1999)
RS Broadley (appointed April 2001)
DR Wilson (appointed January 2014 and resigned November 2016)
JG Best (appointed February 2009)
TN Mgoduso (appointed March 2016)
PPJ Derby (appointed March 2016)
G Motau (appointed November 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 182 and note 9 to the annual financial statements.

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 5 May 2016:

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 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 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) 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 in an announcement over the Stock Exchange News Service operated by the JSE prior to the commencement of 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 deem such repurchases to be appropriate, having regard for prevailing market and business conditions;

(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.

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 119 to 183 which are signed on their behalf by:

SG Pretorius
Chairman

CT Loock
Managing director

Johannesburg
22 March 2017

INDEPENDENT AUDITOR’S REPORT

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 balance sheet of Metair Investments Limited (the Company) and its subsidiaries (together the Group) as at 31 December 2016, 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 119 to 183, comprise:

- the consolidated and separate balance sheet as at 31 December 2016;
- the consolidated and separate income statements and 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 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: R35 million, which represents 5% of the group’s average consolidated profit before tax for the 2016, 2015 and 2014 financial years.
- Group audit scope:
  We have performed full scope audits over 11 components, which in aggregate account for more than 95% of the consolidated revenue, consolidated profit before tax and consolidated total assets of the Group. Analytical procedures were performed over the remaining components to obtain the required evidence needed to express an opinion on the consolidated financial statements.
- Key audit matters identified are as follows:
  <u>Group level</u>
  - Rombat and Mutlu Goodwill and Other Indefinite Life Intangibles Impairment Assessments

  <u>Company level</u>
  - Impairment of Investment in Subsidiaries

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated and separate 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.

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 consolidated 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: R35 000 000

How we determined it: 5% of the group’s average consolidated profit before tax for the 2016, 2015 and 2014 financial years.

Rationale for the materiality benchmark applied: We chose average consolidated 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. Average profit before tax is relevant to the industry as a result of vehicle model changes by a customer leading to inconsistent or fluctuating profits over the cycle. The current year profit before tax was negatively impacted by a vehicle model change of a significant customer. We chose 5% which is consistent with quantitative materiality thresholds used for profit-orientated companies in this sector.

Group audit scope

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.

Every significant component of the Group was subject to a full scope audit of its financial reporting information submitted to the Company, which in aggregate account for more than 95% of the consolidated revenue, consolidated profit before tax and consolidated total assets of the Group. The group engagement team met with the component auditors of 7 of the components, and engaged with the remaining component auditors by means of a review of their working papers and required reporting documents.

The group engagement team tested the goodwill impairment calculation with input from the component teams. In order to obtain audit evidence in respect of components not part of the full scope audit, the group engagement team performed analytical review procedures.

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.

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

Refer to accounting policies, starting on page 172 (Basis of Consolidation, Intangibles and Impairment of non-financial assets), and to note 8 (Intangible assets) starting on page 135.

The goodwill and 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 (R451 million) and the Mutlu brand (R269 million).
- The Mutlu factory and business operations are based in Turkey, and have therefore been exposed to heightened political uncertainty during the period which is a potential indicator of impairment.
- 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 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 judgemental. This impacts on the assessment of impairment of goodwill.

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 the reasonableness of management's assumptions (volume and price growth, margins, working capital investment, capital expenditures and long term growth rates) by inspecting signed agreements with customers, technical reports, comparison to external and industry benchmarks, and comparison to future market volume forecasts that were obtained from an independent source.

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

The 2015 and 2016 actual results were compared to the forecasts for those years, to identify any situations where actual results achieved were different from budgeted results. We inquired of management and inspected supporting documentation to understand and corroborate 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 are unlikely to recur in future periods. In addition, we inspected the results of Mutlu following the attempted coup in Turkey, and compared it to the forecasted results for the period. We did not note variances requiring further investigation.

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 into account independently obtained data. The discount rates applied were within reasonable ranges.
- We assessed the long term growth rates in Romania and Turkey, by comparing these to economic and industry forecasts. The growth rates applied were within reasonable ranges.

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

In addition to considering sensitivity calculations performed by management, we performed independent 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 based on the evidence obtained we accepted management's conclusion that the key assumptions applied in the models were reasonable.

Impairment of investments in subsidiaries (Company level)

Refer to accounting policies, starting on page 172 (Basis of Consolidation) and to note 9 (Interest in Subsidiaries) starting on page 138.

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

- The magnitude of the balance of the investments in its subsidiaries with a carrying value of R2 016 million.
- The carrying value is supported by future forecast operating cash flows which are judgemental in nature and dependent on a number of factors, including volume expectations.
- The automotive industry in South Africa has been on a downward trend in terms of volumes, and the Mutlu business unit is impacted by political instability which included an attempted coup. These factors resulted in an assessment of impairment of the investment in subsidiaries being required.

How our audit addressed the key audit matter:

We obtained management's calculation and considered whether any impairment indicators exist for investment in individual subsidiaries by identifying where operating losses were incurred in the current year and by comparing the net asset values at the percentage shareholding to the investment values. Based on the calculation obtained, no individual subsidiaries indicated evidence of impairment. In order to obtain audit evidence about whether the attempted coup in Turkey indicated a possible impairment of the investment in Mutlu, we inspected the goodwill impairment calculation of the Mutlu goodwill and brand and performed the procedures as outlined in the key audit matter above.

Based on the work performed in testing the impairment of goodwill and the Mutlu brand and consideration of other factors, no contradictory evidence suggested that an impairment is required.

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 19 years.

PricewaterhouseCoopers Inc.
Director: G Hauptfleisch
Registered Auditor
Johannesburg
22 March 2017

BALANCE SHEETS

AS AT 31 DECEMBER 2016

	Notes	GROUP 2016 R'000	GROUP 2015 R'000	COMPANY 2016 R'000	COMPANY 2015 R'000
ASSETS					
Non-current assets		**4 250 789**	4 925 761	**2 018 809**	2 009 421
Property, plant and equipment	7	**2 857 131**	3 327 427		
Intangible assets	8	**1 001 461**	1 357 091		
Interest in subsidiaries	9			**2 016 016**	2 006 628
Investment in associates	10	**387 245**	235 890	**2 793**	2 793
Deferred taxation	17	**4 952**	5 353		
Current assets		**3 780 361**	4 114 699	**533 297**	531 124
Inventory	11	**1 608 961**	1 734 860		
Trade and other receivables	12	**1 394 933**	1 575 434		
Taxation		**31 358**	23 969		
Short-term loans - subsidiaries	9			**531 385**	530 201
Derivative financial assets	21.4.1	**1 092**	11 250		
Cash and cash equivalents	13	**744 017**	769 186	**1 912**	923
Total assets		**8 031 150**	9 040 460	**2 552 106**	2 540 545
EQUITY AND LIABILITIES					
Capital and reserves					
Stated capital	14	**1 497 931**	1 497 931	**1 497 931**	1 497 931
Treasury shares	14	**(10 481)**	(13 940)		
Share-based payment reserve	15.1	**95 114**	75 671	**35 309**	25 921
Foreign currency translation reserve	15.2	**(660 569)**	466 317		
Equity accounted earnings	15.3	**271 336**	241 671		
Changes in ownership reserve	15.4	**(21 197)**	(21 197)		
Retained earnings	15.5	**2 904 386**	2 630 982	**784 948**	786 937
Ordinary shareholders equity		**4 076 520**	4 877 435	**2 318 188**	2 310 789
Non-controlling interests	15.6	**103 053**	97 109		
Total equity		**4 179 573**	4 974 544	**2 318 188**	2 310 789
Non-current liabilities		**1 607 953**	2 578 734		
Borrowings	16	**986 547**	1 835 635		
Post-employment benefits	24	**88 911**	113 617		
Deferred taxation	17	**336 395**	401 208		
Deferred grant income	18	**147 950**	172 362		
Provisions for liabilities and charges	19	**48 150**	55 912		
Current liabilities		**2 243 624**	1 487 182	**233 918**	229 756
Trade and other payables	18	**1 065 304**	1 006 242	**547**	499
Borrowings	16	**911 018**	129 337		
Taxation		**16 350**	34 264		
Provisions for liabilities and charges	19	**108 445**	113 040		
Short-term loans - subsidiaries	9			**233 371**	229 257
Derivative financial liabilities	21.4.1	**15 492**	1 820		
Bank overdrafts	13	**127 015**	202 479		
Total liabilities		**3 851 577**	4 065 916	**233 918**	229 756
Total equity and liabilities		**8 031 150**	9 040 460	**2 552 106**	2 540 545

INCOME STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

		GROUP		COMPANY	
		2016	2015	2016	2015
	Notes	R'000	R'000	R'000	R'000
Revenue from sale of goods	1	8 953 710	7 732 479		
Cost of sales		(7 352 251)	(6 184 034)		
Gross profit		1 601 459	1 548 445		
Other operating income	3	110 777	188 236	139 290	199 248
Distribution expenses		(365 775)	(356 926)		
Administrative and other operating expenses		(615 025)	(590 137)	(2 010)	(1 961)
Operating profit	3	731 436	789 618	137 280	197 287
Interest income	2	33 296	33 478	30	10
Interest expense	2	(187 905)	(136 277)		
Share of results of associates	10	29 665	57 919		
Profit before taxation	3	606 492	744 738	137 310	197 297
Taxation	4	(138 434)	(189 843)	(9)	(3)
Profit for the year		468 058	554 895	137 301	197 294
Attributable to:					
Equity holders of the company		447 930	527 423	137 301	197 294
Non-controlling interests		20 128	27 472		
		468 058	554 895	137 301	197 294
Earnings per share					
Basic earnings per share (cents)	5	227	267		
Diluted earnings per share (cents)	5	225	266		

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2016

		GROUP		COMPANY	
		2016	2015	2016	2015
	Notes	R'000	R'000	R'000	R'000
Profit for the year		468 058	554 895	137 301	197 294
Other comprehensive income:					
Items that will not be reclassified to profit or loss:					
- Actuarial (losses)/gains recognised	24	(1 108)	6 575		
- Taxation effect	17	65	(1 369)		
		(1 043)	5 206		
Items that may be reclassified to profit or loss:					
- Exchange (losses)/gains arising on translation of foreign operations		(1 127 532)	366 703		
Other comprehensive (loss)/income for the year net of taxation		(1 128 575)	371 909		
Attributable to:					
Equity holders of the company		(1 128 140)	371 200		
- Actuarial (losses)/gains recognised		(1 254)	5 112		
- Exchange (losses)/gains arising on translation of foreign operations		(1 126 886)	366 088		
Non-controlling interests	15.6	(435)	709		
- Actuarial gains recognised		211	94		
- Exchange (losses)/gains arising on translation of foreign operations		(646)	615		
Total comprehensive (loss)/income for the year		(660 517)	926 804	137 301	197 294
Attributable to:					
Equity holders of the company		(680 210)	898 623	137 301	197 294
Non-controlling interests	15.6	19 693	28 181		

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2016

		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 2016								
Balance as at 1 January 2016	14, 15	**1 497 931**	**(13 940)**	**762 462**	**2 630 982**	**4 877 435**	**97 109**	**4 974 544**
Net profit for the year	15				**447 930**	**447 930**	**20 128**	**468 058**
Other comprehensive loss	15			**(1 126 886)**	**(1 254)**	**(1 128 140)**	**(435)**	**(1 128 575)**
Total comprehensive loss for the period	15			**(1 126 886)**	**446 676**	**(680 210)**	**19 693**	**(660 517)**
Employee share option scheme	15.1			**19 443**		**19 443**		**19 443**
Vesting of share-based payment obligation	14, 15.1		**3 459**	**(4 573)**		**(1 114)**		**(1 114)**
Transfer of net vesting impact to retained earnings	15.1, 15.5			**4 573**	**(4 573)**			
Transfer of associate profit and dividend	15.3			**29 665**	**(29 665)**			
Dividend*	15.5				**(139 034)**	**(139 034)**	**(13 749)**	**(152 783)**
Balance as at 31 December 2016		**1 497 931**	**(10 481)**	**(315 316)**	**2 904 386**	**4 076 520**	**103 053**	**4 179 573**
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 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

* An ordinary dividend of 70 cents per share was declared in respect of the year ended 31 December 2015.

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

	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
		COMPANY					
Year ended 31 December 2016							
Balance as at 1 January 2016		**1 497 931**		**25 921**	**786 937**	**2 310 789**	**2 310 789**
Net profit for the year	15.5				**137 301**	**137 301**	**137 301**
Total comprehensive income for the period					**137 301**	**137 301**	**137 301**
Employee share option scheme	15.1			**18 135**		**18 135**	**18 135**
Purchase of treasury shares	14		**(8 747)**			**(8 747)**	**(8 747)**
Settlement of share options	14, 15		**8 747**	**(8 747)**			
Dividend*	15.5				**(139 290)**	**(139 290)**	**(139 290)**
Balance as at 31 December 2016		**1 497 931**		**35 309**	**784 948**	**2 318 188**	**2 318 188**
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	15				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, 15.1		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

* An ordinary dividend of 70 cents per share was declared in respect of the year ended 31 December 2015.

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

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2016

		GROUP		COMPANY	
		2016	2015	2016	2015
	Notes	R'000	R'000	R'000	R'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash generated from/(utilised in) operations	20.1	1 033 467	818 584	7 426	(1 934)
Interest paid	20.4	(186 534)	(150 255)		
Taxation paid	20.2	(133 752)	(174 120)	(9)	(3)
Dividends paid	20.3	(152 783)	(188 429)	(139 290)	(159 189)
Dividend income from associates	10		58 888		
Net cash inflow/(outflow) from operating activities		560 398	364 668	(131 873)	(161 126)
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisition of property, plant and equipment (excludes leased assets)	7	(293 995)	(485 710)		
Acquisition of intangible assets	8	(50 992)	(11 245)		
Insurance proceeds on property, plant and equipment	3		1 816		
Acquisition of subsidiary	28.1		(15 703)		
Proceeds on disposal of associate	10		25 530		
Acquisition of associate	10	(121 986)			
Advances to subsidiaries				(6 458)	(22 154)
Interest received	2	33 296	33 478	30	10
Dividends received	3			139 290	182 709
Proceeds on disposal of property, plant and equipment	3, 7	6 698	8 126		
Net cash (outflow)/inflow from investing activities		(426 979)	(443 708)	132 862	160 565
CASH FLOWS FROM FINANCING ACTIVITIES					
Revolving credit facility drawdown		80 000	129 100		
Revolving credit facility repaid		(16 000)			
Mutlu group (Mutlu) borrowings repaid - USD and TL		(106 763)	(38 651)		
Mutlu borrowings raised - USD and TL			132 775		
Lease payments		(9 712)	(9 166)		
Long-term loans raised			1 309		
Non-controlling interests in Mutlu	28.2		(35 332)		
Utilisation of treasury shares - CGT paid	15.1	(1 114)	(3 809)		
Net cash (outflow)/inflow from financing activities		(53 589)	176 226		
Net increase/(decrease) in cash and cash equivalents		79 830	97 186	989	(561)
Cash and cash equivalents at the beginning of the year		566 707	472 473	923	1 484
Exchange loss on cash and cash equivalents		(29 535)	(2 952)		
Cash and cash equivalents at end of the year	13	617 002	566 707	1 912	923

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

	GROUP					
		2016			2015	
	Segment revenue	% of total segment results	Segment PBIT	Segment revenue	% of total segment results	Segment PBIT
Energy storage						
Automotive						
Local	3 598 149	36	334 096	2 946 904	34	340 588
Direct exports	1 516 901	15	145 906	1 181 398	14	105 118
	5 115 050	51	480 002	4 128 302	48	445 706
Industrial						
Local	685 764	7	77 733	741 739	9	92 657
Direct exports	50 108	1	489	57 501	1	7 224
	735 872	8	78 222	799 240	10	99 881
Total energy storage	5 850 922	59	558 224	4 927 542	58	545 587
Automotive components						
Local						
Original equipment	3 580 962	35	189 922	3 000 767	36	266 077
Aftermarket	470 565	5	48 832	446 252	5	54 098
Non-auto	38 090		1 251	31 739		1 936
	4 089 617	40	240 005	3 478 758	41	322 111
Direct exports						
Original equipment	17 879		736	121 819	1	20 912
Aftermarket	35 303		6 198	24 131		1 985
	53 182	1	6 934	145 950	1	22 897
Total automotive components	4 142 799	41	246 939	3 624 708	42	345 008
Total segment results	9 993 721		805 163	8 552 250		890 595
Reconciling items:						
- Share of results of associates			29 665			57 919
- Managed associate *	(1 040 011)		11 699	(819 771)		(48 151)
- Profit on sale of associate						10 705
Amortisation and depreciation on fair value uplift of assets arising from business acquisitions			(40 308)			(47 995)
Bargain purchase from Dynamic acquisition						28 695
Other reconciling items **			(45 118)			(44 231)
Total	8 953 710		761 101	7 732 479		847 537
Net finance costs			(154 609)			(102 799)
Profit before taxation			606 492			744 738
Included in the above:						
- Depreciation and amortisation			(272 925)			(244 682)

* 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

Segment description and principal activities

The group manages an international portfolio of companies that manufacture and supply automotive components and energy storage solutions for local and export automotive and industrial 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, Russia 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. The group's business is managed and analysed in two distinct verticals - the energy storage and automotive components business units. Following the acquisitions of Rombat and Mutlu, the impact of the energy storage businesses on the group results has become significant, and the evaluation and management of the group's businesses by the chief operating decision maker is therefore focussed on energy storage and automotive components. The reportable segments of these businesses are identified as follows:

Energy storage vertical– automotive and industrial

The energy storage business consists of the automotive and industrial segments which manufacture products for local and export markets. FNB (South Africa), Mutlu (Turkey), Rombat (Romania) Dynamic (United Kingdom) are included in energy storage results.

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.

Automotive components vertical, including exports – original equipment (OE), aftermarket and non-automotive

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

- OE,
- aftermarket and
- non-automotive products

OE 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 OEMs 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 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 managed 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 is also excluded. The amounts provided to the executive 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 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.

1. **SEGMENT REVIEW (R'000) (continued)**
Entity-wide information

Major customers

27% (2015: 26%) of total revenue results from sales to a single external customer of the group.

Geographical information

The group is domiciled in South Africa. The result of its revenue from South African operations is R5 949 million (2015: R5 370 million) and from Europe and the Middle East (EME) is R4 045 million (2015: R3 182 million), including managed associates. EME domiciled operations predominantly consists of Romania and Turkey.

Non-current assets (excluding deferred tax assets) amounted to R4 246 million (2015: R4 920 million) of which foreign operations amounted to R2 897 million (2015: R3 666 million). Goodwill of R451 million (2015: R644 million) is fully allocated to energy storage 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. Details can be found in note 8 – Intangible assets and impairment testing.

		GROUP		COMPANY	
		2016 R'000	2015 R'000	2016 R'000	2015 R'000
2.	**NET FINANCE COSTS**				
	Interest income				
	On bank deposits	32 235	27 822	30	10
	Other	1 061	5 656		
		33 296	33 478	30	10
	Interest expense				
	Bank borrowings and overdraft	(75 358)	(37 434)		
	Finance leases and hire purchase	(2 459)	(1 666)		
	Dividend on redeemable preference shares	(102 583)	(91 934)		
	Defined benefits and other	(7 505)	(5 243)		
		(187 905)	(136 277)		
	Net finance (expense)/income	(154 609)	(102 799)	30	10
3.	**PROFIT BEFORE TAXATION**				
	Profit before taxation is stated after taking into account the following:				
	Other operating income				
	Dividends from subsidiaries (unlisted)			139 290	159 189
	Dividends from associates (unlisted)				23 520
	Distribution from subsidiaries				16 539
	Management fees received - external	11 765	3 377		
	Government grants	97 315	91 157		
	Income on scrapping	5 734	3 229		
	Bad debts recovered	1 305	221		
	Rent received	2 073	1 056		
	Derivatives at fair value through profit or loss:				
	- Fair value (loss)/gains	(19 812)	12 570		
	Insurance proceeds on fire**		27 442		
	Insurance proceeds - general	807	1 868		
	Profit on sale of associate		10 705		
	Gain from bargain purchase		28 695		
	Sundry income	11 590	7 916		
		110 777	188 236	139 290	199 248

		GROUP		COMPANY	
		2016 R'000	2015 R'000	2016 R'000	2015 R'000
3.	**PROFIT BEFORE TAXATION (continued)**				
	Expenses by nature				
	Auditors' remuneration:				
	- Audit fees and disbursements	9 252	7 380	1 002	777
	- Non-audit assurance services	706	2 251		
	- Non-audit non-assurance services	1 296	7 350		
	Depreciation and amortisation (notes 7 and 8)	272 925	244 681		
	Impairment property, plant and equipment (note 7)	1 122			
	Other operational losses on fire**		2 259		
	Profit on disposal of property, plant and equipment	(1 771)	(3 175)		
	Operating lease charges:				
	- Property	23 492	16 877		
	- Plant and equipment	21 168	19 770		
	Bad debt written off/impairment	6 563	6 596		
	Managerial, technical service fees and transactional costs paid to outside parties	34 421	34 975		
	Foreign exchange losses	897	16 179		
	Distribution costs	294 214	293 976		
	Raw materials, consumables used and other overheads	5 951 194	4 996 729		
	Employee benefit expense	1 676 133	1 452 240	311	226
	Other administrative and general expenses	41 439	33 009	696	958
	Total cost of sales, distribution costs and other operating and administrative expenses	8 333 051	7 131 097	2 010	1 961
	Employee benefit expense				
	Wages and salaries	1 442 363	1 255 440	311	226
	Share-based payment expenses	18 135	8 031		
	Termination benefits	2 958	3 668		
	Social security costs	131 889	108 525		
	Pension costs - defined contribution plans	66 860	62 441		
	Defined benefit plans (note 24.1)	3 042	3 111		
	Post-employment medical benefits (note 24.2)	10 886	11 024		
		1 676 133	1 452 240	311	226
	Number of persons employed by the group at the end of the year				
	Hourly	3 795	3 401		
	Monthly	2 160	2 125		
		5 955	5 526		

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

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

The total profit recognised was allocated as follows:

	2016 R'000	2015 R'000
Profit on insurance recovery on property, plant and equipment		1 816
Insurance recovery on stock written off and business interruption expenses		23 367
Total profit for the year		25 183
Made up of:		
Total insurance income recognised for the year		27 442
Less: Stock written off and business interruption expenses		(2 259)
Total profit for the year		25 183

	GROUP		COMPANY	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000
Directors' emoluments				
Executive directors				
Salaries and allowances	15 698	14 434	15 698	14 434
Other benefits	4 361	2 855	4 361	2 855
	20 059	17 289	20 059	17 289
Paid by subsidiary companies	(20 059)	(17 289)	(20 059)	(17 289)
Non-executive directors	227	227	227	227
Fees	2 985	2 217	2 985	2 217
Paid by subsidiary company	(2 758)	(1 990)	(2 758)	(1 990)

3. PROFIT BEFORE TAXATION (continued)

Directors' emoluments (continued)

	COMPANY 2016				
	SG Pretorius R'000	RS Broadley R'000	L Soanes R'000	CT Loock R'000	S Douwenga R'000
Executive directors					
Salaries and allowances				**9 436**	**3 533**
Performance bonuses				**1 913**	**816**
Pension and provident fund contributions				**298**	**219**
Company contributions				**50**	**47**
Gain on the exercise of share options				**3 747**	
				15 444	**4 615**
Paid by subsidiary companies				**(15 444)**	**(4 615)**
Non-executive directors	**2**	**2**	**2**		
Fees	**600**	**426**	**455**		
Paid by subsidiary company	**(598)**	**(424)**	**(453)**		

	JG Best R'000	DR Wilson** R'000	TN Mgoduso R'000	PPJ Derby R'000	G Motau R'000
Non-executive directors	**215**	**2**	**2**	**2**	
Fees	**444**	**316**	**362**	**303**	**79**
Paid by subsidiary company	**(229)**	**(314)**	**(360)**	**(301)**	**(79)**

	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)

* 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		COMPANY	
		2016 R'000	2015 R'000	2016 R'000	2015 R'000
4.	**TAXATION**				
	South African normal taxation	138 434	189 843	9	3
	Current:				
	- this year	115 685	182 610	9	3
	- prior years	632	(1 118)		
	Deferred:				
	- this year	22 369	7 069		
	- prior years	(252)	1 282		
		138 434	189 843	9	3
		%	%	%	%
	Reconciliation of taxation rate:				
	Standard rate - South Africa	28.0	28.0	28.0	28.0
	Associates' results net of taxation	(1.4)	(2.2)		
	Prior year adjustment:				
	- current	0.1	(0.2)		
	- deferred		0.2		
	Exempt income	(1.4)	(1.6)	(28.4)	(28.3)
	Exempt income - bargain purchase		(1.1)		
	Non-deductible expenses	2.6	2.2	0.4	0.3
	Non-deductible expenses for preference dividends and interest	4.9	3.5		
	Utilisation of previously unrecognised tax losses	(0.3)	(0.2)		
	Investment tax credit	(3.6)			
	Foreign tax rate difference*	(6.1)	(3.1)		
	Effective rate	22.8	25.5		

* Mutlu and Rombat statutory taxation rates are 20% (2015: 20%) and 16% (2015: 16%) respectively.

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 R37 338 770(2015: R34 225 918) in respect of estimated taxation losses amounting to R151 032 764(2015: R137 733 277) that can be carried forward against future taxable income.

	GROUP 2016	GROUP 2015
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.	227	267
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.	229	248
Diluted earnings per share		
Diluted earnings per share (cents)	225	266
Diluted headline earnings per share (cents)	228	247
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	
	2016	2016	2015	2015
Reconciliation between earnings and headline earnings	R'000	cents	R'000	cents
Earnings per share				
Net profit attributable to ordinary shareholders	447 930	226.5	527 423	267.4
Profit on disposal of property, plant and equipment	(1 416)	(0.7)	(2 818)	(1.4)
Gross amount	(1 771)		(3 175)	
Taxation effect	355		357	
Impairment of property, plant and equipment	1 089	0.6		
Gross amount	1 122			
Taxation effect	(33)			
Impairment of associate	5 000	2.5		
Gross amount	5 000			
Profit on insurance recovery on fire - property, plant and equipment			(1 308)	(0.7)
Gross amount			(1 816)	
Taxation effect			508	
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	452 603	228.8	488 425	247.7
Weighted average number of shares in issue ('000)	197 784		197 216	
Diluted earnings per share				
Net profit attributable to ordinary shareholders	447 930	225.4	527 423	266.2
Number of shares used for diluted earnings calculation ('000)	198 699		198 150	
Diluted headline earnings per share				
Headline earnings	452 603	227.8	488 425	246.5
Number of shares used for diluted earnings per share calculation ('000)	198 699		198 150	
Weighted average number of shares in issue ('000)	(197 784)		(197 216)	
Adjustment for dilutive share options ('000)	915		934	

		GROUP 2016 R'000	GROUP 2015 R'000	COMPANY 2016 R'000	COMPANY 2015 R'000
6.	**DIVIDENDS**				
	A dividend of 70 cents (2015: 80 cents) per share in respect of the 2015 (2014) year declared on 16 March 2016 (25 March 2015) and paid on 25 April 2016 (28 April 2015).	139 034	157 824	139 290	159 189

	GROUP	Land and buildings R'000	Plant, machinery and equipment R'000	Vehicles and furniture and fittings R'000	Total R'000
7.	**PROPERTY, PLANT AND EQUIPMENT**				
	2016				
	At cost	**1 219 147**	**2 709 904**	**185 643**	**4 114 694**
	Less: Accumulated depreciation and impairment	**(82 123)**	**(1 049 140)**	**(126 300)**	**(1 257 563)**
		1 137 024	**1 660 764**	**59 343**	**2 857 131**
	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
	Reconciliation of movement:				
	Year ended 31 December 2016				
	Opening net book value	**1 338 719**	**1 929 526**	**59 182**	**3 327 427**
	Transfers	**80 215**	**(89 888)**	**9 673**	
	Additions	**24 891**	**274 742**	**22 321**	**321 954**
	Disposals	**(233)**	**(4 416)**	**(277)**	**(4 926)**
	Depreciation	**(20 055)**	**(206 130)**	**(16 734)**	**(242 919)**
	Impairment		**(1 122)**		**(1 122)**
	Currency adjustment	**(286 513)**	**(241 948)**	**(14 822)**	**(543 283)**
	Closing net book value	**1 137 024**	**1 660 764**	**59 343**	**2 857 131**
	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

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

Property, plant and equipment amounting to R112 612 590 (2015: R141 931 033) are encumbered as security for bank overdrafts.

7. PROPERTY, PLANT AND EQUIPMENT (continued)

Assets under construction are included as follows:

	GROUP 2016 R'000	GROUP 2015 R'000
Land and buildings	**13 026**	16 351
Plant and equipment	**120 937**	291 069

Depreciation expenses are included within cost of sales of R214.3 million (2015: R194.6 million); distribution costs of R2.5 million (2015: R2.3 million); and administrative expenses of R26.1 million (2015: R22.9 million) in the income statement.

Project specific assets of R1.1 million (2015: Nil) were written off in the income statement as a result of the project terminating. No impairment reversals were recognised in the current or prior years.

Lease rentals amounting to R23 491 970 (2015: R16 876 716) relating to property and R21 168 005 (2015: R19 770 290) 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 R44.6 million (2015: R29.6 million).

8. INTANGIBLE ASSETS

	GROUP						
	Goodwill R'000	Trade-marks R'000	Licences R'000	Brands R'000	Customer relation-ship R'000	Develop-ment costs and other R'000	Total R'000
2016							
At cost	**468 846**	**51 567**	**29 838**	**338 270**	**179 466**	**46 240**	**1 114 227**
Less: Accumulated amortisation and impairment	**(17 797)**	**(13 288)**	**(15 245)**	**(15 938)**	**(40 732)**	**(9 766)**	**(112 766)**
	451 049	**38 279**	**14 593**	**322 332**	**138 734**	**36 474**	**1 001 461**
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
Reconciliation of movement:							
Year ended 31 December 2016							
Opening net book value	**643 995**	**49 943**	**3 637**	**442 189**	**205 148**	**12 179**	**1 357 091**
Transfers			**(5)**			**5**	
Additions		**48**	**15 514**			**35 430**	**50 992**
Disposals							
Amortisation		**(3 052)**	**(3 986)**	**(5 288)**	**(15 099)**	**(2 581)**	**(30 006)**
Currency adjustments	**(192 946)**	**(8 660)**	**(567)**	**(114 569)**	**(51 315)**	**(8 559)**	**(376 616)**
Closing net book value	**451 049**	**38 279**	**14 593**	**322 332**	**138 734**	**36 474**	**1 001 461**
Year ended 31 December 2015							
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

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 intangible assets comprises predominantly of capitalised development costs arising in Mutlu and licences acquired in Smiths Manufacturing (Pty) Ltd.

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 23.5 million (2015: R 20.5 million) is included within cost of sales and R 6.5 million (2015: R 4.4 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	Currency adjustments R'000	Closing net book value R'000
2016			
Goodwill			
- Rombat SA	**50 089**	**(5 447)**	**44 642**
- Mutlu group	**593 906**	**(187 499)**	**406 407**
Brands			
- Mutlu group	**366 459**	**(97 559)**	**268 900**
	1 010 454	**(290 505)**	**719 949**
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

Impairment tests on goodwill and indefinite life intangible assets

The group's goodwill and indefinite life intangible assets arising in the CGU's, Mutlu and Rombat, belong to the energy storage vertical. The recoverable amount has been determined based on value-in-use calculations and is estimated using a discounted cash flow model ("DCF").

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

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.

8. INTANGIBLE ASSETS (continued)

The summary of key assumptions used for value-in-use calculations are as follows:	Rombat SA %	Mutlu group %
2016		
Growth rate*	**3.4**	**3.7**
Discount rate (WACC)**	**9.3**	**17.0**
Period (years)	**5.0**	**5.0**
2015		
Growth rate*	3.4	3.6
Discount rate (WACC)**	9.3	14.8
Period (years)	5.0	5.0

* Long term growth rate used to extrapolate cash flows beyond the five-year period.

** Implied pre-tax discount rate applied to cash flow projections reflecting specific risks relating to the CGU and the country they operate in.

Raw material input costs: 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 and overall lower input costs when compared to LME
- 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 per tonne. A range of between 1827 – 2050 USD/tonne has been used in the forecast period costs for lead.

Implied pre-tax discount rate: The discount rate of each CGU is determined using a Weighted Average Cost of Capital ("WACC") approach. 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. This is normally the yield of the ten-year benchmark sovereign bond denominated in the CGU's domestic currency as a proxy for the risk-free rate. 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), forecasting risk ("alpha") and a market or equity risk premium (MRP). Since we have made use of domestic sovereign bonds as a measure of the risk-free rate, no country risk premium has been applied. In determining the cost of debt we have used a 'build-up approach" considering each CGU's capacity to borrow on a standalone basis. 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 long term industry and country forecasts 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 approximate 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 approximate the recoverable amount:		
2016		
Discount rate %	**9.3**	**17.0**
Basis points movement	**+5.4**	**+3.4**
Long-term growth rate %	**3.4**	**3.7**
Basis points movement	**-6.0**	**-6.0**
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

	COMPANY 2016 R'000	COMPANY 2015 R'000
9. INTEREST IN SUBSIDIARIES		
Unlisted		
Investments at cost less amounts written off	493 695	493 695
Non-current advances to subsidiary companies	1 487 012	1 487 012
Share-based payment costs	35 309	25 921
Net investment interest	2 016 016	2 006 628
Current advances to subsidiary companies	531 385	530 201
Current advances from subsidiary companies	(233 371)	(229 257)
	2 314 030	2 307 572

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 are presented net of impairment provisions, have no fixed terms of repayment and regarded as part of the net investment interest in subsidiaries carried at cost. Current advances are interest-free and payable on demand. These are presented as short-term loans due/(from) group subsidiary companies. Refer to note 8 for information regarding impairment testing on carrying values.

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

	GROUP 2016 R'000	GROUP 2015 R'000
Net income	982 747	1 098 758
Net losses	(48 645)	(33 362)

Details of subsidiaries are disclosed on page 182.

All subsidiary undertakings are included in the consolidation. The total non-controlling interest for the period is R 103 052 849 (2015: R 97 108 840) of which R99 164 867 (2015: R92 925 69) 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.

	2016 R'000	2015 R'000
Summarised balance sheet		
Non-controlling interest %	25	25
Current		
Assets	405 279	352 053
Liabilities	(233 738)	(218 107)
Total current net assets	171 541	133 946
Non-current		
Assets	265 555	258 747
Liabilities	(58 842)	(39 542)
Total non-current net assets	206 713	219 205
Net assets	378 254	353 151
Summarised results		
Revenue	1 334 174	1 263 035
Other comprehensive income	845	379
Profit attributable to non-controlling interest	19 674	27 283
Total comprehensive income allocated to non-controlling interest	19 885	27 379
Dividends paid to non-controlling interest	13 642	30 605
Accumulated non-controlling interest	99 165	92 926
Summarised cash flow		
Net cash inflow from operating activities	28 023	54 147
Net cash outflow from investing activities	(32 336)	(38 886)
Net cash (outflow)/inflow from financing activities	(4 812)	1 974

		GROUP		COMPANY	
		2016 R'000	2015 R'000	2016 R'000	2015 R'000
10.	**INVESTMENT IN ASSOCIATES**				
	Unlisted				
	Investments at cost less impairment	124 780	7 794	2 793	2 793
	Share of post-acquisition reserves included in equity accounted earnings	262 465	228 096		
	Total carrying value	387 245	235 890	2 793	2 793
	Reconciliation of movements:				
	Balance at the beginning of the year	235 890	251 684	2 793	2 793
	Acquisition/(disposal) of associates				
	- Equity accounted earnings realised		(13 575)		
	- Investment acquired/(realised)	121 986	(1 250)		
	Impairment of associate - Eye2square Innovations (Pty) Ltd	(5 000)			
	Share of equity accounted earnings	34 665	57 919		
	Dividends received		(58 888)		
	Foreign currency translation	(296)			
	Investment in associates	387 245	235 890	2 793	2 793

Set out below are the associates of the group as at 31 December 2016, 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 except Valeo Systems SA that is held directly by the company.

Their principal place of business is the same as country of incorporation and the proportion of ownership is the same as the voting rights held.

Nature of investment in associates	Percentage holding %	Place of business/ country of incorporation	Group carrying amount R'000
2016			
Unlisted			
Hesto Harnesses (Pty) Ltd	**74.9**	**South Africa**	**137 777**
Tenneco Automotive Holdings SA (Pty) Ltd	**25.1**	**South Africa**	**34 466**
Associated Battery Manufacturers (East Africa) Limited	**25.0**	**Kenya**	**132 716**
Valeo Systems SA (Pty) Ltd	**49.0**	**South Africa**	**82 286**
Vizirama 12 (Pty) Ltd	**33.0**	**South Africa**	
Eye2square Innovations (Pty) Ltd	**20.0**	**South Africa**	
			387 245
2015			
Unlisted			
Hesto Harnesses (Pty) Ltd	74.9	South Africa	149 909
Tenneco Automotive Holdings SA (Pty) Ltd	25.1	South Africa	28 978
Valeo Systems SA (Pty) Ltd	49.0	South Africa	52 003
Vizirama 12 (Pty) Ltd	33.0	South Africa	
Eye2square Innovations (Pty) Ltd	20.0	South Africa	5 000
			235 890

Details of the associates are disclosed on page 182. 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 and batteries for OE 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 owns 74.9%, of the majority of the voting rights in Hesto. 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. Hesto's results are also included in the group's segmental analysis as a managed associate.

10. INVESTMENT IN ASSOCIATES (continued)

The group made further strategic progress during the year with the acquisition of a 25% shareholding in Associated Battery Manufactures (East Africa) Limited (ABM), Kenya for R121 986 000 (approximately USD8.1 million). ABM owns the Chloride and Exide brands for the Kenyan as well as Tanzanian and Ugandan markets. The ABM group is purely aftermarket and represents significant potential for synergies and technology transfer in maintenance free batteries for automotive and lithium batteries for solar. Included in the acquisition cost is a shareholder's loan of R4 810 000, which was recognised as part of the investment in the associate. The loan is not in default nor impaired.

In the prior year 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's associates are private companies and there is no quoted market price available for shares.

Summarised financial information for associates

Set out below are the summarised financial information for the associates, which are accounted for using the equity method. Hesto and ABM are considered significant and disclosed individually whilst the other associates are aggregated.

	Hesto Harnesses		ABM		Aggregated other associates	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000	2016 R'000	2015 R'000
Summarised income statements						
Revenue	1 040 011	819 771	441 720		1 418 967	1 360 693
(Loss)/profit after taxation	(16 197)	31 895	44 101		84 116	84 554
Foreign currency translation			(1 184)			
Total comprehensive income	(16 197)	31 895	42 917			
Attributable to group	(12 132)	23 889	10 729			
Dividends received from associate		34 398				24 490
Summarised balance sheets						
Current						
Assets	267 308	203 722	385 244		588 677	484 853
Liabilities	(258 153)	(123 524)	(100 140)		(239 291)	(211 297)
Non-current						
Assets	244 299	217 942	175 738		75 148	64 421
Liabilities	(69 506)	(97 994)	(77 297)		(3 929)	(1 488)
Net assets	183 948	200 146	383 545		420 605	336 489

The information above reflects the amounts presented in the financial statements of the associates (and not the group's share of those amounts) adjusted for differences in accounting policies between the group and the associates.

The statutory financial year end of ABM is the end of February, however the results presented are at 31 December 2016 and equity accounted up to this date.

Reconciliation of summarised financial information

Reconciliation of summarised financial information for associates to the carrying amounts are presented in the table below:

	Hesto Harnesses		ABM		Aggregated other associates	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000	2016 R'000	2015 R'000
Opening net assets 1 January	200 146	214 176			336 489	378 908
(Loss)/profit for the year	(16 198)	31 895	44 101		84 116	84 554
Dividends paid		(45 925)				(52 851)
Net asset value of associate purchased/(disposed)			362 185			(74 122)
Foreign currency translation			(22 720)			
Closing net assets	183 948	200 146	383 566		420 605	336 489
Shareholding	74.9%	74.9%	25.0%		Varying	Varying
Cost	1	1	121 986		2 793	7 793
Group's net asset value share in ZAR - cost	1	1	95 356		2 793	7 793
Goodwill*			26 630			
Equity accounted profits	137 776	149 908	10 729		113 960	78 188
Carrying amount	137 777	149 909	132 715		116 753	85 981

* The goodwill arising on the acquisition of ABM is preliminary and the fair value apportionment exercise will be concluded by interim 2017.

		GROUP		COMPANY	
		2016 R'000	2015 R'000	2016 R'000	2015 R'000
11.	**INVENTORY**				
	Raw material	789 442	780 983		
	Work in progress	286 521	347 684		
	Finished goods	532 998	606 193		
		1 608 961	1 734 860		
	Included in the above are inventories stated at net realisable value of	21 321	28 059		
	The cost of inventories recognised as expense and included in cost of sales amounted to	6 426 150	5 191 003		
	Inventory amounting to R14 480 660 (2015: R16 862 812) has been pledged as security for bank overdrafts.				
12.	**TRADE AND OTHER RECEIVABLES**				
	Trade receivables	1 296 689	1 359 937		
	Less: Provision for impairment of trade receivables	(34 627)	(36 421)		
		1 262 062	1 323 516		
	Prepayments	14 084	57 129		
	Tooling prepayments	17 688	55 648		
	Grant claim receivable	5 301			
	VAT asset	5 627	24 489		
	Rebates and discounts receivable	57 507	46 487		
	Other receivables	32 664	68 165		
		1 394 933	1 575 434		

Trade receivables can be categorised in the following categories:

	Fully perfor-ming R'000	Past due and not impaired R'000	Impaired and provided for R'000	Total R'000
2016				
Original equipment	**332 584**	**41 752**	**92**	**374 428**
Exports	**134 120**	**60 794**	**22 237**	**217 151**
Aftermarket	**571 518**	**63 885**	**9 226**	**644 629**
Non-automotive	**33 005**	**24 404**	**3 072**	**60 481**
	1 071 227	**190 835**	**34 627**	**1 296 689**
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

12. TRADE AND OTHER RECEIVABLES (continued)

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

	GROUP 2016 R'000	GROUP 2015 R'000
Rand	561 146	471 658
British Pound	24 038	36 416
Euro	91 684	222 106
US Dollar	128 113	73 747
Australian Dollar	134	205
Romanian Lei	130 966	162 005
Turkish Lira	456 519	605 391
Singapore Dollar	2 333	3 906
	1 394 933	1 575 434

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
2016					
At 1 January	36 421		24 290	8 229	3 902
Provisions for receivables impairment	4 855	91	1 336	3 428	
Amounts written off	(602)		(88)	(338)	(176)
Unused amounts reversed	(1 710)			(1 057)	(653)
Currency adjustments	(4 337)		(3 301)	(1 036)	
As at 31 December	34 627	91	22 237	9 226	3 073
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

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
2016					
Up to 3 months	1 215 739	370 275	183 486	606 930	55 048
3 - 6 months	42 289	3 830	13 264	24 039	1 156
Over 6 months	38 661	323	20 401	13 660	4 277
	1 296 689	374 428	217 151	644 629	60 481
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

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 obtained security in the form of guarantees of R 364 450 101 (2015: R311 338 149) over certain trade receivables.

Trade receivables of R188 433 709 (2015: R283 731 657) have been pledged as security for bank overdrafts.

		GROUP		COMPANY	
		2016 R'000	2015 R'000	2016 R'000	2015 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	**744 017**	769 186	**1 912**	923
	Bank overdrafts	**(127 015)**	(202 479)		
		617 002	566 707	**1 912**	923
	The following bank rates applied at year end:				
	Interest rate on short-term bank deposits	**4.0%**	4.1%		
	Interest rate on bank overdrafts	**10.0%**	9.0%		
	Interest rate on European bank overdrafts	**1.0%**	1.0%		

Property, plant and equipment of R112 612 590 (2015: R141 931 033), inventory of R14 480 660 (2015: R16 862 812) and trade receivables of R188 433 709 (2015: R283 731 657) have been pledged as security for bank overdrafts.

		GROUP		COMPANY	
		2016 R'000	2015 R'000	2016 R'000	2015 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	**(13 940)**	(21 475)		
	Shares disposed by Business Venture Investments No 1217 (Pty) Ltd (vesting utilisation)	**3 459**	7 535		
	Balance at the end of the year	**(10 481)**	(13 940)		
	Number of treasury shares are held as follows				
	Business Venture Investments No 1217 (Pty) Ltd	**1 015 527**	1 359 346		

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.

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:

	2016		2015	
	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	2 593 320	34.26	2 635 463	32.11
Granted	1 038 484	20.02	503 027	28.30
Lapsed	(50 212)	(30.12)	(220 004)	(24.36)
Vested			(325 166)	(14.34)
Balance at the end of the year	3 581 592	30.19	2 593 320	34.26
IFRS 2 share-based payment charge		R10 857 616		R7 181 448

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

		2016 Number of rights	2015 Number of rights
Year ending 31 December:			
	2016		493 863
	2017	1 232 003	476 771
	2018	712 048	549 505
	2019	788 241	549 505
	2020	506 440	345 676
	2021	342 860	178 000
		3 581 592	2 593 320

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.

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 awarded in 2014 and 2015 is return on equity targets, non-market vesting condition, with a minimum return on equity target of 16% and 15% respectively.

The performance conditions applied to the performance shares awarded in 2016 is as follows:

- Metair executives performance criteria will be group's return on invested capital ("ROIC ") (50%) and total shareholder return ("TSR") (50%) being targeted. TSR will be measured against a benchmark of selected mid-tier industrial and trading companies. Metair's weighted average ROIC over the three year period will be referenced to weighted averaged cost of capital ("WACC").
- Subsidiary executives performance criteria will be group's ROIC (50%) and the subsidiaries own segmental ROIC (50%) being targeted.

Movements in the number of shares awarded are as follows:

		2016 Number of shares	2015 Number of shares
Balance at the beginning of the year		731 833	845 077
Granted*		608 420	258 693
Lapsed		(306 399)	(147 087)
Vested			(224 850)
Balance at the end of the year		1 033 854	731 833
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:			
	2016		232 624
	2017	224 355	247 668
	2018	225 984	251 541
	2019	583 515	
		1 033 854	731 833
IFRS 2 share-based payment charge - net*		R1 826 923	R(2 938 741)

* 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 and 2015 vest after three years conditional on continued employment. For a period of two years from the vesting date and provided continued employment of Metair, the shares may not be disposed, transferred or encumbered .

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:

	2016 Number of shares	2015 Number of shares
Balance at the beginning of the year	**643 819**	712 052
Granted	**800 000**	300 000
Lapsed		(15 143)
Vested	**(343 819)**	(353 090)
Balance at the end of the year	**1 100 000**	643 819
IFRS 2 share-based payment charge	**R5 450 331**	R3 788 688
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:		
2016		243 819
2017		50 000
2018	**300 000**	50 000
2019	**800 000**	100 000
2021		100 000
	1 100 000	643 819

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
2016			
Spot price	**R20.99**	**R19.80**	**R19.80**
Strike price (grant price)	**R20.02**	**Nil**	**Nil**
Volatility**	**27.61%**	**30.58%**	**N/A**
Dividend yield	**3.30%**	**4.40%**	**3.22%**
Valuation (IFRS 2)	**R7 099 694**	**R7 845 749**	**R14 261 008**
Fair value per share at grant date	**R6.75**	**R17.35**	**R17.83**
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

The total IFRS 2 employee share-based payment expense for the year was R18 134 870 (2015: R8 031 395), 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 2016 was R22.00 (2015: R27.13).

** 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):				
2016				
CT Loock	**120 124**	**57 693**	**800 000**	**977 817**
S Douwenga	**59 101**	**28 061**		**87 162**
2015				
CT Loock	77 253	27 849		105 102
S Douwenga	28 833	10 135	250 000	288 968
Exercise (number of shares):				
2016				
CT Loock**		**(113 962)**	**(180 222)**	**(294 184)**
2015				
CT Loock**	(60 357)	(26 260)	(17 967)	(104 584)
Cumulative (number of shares):				
2016				
CT Loock	**1 152 761**	**150 171**	**800 000**	**2 102 932**
S Douwenga	**382 680**	**50 554**	**250 000**	**683 234**
2015				
CT Loock	1 032 637	206 440	180 222	1 419 299
S Douwenga	323 579	22 493	250 000	596 072

** Set off against performance shares exercised is 113 962 (2015: 4 989) shares not vested by the remuneration committee in terms of the under fulfilment of certain performance conditions.

14.2 Interest of directors

At 31 December 2016 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 2016				31 December 2015			
Non-executive directors								
A Joffe							1 104 587	0.56
Independent non-executive directors								
L Soanes	**120 000**	**0.06**			120 000	0.06		
Total	**120 000**	**0.06**			120 000	0.06	1 104 587	0.56

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

		GROUP		COMPANY	
		2016 R'000	2015 R'000	2016 R'000	2015 R'000
15.	**RESERVES**				
	Other reserves comprises the following:				
15.1	**Share-based payment reserve**				
	Balance at the beginning of the year	75 671	73 984	25 921	26 160
	Value of service provided	18 135	8 031	18 135	8 031
	Deferred taxation	1 308	(6 344)		
	Utilisation of treasury shares to settle obligation*	(3 459)	(7 535)	(8 747)	(8 270)
	Estimated taxation effect of utilisation of treasury shares	(1 114)	(3 809)		
	Transfer of net vesting impact to retained earnings	4 573	11 344		
	Balance at the end of the year	95 114	75 671	35 309	25 921
	* The market value of shares utilised to settle the obligation amounted to R7 million (2015: R25 million).				
15.2	**Foreign currency translation reserve**				
	Balance at beginning of the year	466 317	100 229		
	Exchange (loss)/gains arising from translation of foreign operations	(1 126 886)	366 088		
	Balance at end of the year	(660 569)	466 317		
15.3	**Equity accounted reserves**				
	Balance at the beginning of the year	241 671	242 640		
	Transfers from retained earnings	29 665	(969)		
	Balance at the end of the year	271 336	241 671		
	Transfer from retained earnings consists of:				
	- Share of associated companies' after taxation income	29 665	57 919		
	- Dividends received		(58 888)		
		29 665	(969)		
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 in previous years.				
	Balance at the beginning of the year	(21 197)	(20 857)		
	Deemed acquisition of remaining interest (minority squeeze-out)		(340)		
	Balance at the end of the year	(21 197)	(21 197)		
	Total other reserves	(315 316)	762 462	35 309	25 921
15.5	**Retained earnings**				
	Balance at the beginning of the year	2 630 982	2 266 646	786 937	765 371
	Net profit for the year	447 930	527 423	137 301	197 294
	Other comprehensive (loss)/income	(1 254)	5 112		
	Dividends paid	(139 034)	(157 824)	(139 290)	(159 189)
	Transfers to equity accounted reserves	(29 665)	969		
	Transfer of net vesting impact to retained earnings	(4 573)	5 195		
	Settlement of share option		(16 539)		(16 539)
	Balance at the end of the year	2 904 386	2 630 982	784 948	786 937

		GROUP		COMPANY	
		2016 R'000	2015 R'000	2016 R'000	2015 R'000
15.	**RESERVES (continued)**				
15.6	**Non-controlling interests**				
	Balance at the beginning of the year	97 109	99 533		
	Net profit for the year - attributable to non-controlling interests	20 128	27 472		
	Other comprehensive (loss)/income - attributable to non-controlling interests	(435)	709		
	Dividend	(13 749)	(30 605)		
	Balance at the end of the year	103 053	97 109		
16.	**BORROWINGS**				
	Redeemable preference shares	1 400 000	1 400 000		
	Bank borrowings	463 698	550 213		
	Instalment sale liabilities	27 515	6 081		
	Finance lease liabilities	6 352	8 678		
	Total borrowings	1 897 565	1 964 972		
	Current portion included in current liabilities	(911 018)	(129 337)		
	Non-current portion	986 547	1 835 635		

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:

	2016 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 first repayment due of R840 million has been classified as current at balance sheet date.

The preference shares are subject to covenant requirements (refer note 21.3) and these requirements have been complied with.

16. BORROWINGS (continued)

Bank borrowings

Bank borrowings mature until August 2019 and includes term loans, call loans and revolving credit facilities (RCF).

The group has a general RCF of R750 million provided by ABSA Bank Limited, Investec Bank and Standard Bank of South Africa Limited. Drawdowns on the RCF amounted to R370 994 076 (2015: R306 994 076) 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 R93 401 994 (2015: R241 904 878 of secured term loans). These consist predominantly of US$2 019 177 and TL16 666 667 borrowings arising in Mutlu (2015: USD6 735 451 and TL25 819 459) with maturities ranging up to 4 December 2018. The interest rates range from an average of 3.26% (USD) to 13% (TL) per annum (2015: 3.4% to 13%). Annual repayments approximate USD2 019 177 per annum (2015: USD4 766 000) and TL8 333 000 (2015: TL8 333 000).

	GROUP		COMPANY	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000
Maturity of non-current borrowings (excluding financed assets)				
Later than 1 year and not later than 2 years	312 652	962 048		
Later than 2 year and not later than 5 years	650 994	866 994		
	963 646	1 829 042		
The carrying amount of the above borrowings are denominated in the following currencies:				
Rand	1 804 861	1 723 062		
US Dollar	27 752	109 583		
Turkish Lira	64 952	132 327		
	1 897 565	1 964 972		

The group had the following undrawn borrowing (including overdraft) facilities at year end:

- RCF of R379 million (2015: R443 million)
- Other South African facilities of R478 million (2015: R476 million)
- US Dollar denominated facilities of USD79 million (2015: USD128 million)
- Turkish Lira denominated facilities of TL145 million (2015: TL179 million)
- Euro denominated facilities of EUR14.8 million (2015: EUR6.7 million)

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 of USD30 000 000 (2015: USD30 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 R33 528 411 (2015: R18 088 126).

16. BORROWINGS (continued)

	GROUP		COMPANY	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000
Instalment sale liabilities - Minimum payments:				
Within 1 year	9 470	4 543		
Later than 1 year and not later than 5 years	24 106	1 953		
Minimum instalments	33 576	6 496		
Future finance charges	(6 061)	(392)		
Present value of liabilities	27 515	6 104		
The present value of all instalment sale liabilities may be analysed as follows:				
Within 1 year	7 229	4 287		
Later than 1 years and not later than 2 years	2 785	1 296		
Later than 2 years and not later than 5 years	17 501	521		
Present value of liabilities	27 515	6 104		
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 053 813 (2015: R11 483 100).				
Gross finance lease liabilities - minimum lease payments:				
Within 1 year	4 171	3 936		
Later than 1 year and not later than 5 years	2 786	5 691		
Minimum lease payments	6 957	9 627		
Future finance charges on finance leases	(605)	(949)		
Present value of finance lease liabilities	6 352	8 678		
The present value of all finance lease liabilities may be analysed as follows:				
Within 1 year	3 737	3 325		
Later than 1 years and not later than 2 years	2 615	5 353		
	6 352	8 678		
All borrowings are interest-bearing and the approximate annual interest rates at year-end are as follows:	%	%		
Preference shares	7.0	6.7		
Bank borrowings				
- Revolving credit facility	*Jibar+2.05	*Jibar+2.05		
- Other call and term facilities	9.0	8.0 - 10.0		
- Call loans (foreign borrowings)	3.0 - 13.0	4.0 - 13.0		
Instalment sale liabilities	9.5	8.0		
Finance lease liabilities	9.0	9.0		

* Johannesburg inter-bank acceptance rate

	GROUP		COMPANY	
	2016 R'000	2015 R'000	2016 R'000	2015 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% (2015: 28%) for South Africa, 16% (2015: 16%) for Romania, 20% (2015: 20%) for Turkey and 20% (2015: 20%) for the United Kingdom.				
The following amounts are shown in the consolidated balance sheet:				
Deferred taxation assets	(4 952)	(5 353)		
Deferred taxation liabilities	336 395	401 208		
	331 443	395 855		
The movement on the deferred income taxation account is as follows:				
At the beginning of the year	395 855	357 747		
Income statement charge/(credit):				
- Current year	22 369	7 069		
- Prior year	(252)	1 282		
Taxation (credited)/charged to other comprehensive income:				
- Actuarial (losses)/gains	(65)	1 369		
Taxation (credited)/charged to equity:				
- Share-based payments	(1 308)	6 344		
Currency adjustments	(85 156)	22 044		
At the end of the year	331 443	395 855		
Deferred taxation assets:				
Deferred taxation asset to be recovered after more than 12 months	(61 549)	(94 447)		
Deferred taxation asset to be recovered within 12 months	(26 078)	(12 208)		
	(87 627)	(106 655)		
Deferred taxation liabilities:				
Deferred taxation liability to be recovered after more than 12 months	394 424	482 007		
Deferred taxation liability to be recovered within 12 months	24 646	20 503		
	419 070	502 510		
Amounts aggregated:				
Deferred taxation assets	(87 627)	(106 655)		
Deferred taxation liabilities	419 070	502 510		
Net deferred taxation liability	331 443	395 855		

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
2016					
Opening balance	**1 264**	**348 861**	**135 195**	**17 190**	**502 510**
Reallocations			**13**	**326**	**339**
Charged/(credited) to the income statement:					
- current year	**(1 163)**	**22 024**	**(7 308)**	**(3 389)**	**10 164**
- prior year		**(1 024)**		**(93)**	**(1 117)**
Currency adjustments	**(101)**	**(59 190)**	**(33 251)**	**(284)**	**(92 826)**
Closing balance		**310 671**	**94 649**	**13 750**	**419 070**
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

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
2016							
Opening balance	**(2 044)**	**(30 645)**	**(8 754)**	**(3 008)**	**(16 608)**	**(45 596)**	**(106 655)**
Reallocations				**(42)**	**(35)**	**(262)**	**(339)**
Charged/(credited) to the income statement:							
- Current year	**147**	**3 780**	**7 752**	**(729)**	**643**	**612**	**12 205**
- Prior year		**266**	**1 002**	**174**		**(577)**	**865**
Charged/(credited) to other comprehensive income		**(65)**					**(65)**
Deferred taxation on share-based payment reserve*	**(1 308)**						**(1 308)**
Currency adjustments	**19**	**4 927**		**263**	**936**	**1 525**	**7 670**
Closing balance	**(3 186)**	**(21 737)**		**(3 342)**	**(15 064)**	**(44 298)**	**(87 627)**
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)

* 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 20% (2015:15%) 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	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000
18. TRADE AND OTHER PAYABLES				
Trade creditors	675 565	637 227		
Accrual for leave pay	24 591	21 572		
Sundry creditors, advances received and other accruals	189 610	181 472	546	499
Deferred income on government grants	162 849	186 411		
Payroll and statutory accruals	68 850	65 503		
Royalties payable	26 466	17 697		
VAT and other indirect taxes	22 905	18 159		
Rebates and discounts payable	25 415	34 931		
Preference share interest accrual	17 003	15 632		
	1 213 254	1 178 604	546	499
Non-current portion of deferred income on government grants included in non-current liabilities	(147 950)	(172 362)		
Current portion included in current liabilities	1 065 304	1 006 242	546	499
The carrying amounts of the group's trade and other payables are denominated in the following currencies:				
Rand	332 955	447 292	546	499
Yen	98 502	77 448		
US Dollar	257 536	113 558		
Euro	167 564	150 279		
British Pound	5 259	12 290		
Thai Baht	17 044	12 437		
Romanian Lei	214 662	241 257		
Turkish Lira	116 346	123 714		
Singapore Dollar	3 169	289		
Indian Rupee	217	40		
	1 213 254	1 178 604	546	499

19. PROVISIONS FOR LIABILITIES AND CHARGES

Warranty

Provision is made for the estimated liability on all products sold which are still under warranty including claims initiated, not yet settled. Claims are expected to be settled in the next financial year. Management estimates the provision based on historical warranty claim information and any recent trends that may suggest future claims would differ from historical amounts. Factors that could impact the estimated claims information include the success of the groups productivity and quality initiative, as well as parts and labour costs.

Executive bonuses

Executive bonuses are approved by the remuneration committee.

Environmental

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

Other provisions

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

The provision for scrap battery recovery amounted to R 27 896 472 (2015: R 35 852 939) and long service awards amounted to R18 207 224 (2015: R22 105 660).

	GROUP				
	Executive bonus R'000	Warranty claims R'000	Environ-mental R'000	Other R'000	Total R'000
2016					
Balance at the beginning of the year	**20 929**	**68 882**	**18 181**	**60 960**	**168 952**
Charged to the income statement:					
- Additional provision	**25 578**	**50 369**		**101 511**	**177 458**
- Unused amounts reversed	**(2 214)**	**(10 819)**		**(2 127)**	**(15 160)**
Utilised during the year	**(18 754)**	**(39 389)**		**(103 741)**	**(161 884)**
Currency adjustments	**(1 550)**	**(5 334)**	**(2 625)**	**(3 262)**	**(12 771)**
Balance at the end of the year	**23 989**	**63 709**	**15 556**	**53 341**	**156 595**
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

Analysis of total provisions:	2016 R'000	2015 R'000
Non-current	48 150	55 912
Current	108 445	113 040
	156 595	168 952

		GROUP		COMPANY	
		2016	2015	2016	2015
		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	606 492	744 738	137 310	197 297
	Adjustment for:				
	Depreciation and amortisation	272 925	244 681		
	Impairment charge	1 122			
	Profit on disposal of property, plant and equipment	(1 771)	(3 175)		
	Profit on insurance proceeds for property, plant and equipment		(1 816)		
	Other financial assets at fair value through profit or loss:				
	- Fair value losses/(gains)	19 812	(12 570)		
	Foreign exchange losses on operating activities	897	16 179		
	Share-based payment expenses	18 135	8 031		
	Net share-based payment effects			9 388	(239)
	Post-employment benefit - charge	20 859	14 135		
	Post-employment benefits - contributions paid	(25 802)	(9 201)		
	Share of equity accounted earnings/income from investments	(29 665)	(57 919)	(139 290)	(199 248)
	Profit on sale of associate		(10 705)		
	Gain on bargain purchase		(28 695)		
	Interest income	(33 296)	(33 478)	(30)	(10)
	Interest expense	187 905	136 277		
	Increase/(decrease) in provisions and derivatives	24 244	(23 697)		
	Operating cash before working capital changes	1 061 857	982 785	7 378	(2 200)
	Working capital changes (excluding the effect of acquisition and exchange differences on consolidation):				
	Increase in inventory	(10 056)	(135 610)		
	(Increase)/decrease in trade and other receivables	(14 417)	(89 660)		211
	Increase/(decrease) in trade and other payables	(3 917)	61 069	48	55
	Cash generated from/(utilised in) operations	1 033 467	818 584	7 426	(1 934)
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	(10 295)	(625)		
	Income statement charge (note 4)	(116 317)	(181 492)	(9)	(3)
	Currency adjustment	7 868	(2 298)		
	Amounts unpaid at the end of the year	(15 008)	10 295		
		(133 752)	(174 120)	(9)	(3)
20.3	**Dividends paid**				
	To shareholders	(139 034)	(157 824)	(139 290)	(159 189)
	To non-controlling interests	(13 749)	(30 605)		
		(152 783)	(188 429)	(139 290)	(159 189)
20.4	**Interest paid**				
	Interest expense (note 2)	(187 905)	(136 277)		
	Preference share interest accrual at the beginning of the year	(15 631)	(29 609)		
	Preference share interest accrual at the end of the year	17 003	15 631		
		(186 533)	(150 255)		

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
2016			
Derivative financial instruments		**1 092**	**1 092**
Trade and other receivables*	**1 357 743**		**1 357 743**
Cash and cash equivalents	**744 017**		**744 017**
Total	**2 101 760**	**1 092**	**2 102 852**
2015			
Derivative financial instruments		11 250	11 250
Trade and other receivables*	1 432 962		1 432 962
Cash and cash equivalents	769 186		769 186
Total	2 202 148	11 250	2 213 398

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
2016			
Borrowings		**1 897 565**	**1 897 565**
Derivative financial instruments	**15 492**		**15 492**
Bank overdraft		**127 015**	**127 015**
Trade and other payables**		**980 619**	**980 619**
Total	**15 492**	**3 005 199**	**3 020 691**
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

* Prepayments and VAT receivables are excluded from the trade and other receivables balance.

** Leave pay, advances received, deferred income and other non-financial liabilities 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
2016			
Short-term loans to subsidiaries	**531 385**		**531 385**
Cash and cash equivalents	**1 912**		**1 912**
Short-term loans from subsidiaries		**(233 371)**	**(233 371)**
Trade and other payables		**(547)**	**(547)**
Total	**533 297**	**(233 918)**	**299 379**
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

21.2 **Financial risk management**

The group's activities expose it to financial risks: market risk (including foreign currency exchange trade 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 currency risk.

A. Market risk

i. Foreign currency exchange rate risk (also refer 21.4.1)

The group exports and imports goods 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 and Japanese Yen.

Management has set up policies to require group companies to manage their foreign currency exchange rate 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 by 'hedging' either economically or through forward exchange contracts ("FEC's"). At period end the group is required to market to market these 'FECs' even though it has no intention of closing them out in advance of their maturity dates. The marked to market value represents foreign notional amounts translated at the market forward rate at reporting date. These valuation adjustments are realised through profit and loss. 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's current foreign exchange currency risk management policy is to "cover" at least 50% of net exposures (including orders, where possible).

The group makes use of professional foreign currency management specialists to assist in administrating 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 foreign currency exchange exposures at year-end can be analysed as follows:

	At balance sheet date				Purchase orders not yet reflected as liabilities in the balance sheet			
	2016		2015		2016		2015	
	Foreign amount inflow/ (outflow) '000	Rand equivalent inflow/ (outflow) R'000	Foreign amount inflow/ (outflow) '000	Rand equivalent inflow/ (outflow) R'000	Foreign amount '000	Rand equivalent R'000	Foreign amount '000	Rand equivalent R'000
US Dollars	(2 019)	(27 706)	6 540	101 026	2 527	34 849	11 218	174 607
Euros	(2 620)	(37 959)	3 312	55 869	1 507	21 863	4 022	67 921
Japanese Yen	122 297	14 409	577 094	74 914	279 857	32 991	302 700	39 290
Great British Pound	(21)	(354)	(46)	(1 055)	109	1 866	263	6 080
Thai Baht			11 881	5 147	17 808	6 855	11 578	5 016
Singapore Dollars	1 076	220	26	289	1 064	216	757	8 371
Indian Rupee	197	1 876	167	35	1 379	13 154	1 637	387
Total		(49 514)		236 225		111 794		301 672

	Profit higher/(lower)	
	2016	2015
Foreign exchange sensitivity analysis	R'000	R'000
At 31 December 2016, if the Rand had weakened/strengthened by 10% in relation 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 and the mark-to-market valuation of forward exchange contracts:		
US Dollar	10 102	11 245
- 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	6 422	6 248
Japanese Yen	7 538	5 545
Great British Pound	696	150
Thai Baht	1 246	895
Australian Dollar	11	5
Singapore Dollar	64	225

The following significant exchange rates against the ZAR applied at year end:

	Spot rate		Average rate	
	2016	2015	2016	2015
US Dollar	13.7	15.7	14.8	12.9
Euros	14.4	16.8	16.3	13.9
Japanese Yen (at inverted rate)	8.5	7.6	7.3	9.4
Turkish Lira - Mutlu - translation	3.9	5.3	4.9	4.7
Romanian Lei - Rombat - translation	3.2	3.7	3.6	3.2

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 group's local RCF facility, bank overdrafts, Mutlu US Dollar and Turkish Lira borrowings and the groups local preference share funding (refer note 16 - borrowings).

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.

Interest rates on bank overdrafts are disclosed in note 13. Interest rates on other long and short term borrowings are disclosed in note 16.

Bank overdraft facilities are reviewed annually and the terms are normally market related. For borrowing exposures and related maturity dates refer to note16.

At 31 December 2016, 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 R10 273 407 (2015: R9 741 661) lower.

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

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 and other 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 exchange currency contracts.

Operational

The group supplies batteries and automotive parts to predominantly the automotive industry. As a supplier to automotive 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 36% (2015: 35%) from OEMs. The credit profiles of such OEMs 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's independent distributor networks. This indirectly provides an advantage in concentration to OEMs. Refer to note 12 for further analysis of trade receivables.

Net trade receivables of R1 262 million (2015: R1 324 million) comprises of R1 001 million (2015: R1 152 million) from the energy storage business and R261 million (2015: R172 million) from the automotive component business.

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 placing cash with different financial institutions to minimise risk. In South Africa, this is usually limited to the 'big 4' retail banks and highly reputable financial institutions. In Turkey and Romania, this is usually limited to reputable financial institutions of strong international investment ratings. The maximum exposure to a single bank for deposits in South Africa is R199 million (2015: R357 million), whilst foreign deposits (held by foreign subsidiaries) and mark to market exposure for forward foreign currency contracts at 31 December 2016 varies amongst counterparties.

21. FINANCIAL INSTRUMENTS (continued)

21.2 Financial risk management (continued)

The credit quality of financial assets is based on historical counterparty default rules:

	GROUP	
Analysis of credit quality	**2016 R'000**	**2015 R'000**
Trade receivables		
Counterparties are:		
Group 1 - new customers (less than 6 months).	26 078	22 529
Group 2 - existing customers (more than 6 months) with no defaults in the past.	1 235 868	1 300 647
Group 3 - existing customers (more than 6 months) with some defaults in the past. All defaults were fully recovered.	116	340
	1 262 062	1 323 516
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).		
Cash and cash equivalents		
Bank balances were held as follows:		
South African banks	439 837	555 185
European banks	42 522	33 915
Turkish banks	261 658	180 086
	744 017	769 186
Derivative financial assets		
Forward exchange contracts were held as follows:		
South African banks - net ZAR forward cover value outflow	(279 653)	(129 078)

	COMPANY	
	2016 R'000	**2015 R'000**
Current advances to subsidiary - with no defaults in the past and not impaired	531 385	530 201
Bank balances with South African banks	1 912	923

The group does not expect any financial counterparties to fail to meet their obligations. South Africa's foreign and local credit ratings remain at investment grade (as at reporting date) and additional information on credit ratings can be found publicly on S&P Global, Fitch and Moody's Investor services.

21. FINANCIAL INSTRUMENTS (continued)

21.2 Financial risk management (continued)

C. Liquidity risk

The group is exposed to liquidity risk as part of its normal financing and operational cash cycles. Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities to ensure that sufficient liquidity is available to meet obligations as they fall due and to maintain sufficient flexibility in order to fund investment and acquisition objectives. The group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained.

The group undertook a refinancing of borrowings and facilities in the form of R1 400 million in preference share funding and a revolving credit facility (RCF) for R750 million during 2014. 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 R379 million (2015: R443 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
As at 31 December 2016					
Borrowings	**1 897 565**	**2 178 309**	**1 064 432**	**408 679**	**705 198**
Derivative financial liabilities	**15 492**	**15 492**	**15 492**		
Overdraft	**127 015**	**128 286**	**128 286**		
Trade and other payables	**980 619**	**980 619**	**980 619**		
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		

Analysis of financial liabilities - maturities (company)

Financial liabilities noted in 21.1 for R 233 371 154 (2015: R 229 257 186) 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. Capital allocations is limited to the most meaningful projects with the highest probability of success to support the groups required return on invested capital and free cash flow generation.

The group monitors capital structure on the basis of net debt/equity. This ratio is calculated as net debt divided by ordinary shareholders' equity. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the balance sheet) less cash and cash equivalents. Metair's capital structure remains relatively conservative and in compliance with all of our lenders covenants.

The ratios at 31 December 2016 and 2015 were as follows:

	GROUP	
	2016 R'000	**2015 R'000**
Total borrowings (notes 13 and 16)	**2 024 580**	2 167 451
Less: Cash and cash equivalents (note 13)	**(744 017)**	(769 186)
Net debt	**1 280 563**	1 398 265
Ordinary shareholders' equity	**4 076 520**	4 877 436
Total capital	**5 357 083**	6 275 701
Net debt/equity ratio %	**31.4**	28.7

Debt covenants

The borrowings provided by financiers to the group are subject to covenant measures (refer note 16). Covenant measures at reporting date and in the prior year have been met.

The three covenant measures at balance sheet date are:
- Priority debt covenant not more than 1 times (achieved -0.16 times)
- Interest cover ratio not less than 3.0 times (achieved 7.1 times)
- Net borrowings to 'adjusted EBITDA' ratio (as defined) shall not exceed 2.5 times (achieved 1.6 times)

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.

Financial instruments traded in active markets and based on market prices at reporting date as well as financial instruments in which inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) are classified as level 1 and level 3, as defined by IFRS 13. There are no such items applicable to the group at reporting date.

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 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 previously.

21. FINANCIAL INSTRUMENTS (continued)

21.4.1 Derivative financial instruments

The table below analyses financial instruments carried at fair value, by valuation method as defined in paragraph 21.4

		GROUP			
		2016 R'000		2015 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	1 092	15 492	11 250	1 820

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 reporting 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 loss of R19.8 million (2015: profit R12.6 million).

Forward exchange contracts FECs)

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

	**Rand amount '000	Foreign notional amount '000	FEC rate - range	Derivative Asset/ Liability fair value	Period to maturity
Derivative financial assets					
Imports*					
US Dollar	27 729	1 988	13.54 - 13.93	320	5 January 2017 - 28 April 2017
Euro	7 037	477	14.69	32	28 February 2017
Japanese Yen	3 608	30 000	8.33	7	31 March 2017
Great British Pound	844	49	17.06	4	28 February 2017
Thai Baht	1 917	4 900	2.57	11	31 March 2017
	41 135			374	
Exports*					
US Dollar	22 336	1 562	13.81 - 13.92	626	18 January 2017 - 28 February 2017
Euro	150	10	14.89	2	6 February 2017
Great British Pound	2 383	140	17.41	54	31 January 2017
Singapore Dollar	1 174	122	0.10	21	31 January 2017 - 28 February 2017
Australian Dollar	352	35	0.10	15	6 February 2017
	26 395			718	
Total derivative financial assets				**1 092**	
Derivative financial liabilities					
Imports*					
US Dollar	91 978	6 560	13.81 - 15.37	(2 199)	18 January 2017 - 30 June 2017
Euro	93 396	6 342	14.85 - 17.15	(6 670)	13 January 2017 - 31 March 2017
Japanese Yen	76 171	639 975	7.01 - 8.27	(6 198)	17 January 2017 - 28 April 2017
Thai Baht	11 077	28 600	2.48 - 2.58	(279)	17 January 2017 - 27 March 2017
Singapore Dollar	1 255	131	0.10	(79)	31 January 2017
	273 877			(15 425)	
Exports*					
US Dollar	8 964	653	13.71 - 14.60	(67)	18 January 2017 - 28 February 2017
Total derivative financial liabilities				**(15 492)**	

* Includes forward exchange contracts that represent imports and exports being managed on a net basis.

** Forward cover value in ZAR terms, representing the foreign notional amount translated at the contracted rates.

		GROUP 2016 R'000	GROUP 2015 R'000	COMPANY 2016 R'000	COMPANY 2015 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 R245 million (2015: R267 million) at 31 December 2016.				
	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	187 338	378 909		
	Contracted:				
	- Plant, machinery and equipment	46 124	122 201		
	Authorised by the directors, but not yet contracted:				
	- Plant, machinery and equipment	141 214	256 708		
	Unexpired portion of operating lease contracts	70 314	82 373		
	- Payable within 1 year	32 417	35 534		
	- Payable later than 1 year and not later than 5 years	37 897	46 703		
	- Payable thereafter		136		
		257 652	461 282		

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 2016 R'000	GROUP 2015 R'000
Balance sheet obligation for:		
Post-employment medical benefit (note 24.1)	32 324	32 230
Other post-employment benefits (note 24.2)	56 587	81 387
Liability in the balance sheet	88 911	113 617
Income statement charge:		
Post-employment medical benefits (note 24.1)	3 042	3 111
Other post-employment benefits (note 24.2)	17 818	11 024
	20 860	14 135
Remeasurements included in other comprehensive income for:		
Post-employment medical benefits (note 24.1) - gain	(1 957)	(668)
Other post-employment benefits (note 24.2) - loss/(gain)	3 065	(5 907)
	1 108	(6 575)

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 certain assumptions.

The amounts recognised in the income statement are as follows:

	GROUP 2016 R'000	GROUP 2015 R'000
Current service costs	608	571
Interest costs	2 434	2 540
	3 042	3 111
Movement in the liability recognised in the balance sheet		
At the beginning of the year	32 230	31 305
Total expense per income statement	3 042	3 111
Contributions paid	(991)	(1 518)
Actuarial gain recognised in other comprehensive income	(1 957)	(668)
At the end of the year	32 324	32 230
The amounts recognised in equity are as follows:		
Recognised actuarial gain	(1 957)	(668)
The effect of a 1% movement in the assumed medical healthcare cost rate is as follows:		
	R'000	R'000
Effect on the aggregate of the current service cost and interest cost	**(2 983)**	**3 404**
Revised defined benefit obligation - net	**28 925**	**36 367**
Assumptions	**2016**	**2015**
The principal actuarial assumptions used were:		
- Discount rate for obligation	9.3%	9.0%
- Healthcare cost inflation	7.0%	7.0%
- Continuation of membership on retirement	100%	100%
- CPI inflation	6.7%	7.0%
- 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 TL4 297 (2015: TL3 828) 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	
	2016 R'000	2015 R'000
Current service costs	10 886	3 342
Interest costs	6 931	7 682
	17 817	11 024
Movement in the liability recognised in the balance sheet		
At the beginning of the year	81 387	78 727
Total expense per income statement	17 817	11 024
Contributions paid	(24 811)	(7 683)
Actuarial loss/(gain) recognised in other comprehensive income	3 065	(5 907)
Currency adjustment	(20 871)	5 226
At the end of the year	56 587	81 387
The amounts recognised in equity are as follows:		
Recognised actuarial loss/(gain)	3 065	(5 907)
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	(177)	177
Revised defined benefit obligation	52 812	60 362
The principal actuarial assumptions used at balance sheet date are as follows (based on Turkish statistics):	2016	2015
Annual discount rate	11.0%	10.0%
Inflation rate	6.0%	6.0%
Average monthly earnings (Turkish Lira)	3 745	3 315
Mortality table	CS080 F/M	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 R 67 million (2015: R 62 million) to the defined contribution schemes.

		GROUP		COMPANY	
		2016 R'000	2015 R'000	2016 R'000	2015 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)			167 451	167 451
	Metair Management Services (Pty) Ltd (MMS)			531 385	530 201
				698 836	697 652

The company has also subordinated its claims against certain subsidiaries in respect of the revolving credit facility and preference share funding 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/project life 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 138 to 140. Information on loans granted to subsidiaries has been presented in note 9. Dividend income from subsidiaries has been presented in note 3. Directors' shareholding and share incentives granted have been presented in note 14.

Information on the Metair Investments Limited 2009 Share Plan can be found in note 14. The share-based payment expense for key management amounted to R13.5 million (2015: R5.2 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 93 to 96.

In the prior year 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	
	2016 R'000	2015 R'000
The group entered into the following transactions with its equity partner in Smiths:		
Purchases of goods and services	52 587	49 310
Dividend paid	13 642	30 562
Outstanding balance at year-end	44 124	2 368
The group entered into the following transactions with its associates:		
Hesto		
Purchases from group companies	93 017	102 172
Sales to group companies	13 696	2 365
Management fees received from group companies	314	295
Outstanding balance to group companies	5 377	2 088
Outstanding balance from group companies	925	180
Valeo		
Purchases from group companies	54 723	41 308
Management fees paid to group companies	258	1 601
Outstanding balance to group companies	2 244	1 619
Tenneco		
Sales to group companies		4 180

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 (2015 acquisition)

On 26 October 2015, the group acquired 100% of the issued shares of 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 OEMs 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.

There were no changes to the fair values of net assets acquired as presented previously. After allocating cash equivalents acquired, the net cash flow on acquisition amounted to R15 703 000.

28.2 Transactions with non-controlling interests (NCI) (2014 MTO and squeeze-out finalised in 2015)

The group carried out transactions with the NCI of Mutlu Akü in prior years. On 20 March 2015 the squeeze-out was completed and the company was effectively de-listed from the Istanbul Security Exchange. This resulted in an increase of R340 000 in the changes in ownership reserve and a cash outflow of R35 332 000 in the prior year.

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 2016 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 as issued by the IASB.

(a) Standards, amendments and interpretations effective for the first time for 31 December 2016 year-end

Standards and amendments adopted by 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 has no impact on the group as revenue based methods are not used.

Amendments to IAS 1 - Presentation of financial statements disclosure initiative: 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 merely clarify the existing requirements, they do not affect the group's accounting policies or disclosures.

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 not adopted by the company as investments are carried at cost.
Annual improvements 2014 – issued September 2014 (effective date 1 January 2016): The IASB published amendments to various standards for the 2012-2014 cycle of the annual improvements. These improvements clarify existing requirements and did not have any impact.

Standards and amendments not applicable to the group:

- *IFRS 14 - Regulatory Deferral Accounts,*
- *Amendment to IFRS 11 - Joint Arrangements on acquisition of an interest in a joint operation,*
- *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 for investment entities,*
- *Amendments to IAS 16 - Property, plant and equipment and IAS 41 - Agriculture on bearer plants.*

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, as set out below:

Amendment to IAS 12 – Income taxes (effective date 1 January 2017): The amendments clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. They also clarify certain other aspects of accounting for deferred tax assets, including unrealised losses.

The amendments clarify the existing guidance under IAS 12. They do not change the underlying principles for the recognition of deferred tax assets or the groups accounting policies.

Amendment to IAS 7- Cash flow statements (effective date 1 January 2017): the amendment introduces additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities and responds to requests from investors for information that helps them better understand changes in an entity's debt.

Disclosure on significant changes in liabilities arising from financing activities will be expanded, as appropriate. The groups refinancing of borrowings undertaken in FY 2014 as well as the RCF movements have been disclosed in note 16.

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 rather than the existing notion of the transfer of risks and rewards.

We are currently reviewing the effects of the standard. The new standard will require reassessment of contracts with customers. The group has existing 'contractual' business with a number of customers (such as OEMs) and the measurement of these revenue streams and the timing of when it is recognised may be impacted by the new rules. Other areas identified that need to be assessed are likely to be:
- Tooling activities;
- Revised agent versus principal indicators;
- Balance sheet presentation regarding the new requirement to separate recognition of the right to recover the goods from the customer and the refund obligation. This maybe applicable to aftermarket business.

At this stage, the group is not able to estimate the impact of the new rules on the financial statements. The group will undertake detailed assessments of the impact over the next twelve months, including the transitional adjustments and will consider adoption when appropriate.

IFRS 9 - Financial Instruments (2009 & 2010) and amendments on general hedge accounting (effective date 1 January 2018): This IFRS is part of the IASB's project to replace IAS 39. IFRS 9 addresses classification, measurement and derecognition of financial assets and liabilities. It 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 revised standard also establishes a more principles-based approach to hedge accounting and addresses inconsistencies and weaknesses in the current model in IAS 39. A new impairment model has also been introduced and is based on an expected credit loss (ECL) model.

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. The standard may require implementation of new hedging guidance in the group, to align with risk management policies and the possibility of applying hedge accounting going forward to a wider range of transactions.

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 (less than 12 months) and leases of low-value assets (such as laptops and office furniture); however, this exemption can only be applied by lessees.

We are currently assessing the effects of the standard and will consider adoption when appropriate. Based on the current committed operating leases of approximately R70m in place over the next five years, the group's balance sheet and certain financial ratios may be impacted on.

(c) 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 impairment. 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 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.

Amortisation of development costs recognised as assets are written off to the income statement over 3 - 5 years.

PROPERTY, PLANT AND EQUIPMENT

(a) Owned assets

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred. Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to reduce their cost to their residual values over their estimated useful lives as follows:

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

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

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

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

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

(b) Assets held under finance leases

Assets leased in terms of finance lease agreements are capitalised. These are leases 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 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 return rates.

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 management 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. 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. Hedge accounting is normally applied to significant foreign acquisitions.

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 for information on FEC's.

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

Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership. Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category, including interest and dividend income, are presented in the income statement within 'other operating income and expenses' in the period in which they arise.

Fair value estimation
The fair 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.

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) 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 a specified 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.

INVESTMENT TAX CREDITS (ITC)
The group uses the 'flow-through' method under which the tax benefit from an ITC is recorded immediately as a reduction in current income tax expense (income tax credit) in the period that the credit is generated. The amount recognised is the actual tax reduction, indicated by the tax authorities, which is deducted from corporate tax calculated at reporting date.

If there are significant ongoing performance obligations or a less than probable likelihood of not committing to a project objective or outlay, the 'deferral' method, under which the tax benefit from an ITC is deferred and amortised within income tax provision over the lesser of the project or asset useful life, is applied.

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 20% (2015: 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.

Subsequent to year end, the withholding tax rate increased to 20%.

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 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

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

INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

AS AT 31 DECEMBER 2016

	Type	Issued share capital 2016 R'000	Issued share capital 2015 R'000	% Direct/ (indirect) interest 2016 %	% Direct/ (indirect) interest 2015 %	Direct/ (indirect) cost of shares less impairment 2016 R'000	Direct/ (indirect) cost of shares less impairment 2015 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 Retail (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 (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	2	(100.0)	(100.0)	(31 000)	(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	ordinary	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	3 456 262	3 336 721	(100.0)	(100.0)	(3 456 262)	(3 431 376)
Metair Akü Holding Anonim Şirketi***	ordinary	2 858 419	2 858 419	(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						(7 049 495)	(7 024 609)
ASSOCIATES							
Hesto Harnesses (Pty) Ltd	ordinary	1	1	(74.9)	(74.9)	(1)	(1)
Associated Battery Manufacturers (East Africa) Ltd	ordinary	953		(25.0)		(121 986)	
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
Vizirama 112 (Pty) Ltd	ordinary			33.0	33.0		
Eye2square Innovations (Pty) Ltd	ordinary			(20.0)	(20.0)		(5 000)
Direct interest						2 793	2 793
Indirect interest						(121 987)	(5 001)

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)

**** Associated Battery Manufacturers (East Africa) Limited - Kenya

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:	**2016 R'000**	**2015 R'000**
Metair Management Services (Pty) Ltd	**531 385**	530 201
Inalex (Pty) Ltd	**1 486 307**	1 486 307
Lumotech (Pty) Ltd	**57 983**	57 983
Smiths Plastics (Pty) Ltd	**167 451**	167 451
Business Venture Investments 1217 (Pty) Ltd	**(233 371)**	(229 257)
	2 009 755	2 012 685

METAIR INVESTMENTS LIMITED
automotive | industrial | retail

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, 4 May 2017, 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 2016, 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 RS Broadley, 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 41 of the integrated annual report for a brief curriculum vitae of Mr RS Broadley), be and is hereby re-appointed as a Director of the Company.

Ordinary resolution number 2

Resolved that Mr L Soanes, who retires in terms of the provisions of the MOI, but, being eligible and has offered himself for re-election (refer to page 41 of the integrated annual report for a brief curriculum vitae of Mr L Soanes), be and is hereby re-appointed as a Director of the Company.

Ordinary resolution number 3

Resolved that the appointment of Ms HG Motau, as an independent non-executive director and a member of the Company's Audit and Risk Committee ("Committee"), with effect from 1 November 2016 (refer to page 41 of the integrated annual report for a brief curriculum vitae of Ms HG Motau), be and is hereby confirmed as a Director of the Company.

Reappointment of independent auditors
Ordinary resolution number 4

Resolved that PricewaterhouseCoopers Inc., with the designated audit partner being Mr L. de Wet, be and is hereby appointed as the independent auditors of the Company for the ensuing year as recommended by the Committee.

Election of Committee members
Ordinary resolution number 5

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) Ms HG Motau, as a member of the Committee,
each of whom are independent non-executive Directors of the Company.

Refer to pages 40 and 41 of the integrated annual report for a brief curriculum vitae of the nominees.

Special business

To consider, and, if deemed fit, to pass, with or without modification, the resolutions set out below:

Ordinary resolution number 6

a. Resolved as an ordinary resolution that the Company's remuneration approach, as set out in the Remuneration Report contained in the integrated annual report (refer to pages 84 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 other than the components of remuneration dealt with separately in ordinary resolutions 6d and 6e, as set out in the Remuneration Report contained in the integrated annual report (refer to page 84 of the integrated annual report) be and is hereby approved through a non-binding advisory vote.
c. Resolved as an ordinary resolution that the remuneration for 2016 for the Metair executives, as set out in the Remuneration Report contained in the integrated annual report (refer to note 3 on page 130 and page 85 of the integrated annual report) be and is hereby approved through a non-binding advisory vote.
d. Resolved as an ordinary resolution that the bonus share award to the Metair CEO for retention purposes, in terms of the Long Term Incentive Plan, as set out in the Remuneration Report contained in the integrated annual report (refer to page 88 of the integrated annual report) be and is hereby approved through a non-binding advisory vote.
e. Resolved as an ordinary resolution that the Long Term Incentive Plan share awards for the Metair executives

other than the component of remuneration dealt with separately in ordinary resolution 6d, as set out in the Remuneration Report contained in the integrated annual report (summarised in the table on page 88 of the integrated annual report) be and is hereby approved through a non-binding advisory vote.

The reason for the above resolutions 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.

The non-binding resolutions are of an advisory nature only and failure to pass these resolutions will therefore not have any legal or other consequences relating to existing arrangements. However, the Board will take the outcome of the vote into consideration when considering future implementation of the Company's remuneration policy.

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 2017 to 31 December 2017 (refer to page 92 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 2017 and ending 31 December 2017.

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 no financial assistance has been provided to subsidiaries during the 2016 financial year.

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 93 of the integrated annual report.

Share capital – refer to page 144 of the integrated annual report.

Directors' responsibility statement

The Directors, whose names are given on page 40 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.

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, 17 March 2017, 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, 28 April 2017, 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 Monday, 24 April 2017.

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, Rosebank Towers, 15 Biermann Avenue, 2196 or at PO Box 61051, Marshalltown, 2107) by no later than Tuesday, 2 May 2017 at 14h00.

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, 28 April 2017 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
22 March 2017

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 may be entitled to attend and vote at the meeting or 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, 4 May 2017 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
Presentation of financial statements	NON VOTING AGENDA ITEM		
Social and ethics committee report	NON VOTING AGENDA ITEM		
1. Re-election of Mr RS Broadley as a director	☐	☐	☐
2. Re-election of Mr L Soanes as a director	☐	☐	☐
3. Re-election of Ms HG Motau as a director	☐	☐	☐
4. Re-appointment of auditors	☐	☐	☐
5. Election of audit and risk committee members			
a. Re-election of Mr JG Best as chairman of the audit and risk committee	☐	☐	☐
b. Re-election of Mr L Soanes as member of the audit and risk committee	☐	☐	☐
c. Re-election of Ms HG Motau as member of the audit and risk committee	☐	☐	☐
Special business:			
Ordinary resolution number 6a: Approval of the Company's remuneration approach	☐	☐	☐
Ordinary resolution number 6b: Approval of the Company's remuneration policy	☐	☐	☐
Ordinary resolution number 6c: Approval of the Company's 2016 executive remuneration	☐	☐	☐
Ordinary resolution number 6d: Approval of the Company's CEO's retention bonus share award	☐	☐	☐
Ordinary resolution number 6e: Approval of the Company's executives' Long Term Incentive Plan share awards	☐	☐	☐
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 ______________________ 2017.

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, Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196 or at PO Box 61051, Marshalltown, 2107) by no later than Tuesday, 2 May 2017 at 14:00.

Please read the notes on the reverse side hereof.

NOTES TO THE FORM OF PROXY

An entitled shareholder may insert the name of a proxy or the names of two alternative proxies of the entitled 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 entitled shareholder. 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 entitled shareholder's votes exercisable thereat. An entitled shareholder or his/her proxy is not obliged to use all the votes exercisable by the entitled 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 entitled shareholder or by his/her proxy.

Forms of proxy must be lodged with or posted to the Transfer Secretaries (Computershare Investor Services (Pty) Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196 or PO Box 61051, Marshalltown, 2107) so as to be received by not later than 14:00 on Tuesday, 2 May 2017.

The completion and lodging of this form of proxy will not preclude the relevant entitled 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 alteration 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 entitled 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:

Telephone: +27 11 646 3011

Fax: +27 11 646 3102

Email: sanet@metair.co.za

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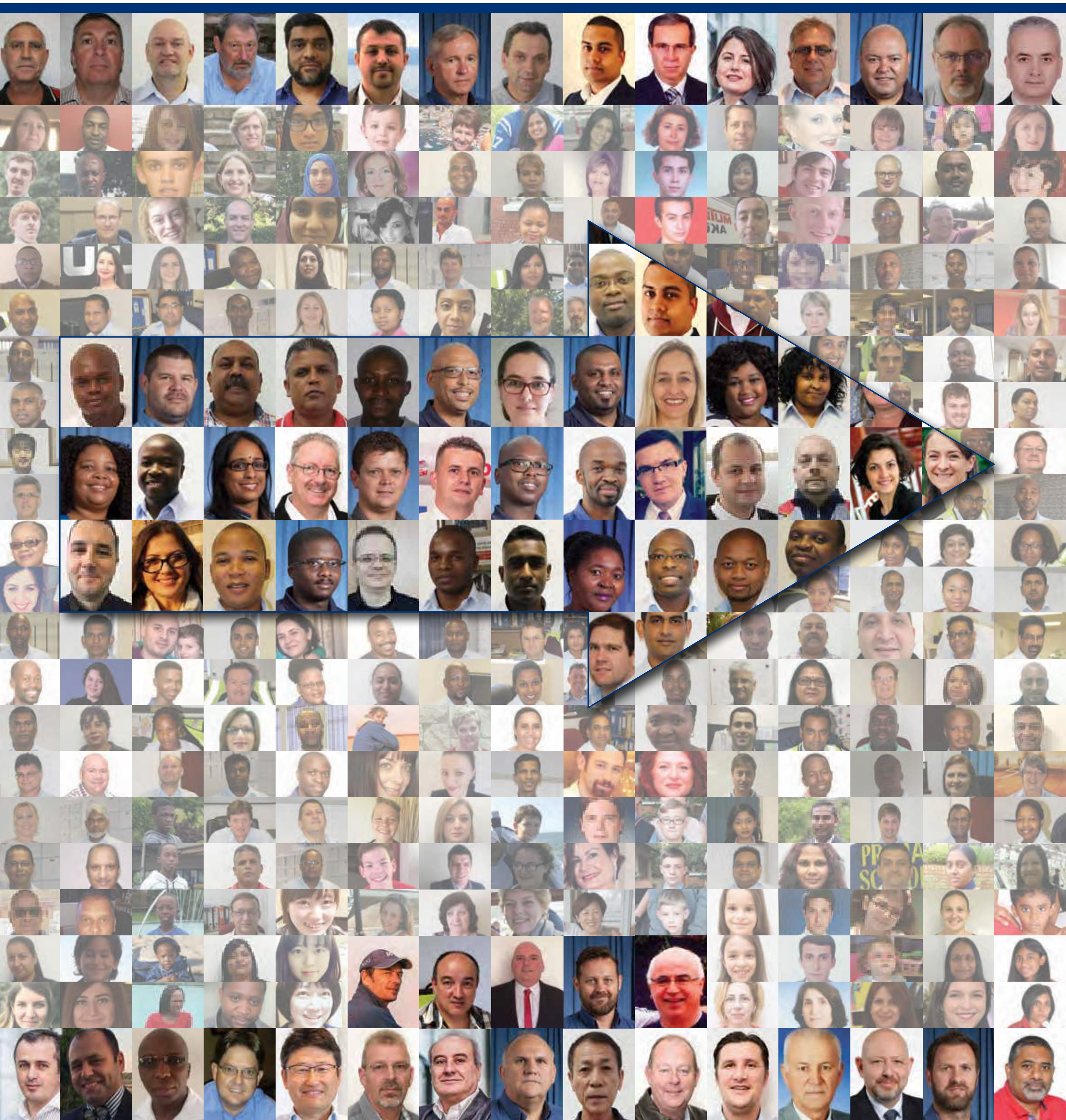

www.metair.co.za