



NOTICE TO SHAREHOLDERS 2013

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# NOTICE OF ANNUAL GENERAL MEETING

for the year ended 30 June 2013

KAP INDUSTRIAL HOLDINGS LIMITED

(Registration number 1978/000181/06) ("KAP"), JSE share code: KAP, ISIN: ZAE000059564



Notice is hereby given that the 35th annual general meeting of shareholders of KAP Industrial Holdings Limited (registration number 1978/000181/06) ("KAP" or "the company" or "the group") will be held at 12h30 in the auditorium at 28 Sixth Street, Wynberg, Sandton on Monday, 18 November 2013, for the purpose of dealing with the following business and to consider the following and, if deemed fit, passing, with or without modification, the resolutions set out below ("the annual general meeting"):

## Purpose:

The purpose of the annual general meeting is to transact the business set out in the agenda below.

## Voting

In order for the proposed ordinary resolutions to be adopted, with the exception of ordinary resolutions numbers 6 and 9, the support of a majority of votes cast by shareholders present or represented by proxy at the annual general meeting is required.

In respect of the special resolutions set out below, and in respect of ordinary resolutions number 6 and 9, the support of at least 75% of the total number of votes which the shareholders present or represented by proxy are entitled to cast is required for such resolutions to be adopted.

## AGENDA

### Ordinary business:

#### 1. Annual Financial Statements

Presentation of the consolidated audited annual financial statements of the group for the year ended 30 June 2013, together with the reports of the directors and the independent auditors thereon and the audit and risk committee report. The complete audited financial statements are available on the company's website at [www.kap.co.za](http://www.kap.co.za) or can be obtained from the company's registered office at 28 Sixth Street, Wynberg, Sandton, 2090.

#### 2. Ordinary Resolution Number 1

To reappoint, on the recommendation of the audit and risk committee of the company, Messrs Deloitte and Touche of Cape Town ("the Firm") as the auditors of the company for the ensuing financial year, as contemplated under Section 90 of the Companies Act No 71 of 2008 as amended (the "Companies Act") and in accordance with the company's Memorandum of Incorporation, with Mr Michael Van Wyk, a registered auditor and member of the Firm as the individual who will undertake the audit of the group.

#### 3. Special Resolution Number 1

To consider and if deemed fit to pass, with or without modification, the following resolution as a special resolution:

"Resolved that the remuneration as set out in the table below, payable to non-executive directors in respect of their services as directors of the company during the period commencing from the date of the approval of the special resolution until the date of the next annual general meeting, be and is hereby authorised:

	2014 R'000	2013 R'000
<b>Board membership fees</b>		
3.1 Independent, non-executive chairman (all-inclusive fee)	636 000	600 000
3.2 Member*	254 000	240 000
<b>Committee fees</b>		
<b>Audit and risk committee</b>		
3.3 Chairman	215 000	200 000
3.4 Member	106 000	100 000
<b>Human resources and remuneration committee</b>		
3.5 Chairman	117 000	110 000
3.6 Member	53 000	50 000
<b>Nomination committee**</b>		
3.7 Chairman	5 000	–
3.8 Member	5 000	–

\* A per meeting fee of R63 500 is proposed. (There are four scheduled quarterly board meetings per annum).

\*\* The nomination committee was formed in May 2013.

The above mentioned fees represent an increase of approximately 6% from those approved at the previous annual general meeting. The proposed fees have been benchmarked against fees payable to non-executive directors and committee members of comparable companies.

Each of the special resolutions set out in paragraphs 3.1 to 3.8 above will be considered separately.

# NOTICE OF ANNUAL GENERAL MEETING

for the year ended 30 June 2013 *(continued)*

## *Reason for and effect of special resolution number 1:*

The reason for this special resolution is that shareholders are required in terms of Section 66(9) of the Companies Act to pre-approve the payment of remuneration to directors for their services as directors, by way of passing a special resolution.

The effect of this special resolution, if approved, will be that the company will be authorised, until the next annual general meeting, to pay the aforementioned remuneration to its non-executive directors for the services they render to the company as directors, without requiring further shareholder approval. No fees are payable to the executive directors in respect of their services as directors.

## 4. Ordinary Resolution Number 2

To individually elect the following directors who retire by rotation in accordance with the provisions of the company's Memorandum of Incorporation and who, being eligible, offer themselves for re-election:

4.1 JB Magwaza\*;

4.2 IN Mkhari; and

4.3 DM van der Merwe.

\*In terms of article 25.3.2.1.1 of the company's Memorandum of Incorporation, this director is required to retire annually.

Summaries of the *curriculum vitae* of each of these directors are shown in annexure A to this notice of annual general meeting. The nomination committee supports the proposed re-election of these directors to the board. The proposed re-election of each of the abovementioned directors will be conducted by way of a separate vote for each appointment.

The reason for the ordinary resolutions set out in paragraphs 4.1 to 4.3 above is that the company's Memorandum of Incorporation, and to the extent applicable, the Companies Act, require that one third of the non-executive directors of the company retire by rotation at each annual general meeting but, if eligible, may offer themselves for re-election as directors.

## 5. Ordinary Resolution Number 3

*Note: For the avoidance of doubt, all references to the audit and risk committee of the company are references to the audit committee as contemplated in the Companies Act.*

To individually re-elect the following independent, non-executive directors as members of the audit and risk committee of the company until the next annual general meeting. The proposed members of the audit and risk committee are:

5.1 SH Müller;

5.2 SH Nomvete; and

5.3 PK Quarmby.

Summaries of the curriculum vitae of each of these directors are shown in Annexure A to this notice of annual general meeting. The appointment of the individual members of the audit and risk committee will be conducted by way of a separate vote for each appointment.

The reason for the ordinary resolutions set out in paragraphs 5.1 to 5.3 above is that the company, being a public listed company, must appoint an audit committee and the Companies Act requires that the members of such audit committee be appointed, or re-appointed, as the case may be, at each annual general meeting of the company.

The nomination committee and the board are satisfied that the above persons are suitably skilled and experienced independent, non-executive directors and that they collectively possess the appropriate experience and qualifications to fulfil their duties as contemplated in regulation 42 of the Companies Regulations 2011.

## Special business

### 6. Ordinary Resolution Number 4

To consider and, if deemed fit, to pass, with or without modification, the following resolution as an ordinary resolution:

"Resolved that 205 000 000 (two hundred and five million) of the authorised but unissued ordinary shares of no par value in the capital of the company, together with, subject to the passing of special resolutions number 5 and 6, 1 000 000 000 (one billion) cumulative, non-redeemable, non-participating preference shares and 50 000 000 (fifty million) perpetual preference shares, be and they are hereby placed under the control of the directors until the next annual general meeting and that the directors be authorised to allot and issue such shares to such person(s) and on such terms and conditions as the directors may in their sole discretion determine, subject to the provisions of the Companies Act, the company's memorandum of incorporation and the Listing Requirements (the "Listing Requirements") of the JSE Limited (the "JSE") and to compliance with the provisions of special resolutions 5 and 6, as adopted."

The reason for ordinary resolution number 4 is to authorise the board to issue shares in the company. This general authority, once granted, allows the board from time to time, when deemed appropriate, to issue such ordinary and preference shares as may be required for purposes inter alia of capital-raising exercises or to maintain a healthy capital adequacy ratio.

## 7. Ordinary resolution Number 5

To consider and, if deemed fit, to pass with or without modification, the following resolution as an ordinary resolution:

“Resolved that subject to compliance with the Listings Requirements and the Companies Act, 25 000 000 (twenty five million) unissued ordinary shares of no par value in the authorised but unissued share capital of the company be placed under the control of the directors for the continued implementation of the KAP Share Performance Plan (“the Share Plan”) and for the fulfilment of any obligations that may arise under the KAP Performance Share Rights Scheme (“the Share Scheme”).

At the annual general meeting of shareholders held on 14 November 2012, shareholders approved the adoption of the Share Scheme. The maximum number of shares that may be used for the implementation of the Share Plan and the Share scheme is 366 274 533 ordinary shares of no par value. The number of shares for which this authority is sought is significantly below the number authorised and falls within the authority granted by shareholders and has been calculated taking cognisance of the current obligations assumed under the Share Plan. Under the prior approval granted, the board may be required to deliver approximately 6 500 000 (six million five hundred thousand) shares that may vest in the year ahead to participants in the Share Plan. (Rights granted in December 2012 over 19 699 627 (nineteen million six hundred and ninety nine thousand six hundred and twenty seven) shares under the Share Scheme are subject to a three year vesting period and have not been included in the calculation). Approval of this resolution will afford the directors the ability to grant rights under the Share Scheme.

## 8. Ordinary Resolution Number 6

To consider and, if deemed fit to pass, with or without modification, the following resolution as an ordinary resolution:

“Resolved that the directors of the company be and are hereby authorised by way of a general authority to issue up to 100 000 000 (one hundred million) of the authorised but unissued ordinary shares of no par value in the capital of the company under their control for cash, as and when they in their discretion deem fit, subject to the Companies Act, the company’s Memorandum of Incorporation and the Listings Requirements, provided that:

- this authority is valid until the company’s next annual general meeting or for a period of 15 (fifteen) months from the passing of this ordinary resolution (whichever period is the shorter);
- any such issue will only be of securities of a class already in issue, or limited to such securities or rights that are convertible into a class already in issue;
- the general issues of shares for cash in the aggregate in any one financial year may not exceed 15% (fifteen per cent) of the company’s issued share capital (number of securities) of that class. The securities of a particular class will be aggregated with the securities that are compulsorily convertible into securities of that class, and, in the case of the issue of compulsorily convertible securities, aggregated with the securities of that class into which they are compulsorily convertible. The number of securities of a class which may be issued shall be based on the number of securities of that class in issue at the date of such application added to those that may be issued in future (arising from the conversion of options/convertible securities if applicable) less any securities of the class issued during the current financial year, provided that any securities of that class to be issued pursuant to a rights issue (announced and irrevocable and underwritten) or acquisition (concluded up to the date of application) may be included as though they were securities in issue at the date of application;
- as at the date of this notice of annual general meeting of the company, 15% (fifteen per cent) of the company’s issued share capital listed on the JSE was represented by 351 928 183 ordinary shares of no par value;
- in determining the price at which an issue of shares will be made in terms of this authority, the maximum discount permitted will be 10% (ten per cent) of the weighted average traded price of such shares, as determined over the 30 (thirty) business days prior to the date that the price of the issue is agreed between the issuer and the party subscribing for the securities. (The JSE will be consulted for a ruling if the applicant’s securities have not traded in such 30 (thirty) business day period); and that
- any such issue will only be made to public shareholders, as defined by the Listings Requirements, and not to related parties.”

For listed entities wishing to issue share for cash, it is necessary for the board to obtain the prior approval of shareholders in accordance with the Listings Requirements.

The reason for this ordinary resolution is accordingly to obtain a general authority from shareholders to issue shares for cash, subject to compliance with the Listings Requirements and the company’s Memorandum of Incorporation.

Note: At least 75% (seventy five per cent) of the shareholders present in person or by proxy and entitled to vote at the annual general meeting must cast their vote in favour of this ordinary resolution for it to be passed.

## 9. Special Resolution Number 2

To consider and, if deemed fit, to pass with or without modification, the following resolution as a special resolution:

“Resolved that the repurchase by the company of shares issued by it, on such terms and conditions as may be determined by the board of directors of the company and the acquisition by any subsidiary of the company of shares issued by the company, on such terms and conditions as may be determined by the board directors of any such subsidiary company, be and is hereby authorised

# NOTICE OF ANNUAL GENERAL MEETING

for the year ended 30 June 2013 (*continued*)

as a general approval in terms of Section 48 of the Companies Act, read with Section 46, subject to the relevant provisions of the Companies Act, the company's Memorandum of Incorporation and the Listings Requirements and provided that:

- such repurchase is permitted in terms of the Companies Act and the company's Memorandum of Incorporation;
- the general authority shall be valid until the next annual general meeting of the company or for a period of 15 (fifteen) months from the passing of this special resolution (whichever period is shorter);
- this authority be limited to a maximum of 20% (twenty per cent) of the issued share capital of that class in one financial year; provided that the repurchase of shares by a subsidiary of the company may not, in any one financial year, exceed 10% (ten per cent) in the aggregate of the number of issued shares in the company;
- repurchases shall not be made at a price more than 10% (ten per cent) above the weighted average of the market value of the securities traded for the 5 (five) business days immediately preceding the date on which the transaction is effected;
- the repurchase of securities being implemented through the order book operated by the JSE trading system (open market) and done without any prior understanding or arrangement between the company and the counterparty;
- the company will, at any point in time, appoint only one agent to effect the repurchase(s) on the company's behalf;
- after such repurchase(s), the minimum spread requirements as set out in the Listings Requirements are maintained;
- the company may not effect a repurchase during any prohibited period as defined in terms of the Listings Requirements unless implemented in accordance with a repurchase programme which commenced prior to the prohibited period;
- when 3% (three per cent) of the initial number, i.e. the number of shares in issue at the time that the general authority from shareholders is granted, is cumulatively repurchased and for each 3% (three per cent) in aggregate of the initial number acquired thereafter, an announcement shall be made in accordance with the Listings Requirements;
- the directors shall have passed a resolution authorising any repurchase and confirming that the company has passed the solvency and liquidity test as required by the Companies Act and that, since the test was done, there have been no material changes to the financial position of the group; and
- a certificate by the company's sponsor in terms of paragraph 2.12 of the Listings Requirements, confirming the statement by the directors regarding working capital referred to hereunder in this notice convening the annual general meeting, shall be issued before commencement of any repurchase."

## *Reason for and effect of special resolution number 2*

The reason for this special resolution is to obtain shareholder approval granting the directors a general authority for the company to repurchase shares issued by the company and for any subsidiary of the company to acquire shares issued by the company, subject to the provisions of the Companies Act, the company's Memorandum of Incorporation and the Listings Requirements.

The board does not intend to use such general authority unless prevailing circumstances, including the tax dispensation and market conditions, warrant such a step. Furthermore, the board currently intends to avail itself of this authority primarily to repurchase shares for purposes of fulfilling its obligations under the Share Plan and the Share Scheme and to the extent that the company may issue convertible instruments during the year ahead. All required certificates and relevant statements shall be issued should the general authority, if granted, be utilised.

The effect of the passing of this resolution will be that the directors will have the general authority to implement a general repurchase of shares in accordance with the provisions of the Companies Act, the company's Memorandum of Incorporation and the Listings Requirements.

A repurchase of shares is not contemplated at the date of this notice of annual general meeting. However, the board believes it to be in the interest of the company that shareholders grant a general authority to afford the company the flexibility to repurchase shares as and when an appropriate opportunity, which is in the best interest of the company, arises.

## *Information and statement relating to this special resolution*

In accordance with paragraph 11.26 of the Listings Requirements, the attention of shareholders is drawn to:

- The importance of this resolution. Should shareholders be in any doubt as to what action to take, they are advised to consult appropriate independent advisors.
- The following information, details of which are reflected in Annexure B to this notice of annual general meeting:
  - directors and management of the company and its subsidiaries;
  - major shareholders of the company;
  - directors' interests in the company's securities; and
  - the share capital of the company.

### *Directors' statement*

The directors:

- whose names are given in Annexure B to this notice of annual general meeting collectively and individually accept full responsibility for the information given in this notice 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;
- confirm that there have been no material changes in the financial or trading position of the group since the publication of the financial results for the year ended 30 June 2013 and the date of this notice;
- are not aware of any information on any legal or arbitration proceedings that are pending or threatened and that in the previous 12 (twelve) months may have, or have had, a material effect on the group's financial position;
- are of the opinion that, after considering the effect of a maximum repurchase of shares, for a period of 12 (twelve) months after the date of this notice of annual general meeting:
  - the company shall meet the solvency and liquidity test as contemplated by Section 46(g) of the Companies Act;
  - the company and the group will be able, in the ordinary course of business, to pay its debts as they become due;
  - the assets of the company and the group, fairly valued in accordance with International Financial Reporting Standards, will be in excess of the consolidated liabilities of the company and the group;
  - the company and the group will have adequate capital (share capital and reserves); and
  - the working capital of the company and the group will be adequate for ordinary business purposes.

### **10. Ordinary Resolution Number 7**

To consider and, if deemed fit, to pass with or without modification, the following resolution as an ordinary resolution:

"Resolved that the directors of the company be and are hereby authorised, by way of a general authority, to distribute to shareholders of the company any share capital and reserves of the company or make any distribution to shareholders of the company of any nature, with or without the right to receive shares as a capitalisation award, subject to the provisions of the Companies Act, the company's Memorandum of Incorporation and the Listings Requirements; provided that:

- the general authority shall be valid until the next annual general meeting of the company or for a period of 15 (fifteen) months from the passing of this ordinary resolution (whichever period is shorter);
- any general payment by the company shall not exceed 20% (twenty percent) of the company's issued share capital and reserves, excluding minority interest, and any revaluation of assets and intangible assets that are not supported by an independent professional acceptable to the JSE;
- the directors be authorised to afford shareholders the right to receive capitalisation awards or elect instead to receive a cash distribution contemplated in respect of this resolution;
- any general payment and/or capitalisation award is made pro rata to all shareholders;
- a resolution of the board of directors has been passed authorising the distribution and confirming that the company has passed the solvency and liquidity test as required by the Companies Act and that, since the test was done, there have been no material changes to the financial position of the company or the company and its subsidiaries (the "group");
- a certificate by the company's sponsor in terms of paragraph 2.12 of the Listings Requirements, confirming the statement by the directors regarding working capital referred to hereunder in this notice convening the annual general meeting, be issued before commencement of a general payment; and
- in the case of a general distribution, an announcement will be published in accordance with the Listings Requirements".

The reason for ordinary resolution number 7 is to grant the directors, to the extent required by the company's Memorandum of Incorporation, a general authority to make distributions to shareholders of any share capital, share premium and reserves of the company in terms of section 46 of the Companies Act, on the basis set out in this resolution.

The board does not intend to use such authority unless prevailing circumstances (including the tax dispensation and market conditions) warrant such a step.

The directors of the company are of the opinion that, were the company to enter into a transaction to distribute any share capital and/or reserves totalling 20% (twenty per cent) of the current issued share capital and reserves of the company:

- the group will be able in the ordinary course of business to pay its debts for a period of 12 (twelve) months after the date of this notice of annual general meeting;
- the assets of the company and the group, will be in excess of the liabilities of the company and the group for a period of 12 (twelve) months after the date of this notice of annual general meeting;

# NOTICE OF ANNUAL GENERAL MEETING

for the year ended 30 June 2013 (*continued*)

- the share capital and reserves of the company and the group will be adequate for ordinary business purposes for a period of 12 (twelve) months after the date of this notice of annual general meeting; and
- the working capital of the company and the group will be adequate for ordinary business purposes for a period of 12 (twelve) months after the date of this notice of annual general meeting.

Shareholders are referred to the "information and statement" under special resolution number 2 above and to annexure B, which information applies *mutatis mutandis* to this resolution.

## 11. Special Resolution Number 3

To consider and, if deemed fit, to pass the following resolution, with or without modification, as a special resolution:

"Resolved that, to the extent required, shareholders approve the following:

- as a general approval, the provision by the company of any direct or indirect financial assistance to any related or inter-related company (as defined in the Companies Act) by way of a general authority in favour of a category of recipients as contemplated in Section 44(3)(a)(ii) and 45(3)(a)(ii) of the Companies Act;
- the provision by the company of any direct or indirect financial assistance for purposes of the company and/or its subsidiary or related or inter-related companies entering into funding and facility agreements and debt capital and domestic medium term note programmes with financing, banking and investment institutions in respect of facilities and funding afforded to the group and/or any one or more of its subsidiary, related or inter-related companies; and
- any subordination by the company of its claims held on shareholder's and/or intercompany (related company) loan accounts against any subsidiary and/or related or inter-related company."

### *Reason for and effect of special resolution number 3*

In terms of Section 44 and 45 of the Companies Act, a company is required to obtain shareholder approval, by way of passing a special resolution, for the provision by it of any direct or indirect financial assistance to related or inter-related companies. This means that the company will be, *inter alia*, authorised to grant loans to its subsidiaries and to guarantee the debt of its subsidiaries.

The company has at all relevant times provided financial assistance to its subsidiary and related and inter-related companies, directly and indirectly, for the benefit of such subsidiaries or related of inter-related companies and the group.

In order for the company to achieve its strategic goals, it is necessary that the company continue to be authorised to provide direct and indirect financial assistance to its subsidiaries, related and/or inter-related companies.

The board is satisfied, or will satisfy itself, that:

- immediately after providing any direct or indirect financial assistance approved in terms of this resolution, the company will satisfy the solvency and liquidity test in accordance with the Companies Act and, to the extent required, will conduct such further tests; and
- the terms under which existing financial assistance has been provided prior to the effective date of the Companies Act, and the direct or indirect financial assistance to be given in respect of any subsidiary, related or inter-related company, are or will be fair and reasonable to the company.

The reason for this special resolution is that, from time to time, the company provides direct or indirect financial assistance to subsidiaries and related and/or inter-related companies within the group. The effect of this special resolution will be to authorise the company to provide direct or indirect financial assistance to such companies.

## 12. Ordinary Resolution Number 8

To consider and, if deemed fit, to pass with or without modification, the following resolution as an ordinary resolution:

"To endorse, by way of a non-binding advisory vote, the remuneration policy of the company as set out in Annexure C to this notice of annual general meeting."

The reason for this ordinary resolution is that the obtaining on an annual basis of shareholders' endorsement of the company's remuneration policy by way of a non-binding advisory vote is a recommendation of the King Code of Corporate Practices and Conduct (King III).

## 13. Ordinary Resolution Number 9

To consider and, if deemed fit, to pass with or without modification, the following resolution as an ordinary resolution:

"The directors of the company be and are hereby authorised in terms of the company's Memorandum of Incorporation, subject to the Listings Requirements and to Section 41 of the Companies Act, to create and issue convertible debentures, debenture stock, or other convertible instruments in the capital of the company or any of its subsidiaries up to a maximum of 200 000 000 (two hundred million) ordinary shares of no par value in the capital of the company, subject further to a conversion premium of not less than 22½% (twenty two and a half percent) above the volume weighted traded price of the shares in the company for the 3 (three) trading days prior to pricing and to such other conversion and other terms and conditions as the directors may determine in their sole and

absolute discretion; which authority shall be valid only until the next annual general meeting of the company or 15 (fifteen) months from the date of the passing of this resolution, whichever is the earlier.”

A 75% (seventy five percent) majority of votes cast by those shareholders present or represented and entitled to vote at the annual general meeting will be required in order for this ordinary resolution number 8 to become effective.

The reason for this ordinary resolution is to grant the directors a general authority to issue convertible instruments subject to compliance with the Listings Requirements and the Companies Act.

#### 14. Special Resolution Number 4

To consider and, if deemed fit, to pass the following resolution, with or without modification, as a special resolution:

“Resolved that, the company’s Memorandum of Incorporation be and is hereby amended by the insertion of the the following clause as clause number 43 in the company’s Memorandum of Incorporation:

##### **43 odd-lot offers**

43.1. If, upon implementation of any odd-lot offer made by the Company in accordance with the restrictions and procedures imposed by the JSE Listings Requirements and subject to the approval of the JSE, there are holders of Shares holding in aggregate less than 100 (one hundred) Shares, or such other number of Shares as determined by the JSE as amounting to an odd-lot (“odd-lots”) in the Company (“odd-lot holders”), then the Company shall, save in respect of odd-lot holders who have elected to retain their odd-lots;

43.1.1. cause the odd-lots to be sold in such manner as the directors may direct; and

43.1.2. procure that the proceeds of such sales are paid to such odd-lot holders.

43.2. All unclaimed proceeds (of such sales) may be invested or otherwise made use of by the Directors for the benefit of the Company until claimed, provided that such proceeds unclaimed for a period of 3 (three) years from the date on which the Directors caused the odd-lots to be sold may be declared forfeited by the Directors for the benefit of the Company.”

The reason for special resolution number 4 is to amend the company’s Memorandum of Incorporation to make provision for the expropriation of odd-lots. The Listings Requirements specifically require that when a listed company proposes to make an odd-lot offer with the expropriation of odd-lots being the default position, such expropriation will only be allowed where such company’s Memorandum of Incorporation is amended to make provision for the expropriation of odd-lots and where the specific odd-lot offer has been approved by shareholders in general meeting.

The effect of this special resolution will be that the company shall be authorised to amend the company’s Memorandum of Incorporation to allow for the company to make odd-lot offers in accordance with the Listings Requirements.

#### 15. Special Resolution Number 5

To consider and, if deemed fit, to pass the following resolution, with or without modification, as a special resolution:

“Resolved that company create 1 000 000 000 (one billion) cumulative, non-redeemable, non-participating preference shares of no par value in the authorised share capital of the company, which shares shall carry the rights detailed in Annexure D to this notice of annual general meeting and that Schedule 1 to the company’s Memorandum of Incorporation be amended to include the class of shares and the rights attached thereto, together with the number of shares created in terms of this resolution”.

The reason for this special resolution is to obtain shareholder approval for the creation of a class of preference shares in order to strengthen the capital base of the company. Any issue of these preference shares, should shareholder approval to their creation be granted, will be subject to the provisions of the company’s Memorandum of Incorporation and the Companies Act and, to the extent applicable, to the Listings Requirements.

The effect of this special resolution number 5 will be to increase the authorised share capital of the company by the creation of 1 000 000 000 (one billion) non-cumulative, non-redeemable, non-participating preference shares of no par value.

#### 16. Special Resolution Number 6

To consider and, if deemed fit, to pass the following resolution, with or without modification, as a special resolution:

“Resolved that company create 50 000 000 (fifty million) perpetual preference shares of no par value in the authorised share capital of the company, which shares shall carry the rights detailed in Annexure E to this notice of annual general meeting and that Schedule 1 to the company’s Memorandum of Incorporation be amended to include the class of shares and the rights attached thereto and number of shares created in terms of this resolution”.

The reason for this special resolution is to obtain shareholder approval for the creation of this additional class of preference shares, to further strengthen the capital base of the company. Any issue of these preference shares, should shareholder approval to their creation be granted, will be subject to the provisions of the company’s Memorandum of Incorporation and the Companies Act.

The effect of this special resolution number 6 will be to increase the authorised share capital of the company by the creation of 50 000 000 (fifty million) perpetual preference shares of no par value.

# NOTICE OF ANNUAL GENERAL MEETING

for the year ended 30 June 2013 (*continued*)

## 17. General

To transact such other business as may be transacted at an annual general meeting.

## 18. Authority

Any director or secretary of the company, for the time being, be and are hereby authorised to take all such steps, sign all such documents and to do all acts, matters and things on behalf of the company as may be necessary to give effect to the special and ordinary resolutions passed at this annual general meeting.

By order of the board  
Steinhoff Africa Secretarial Services Proprietary Limited  
Company secretary  
Date 16 October 2013

## Voting

1. The date on which shareholders must be recorded as such in the share register maintained by the transfer secretaries of the company ("the share register") for purposes of being entitled to receive this notice is Friday, 11 October 2013.
2. The date on which shareholders must be recorded in the share register for purposes of being entitled to attend and vote at this annual general meeting is Friday, 15 November 2013, with the last day to trade being Friday, 8 November 2013.
3. Meeting participants will be required to provide proof of identification to the reasonable satisfaction of the chairman of the annual general meeting and must accordingly bring a copy of their driver's licence, identity document or passport to the annual general meeting. If in any doubt as to whether any document will be accepted as satisfactory proof of identity, annual general meeting participants should contact the transfer secretaries for guidance.
4. Shareholders entitled to attend and vote at the annual general meeting, may appoint one or more proxies to attend, speak and vote in his/ her stead. A proxy need not be a member of the company. A form of proxy, in which the relevant instructions for its completion are set out, is enclosed for use by a certificated or dematerialised shareholder with "own name registration" who wishes to be represented at the annual general meeting. Completion of a form of proxy will not preclude such shareholder from attending and voting (in preference to that shareholder's proxy) at the annual general meeting.
5. Duly completed forms of proxy together with the documents conferring the authority to the signatory and under which it is signed (if any) must be forwarded to the company's transfer secretaries, Computershare Investor Services (Pty) Limited, 70 Marshall Street, Johannesburg 2001, or Computershare Investor Services (Pty) Limited, PO Box 61051, Marshalltown 2107, so as to arrive not less than 48 hours (excluding Saturdays, Sundays and public holidays) before the time fixed for the annual general meeting.
6. A member, who has dematerialised his/her shares (other than those with "own name registration"), who wishes to attend the annual general meeting must instruct his/her Central Securities Depository Participant ("CSDP") or broker to issue him/her with the necessary written authority to attend the annual general meeting in terms of the custody agreement entered into between the shareholder and his/her CSDP or broker.
7. A member, who has dematerialised his/her shares (other than those with "own name registration") who is unable to attend the annual general meeting and wishes to be represented at the annual general meeting must provide their CSDP or broker with their voting instructions in terms of the relevant custody agreement entered into between them and the CSDP or broker.
8. Shareholders present in person, by proxy or by authorised representation shall, on a show of hands, have one vote each and, on a poll, will have one vote in respect of each share held.

## Curricula Vitae

### 1. Ordinary Resolution Number 2

Directors who retire by rotation in terms of the Memorandum of Incorporation of the company and who offer themselves for re-election:

#### 3.1 JB Magwaza

Johannes Bhekumuzi (JB) Magwaza (71)

BA, MA (Ind Rel), Dip (IR), Dip (PM)

Independent non-executive director

Chairman of the Human Resources and Remuneration Committee

Member of the Nomination Committee

JB is chairman of Tongaat-Hulett Group Ltd, Motseng Property Investment Holdings (Pty) Ltd, Imbewu Capital Partners and Nkunzi Investment Holdings (Pty) Ltd. He also serves as a non-executive director on the boards of Richards Bay Minerals, Rainbow Chickens Ltd, NPC-Cimpor (Pty) Ltd and Hulamin Ltd. He was appointed as an independent non-executive director of KAP Industrial Holdings Ltd in 2004 and serves as chairman of the Human Resources and Remuneration Committee and as a member of the Nomination Committee.

#### 3.2 IN Mkhari

Ipeleng Nonkululeko Mkhari (39)

BSoc Sci

Independent non-executive director

Member of the Human Resources and Remuneration Committee

Ipeleng holds a BA Social Science Degree from the University of Natal and has completed the Executive Development Programme (Wits 2004). She co-founded Motseng Investment Holdings where she is currently the chief operations officer and a shareholder. She is a non-executive director of Delta Property Fund. She was appointed as an independent non-executive director of KAP Industrial Holdings Ltd in 2004 and is a member of the Human Resources and Remuneration Committee.

#### 3.3 DM van der Merwe

Daniël (Danie) Maree van der Merwe (55)

BComm, LLB

Non-executive director

Member of the Human Resources and Remuneration Committee

Member of the Nomination Committee

Danie was admitted as an attorney of the High Court of South Africa in 1986 and practised as an attorney, specialising in the commercial and labour law fields. In 1990, Danie joined the Roadway Transport Group and was instrumental in developing the strategic direction and growth of this group. In early 1998, following the merger of Roadway Transport Group with Steinhoff Africa, Danie joined the Steinhoff group and was appointed to the Steinhoff International board in 1999. He previously acted as chief executive officer for Steinhoff's Southern Hemisphere Operations and was appointed as chief operating officer of the Steinhoff International group on 5 March 2013. Danie holds several other appointments within the group and currently serves on the boards of Steinhoff Asia Pacific Limited, Steinhoff UK Holdings Limited and JD Group Limited. Danie was appointed as a non-executive director of KAP Industrial Holdings Ltd in 2005 and serves on the Human Resources and Remuneration Committee and on the Nomination Committee.

# ANNEXURE A

(continued)

## 2. Ordinary Resolution Number 3

Election of members of the Audit and Risk Committee of the company:

### 4.1 SH Müller

Stephanus Hilgard ("Steve") Müller (52)

BAcc (Hons), CA (SA)

Independent non-executive director

Member of the Audit and Risk Committee

Steve qualified as a chartered accountant in 1985. In 1993 he joined Rand Merchant Bank as a senior credit manager and in 1995 he joined Genbel Investments. Over the next 13 years he fulfilled various capacities within that group, including chief operating officer: equities of Genbel Securities Ltd, executive director of Gensec Bank Ltd, serving as a non-executive director and member of the audit and remuneration committees of various investee companies within the Genbel Securities Group. During 2008 he left the group to pursue his own interests. Steve was appointed as an independent non-executive director of KAP Industrial Holdings Ltd in 2012 and is a member of the Audit and Risk committee. He has also recently been appointed as an independent non-executive director of Sacoil Holdings Ltd, a company listed on the Johannesburg Stock Exchange and of AIM (on the London Stock Exchange).

### 4.2 SH Nomvete

Sandile Hopeson Nomvete (40)

Exec Dep. & Prop Dev. Prog. (Wits & UCT Business Schools)

Independent non-executive director

Member of the Audit and Risk Committee

Sandile is the Chief Executive Officer of Delta Property Fund, which is listed on the Johannesburg Stock Exchange. He is also a co-founder and Deputy Chairman of Motseng Investment Holdings and has almost 15 years experience in executive positions. Sandile entered the property sector in 1998, when he co-founded Motseng Investment Holdings, which eventually became the empowerment partner to Marriott Property Group. Sandile has also been affiliated with both NBS Bank and Tongaat Hulett Group and serves as a director on a number of non-listed entities, including the Black Association of Commercial Property Owners. He was previously the managing director of Motseng-Marriott services which subsequently became Motseng Property Services. He has undergone a property development programme from University of Cape Town Graduate School of Business, as well as the executive development programme and finance for non-financial managers' diploma from the University of Witwatersrand Graduate School of Business. Sandile was appointed as an independent non-executive director of KAP Industrial Holdings Ltd in 2004 and is a member of the Audit and Risk Committee.

### 4.3 PK Quarmby

Patrick Keith Quarmby (59)

CA (SA) (Hons)

Independent non-executive director

Chairman of the Audit and Risk Committee

Patrick was a partner at Ernst & Young until moving overseas in 1987. During his nine years overseas he was employed in the Corporate Finance Department of Schroders in London. He was one of the founding directors of Standard Bank in London and established Standard Bank's presence in Hong Kong. Patrick returned to South Africa and was appointed a director of Dimension Data Holdings Ltd in 1996, responsible for the global expansion of the group. He was the non-executive chairman of Datacraft Asia, an IT services company listed in Singapore, until it delisted in 2008 and an independent non-executive director of Unitrans Ltd until the acquisition by Steinhoff of Unitrans in 2007. Patrick was appointed as an independent non-executive director of KAP Industrial Holdings Ltd in 2012 and serves as the chairman of the Audit and Risk Committee.

## Directors of KAP:

### Executive Directors

- |                            |                         |
|----------------------------|-------------------------|
| 1. Karel Johan Grové (64)  | Chief executive officer |
| 2. John Peter Haveman (39) | Chief financial officer |

### Non-Executive Directors

- |  |   |
|--|---|
| 3. Markus Johannes Jooste (52)                   | Chief executive officer, Steinhoff International  |
| 4. Daniël Maree van der Merwe (55)               | Chief operating officer, Steinhoff International. Member of the Nomination Committee and the Human Resources and Remuneration Committee |
| 5. Andries Benjamin la Grange (39)               | Chief financial officer: Steinhoff International  |
| 6. Christiaan Johannes Hattingh van Niekerk (66) |   |

### Independent Non-Executive Directors

- |                                    |   |
|------------------------------------|---|
| 7. Jacob de Vos du Toit (59)       | Chairman of the board and chairman of the Nomination Committee                                      |
| 8. Johannes Bhekumuzi Magwaza (71) | Chairman of the Human Resources and Remuneration Committee and a member of the Nomination Committee |
| 9. Ipeleng Nonkululeko Mkhari (39) | Member of the Human Resources and Remuneration Committee  |
| 10. Sandile Hopeson Nomvete (40)   | Member of the Audit and Risk Committee  |
| 11. Patrick Keith Quarmbay (59)    | Chairman of the Audit and Risk Committee  |
| 12. Stephanus Hilgard Müller (52)  | Member of the Audit and Risk Committee  |

### Management of KAP:

- |                                      |                                    |
|--------------------------------------|------------------------------------|
| 1. Janet Valerie Radnay (69)         | Company secretariat                |
| 2. Sibusiso Penwell Lunga (38)       | Group employee relations executive |
| 3. Jacques van Wyk (45)              | Group ICT manager                  |
| 4. Ilse Uys (31)                     | Group financial manager            |
| 5. Thembinkosi Siyolo (51)           | Group corporate affairs            |
| 6. Johannes Francois Geldenhuys (57) | HR Executive*                      |

### Management: Logistics

- |                                |  |
|--------------------------------|--|
| 1. Francis William Wagner (53) | Chief executive officer: Unitrans Supply Chain Solutions |
|--------------------------------|--|

### Freight and Logistics division (Including warehousing and distribution)

- |                                      |   |
|--------------------------------------|---|
| 1. Peter Eric Hancock (49).          | Managing director   |
| 2. Carina Emmerentia Grobbelaar (47) | Chief financial officer                                   |
| 3. Ray Hemraj Singh (44)             | Managing director: Unitrans Customer Solution Development |

# ANNEXURE B

(continued)

## Fuel, Agriculture and Mining division

- |                             |                         |
|-----------------------------|-------------------------|
| 1. Theunis Roux Nel (47)    | Managing director       |
| 2. Benjamin Niel Jamie (54) | Chief financial officer |

## Management: Unitrans Passenger

- |                        |                         |
|------------------------|-------------------------|
| 1. Nico Boshoff (58)   | Chief executive officer |
| 2. Vincent Kisten (52) | Chief financial officer |

## Management: PG Bison

- |                               |                         |
|-------------------------------|-------------------------|
| 1. Gary Noel Chaplin (42)     | Chief executive officer |
| 2. Frans Hendrik Olivier (34) | Chief financial officer |

## Management: Manufacturing division

- |                                       |                         |
|---------------------------------------|-------------------------|
| 1. Paul Cornelis Thomas Schouten (59) | Chief executive officer |
| 2. Corné van der Schyff (36)          | Chief financial officer |

### *Automotive components:*

- |                                   |                    |
|-----------------------------------|--------------------|
| 1. Ugo Marco Gianni Frigerio (53) | Managing director  |
| 2. Mark Balladon (51)             | Financial director |

### *PET: Hosaf*

- |                              |                    |
|------------------------------|--------------------|
| 1. Peter White (62)          | Managing director  |
| 2. Grant Shirris Litkie (53) | Financial director |
| 3. Steven Leslie Bird (55)   | Marketing director |

### *Furniture and Bedding components*

- |                                    |   |
|------------------------------------|---|
| 1. Nicolaas Albertus Siebrits (53) | Chief executive officer: BCM and DesleeMattex |
| 2. Graham Colman (52)              | Managing director: BCM                        |
| 3. David Gregory Lorimer (48)      | Managing director: DesleeMattex               |
| 4. Frans Petrus Human (58)         | Managing director: Vitafoam                   |

### *Towelling: Glodina*

- |                                    |                                  |
|------------------------------------|----------------------------------|
| 1. Nicolaas Albertus Siebrits (53) | Chief executive officer: Glodina |
|------------------------------------|----------------------------------|

### *Footwear:*

- |                              |                                      |
|------------------------------|--------------------------------------|
| 1. Brian Pollock (63)        | Managing director: Footwear division |
| 2. Noel James Whitehead (44) | Financial director                   |



## Addresses:

### CORPORATE

#### **Kap Industrial Holdings Limited**

Block D, De Wagenweg Office Park, Stellantia Road,  
Stellenbosch, 7600

PO Box 18, Stellenbosch, 7599

Tel: +27 21 808 0900, Fax: +27 21 808 0901

Website: [www.kap.co.za](http://www.kap.co.za)

### LOGISTICS

#### **UNITRANS SUPPLY CHAIN SOLUTIONS**

##### **Freight and Logistics (including Warehousing)**

1 Charles Crescent, Eastgate Ext. 4, Sandton, 2090

PO Box 615, Northlands, Johannesburg, 2116

Tel: +27 11 445 5000, Fax: +27 11 445 5303

Website: [www.unitrans.co.za](http://www.unitrans.co.za)

#### **Fuel, Agriculture and Mining**

Block C, Ground Floor, Aintree Park,

Loch Close, Kenilworth, 7700

PO Box 36361, Glosderry, 7702

Tel: +27 21 762 0061, Fax: +27 21 797 2019

Website: [www.unitrans.co.za](http://www.unitrans.co.za)

#### **Passenger**

40 Lepus Road, Crown Mine Ext. 8, 2092

PO Box 1682, Southdale, 2135

Tel: +27 11 249 8700, Fax: +27 11 830 1527

Website: [www.passenger.co.za](http://www.passenger.co.za)

### INTEGRATED TIMBER

#### **PG Bison**

28 Sixth Street, Wynberg, Sandton, 2090

PO Box 1955, Bramley, 2090

Tel: +27 11 445 3000, Fax: +27 11 445 3094

Website: [www.pgbison.co.za](http://www.pgbison.co.za)

### MANUFACTURING

#### **BCM**

80 First Street, Booyens Reserve, Johannesburg, 2016

P.O. Box 38061 Booyens, 2016

Tel: +27 11 309 8300, Fax: +27 11 496 1054

Website: [www.bcm.co.za](http://www.bcm.co.za)

#### **Desleemattex**

Coleman Street, Elsies River, Cape Town, 7490

PO Box 113, Elsie River, Cape Town, 7480

Tel: +27 21 590 1800, Fax: +27 21 590 1804

Website: [www.desleemattex.co.za](http://www.desleemattex.co.za)

#### **Feltex Automotive**

291 Paisley Road, Jacobs, Durban, 4026

PO Box 13330, Jacobs, 4052

Tel: +27 31 460 4200, Fax: +27 31 460 4290

Website: [www.feltex.co.za](http://www.feltex.co.za)

#### **Glodina**

1 Anderson Road, Hammarsdale, 3700

PO Box 12, Hammarsdale, 3700

Tel: +27 31 736 7600, Fax: +27 31 736 7760

Website: [www.glodina.co.za](http://www.glodina.co.za)

#### **Hosaf**

149 Hime Street, Jacobs, Durban, 4052

PO Box 12063, Jacobs, 4026

Tel: +27 31 450 4111, Fax: +27 31 468 6550

Website: [www.hosaf.co.za](http://www.hosaf.co.za)

#### **Footwear**

Industrial Centre, 12 Malherbe Street, Elsies River, 7490

PO Box 58, Elsies River, 7480

Tel: +27 21 590 7000, Fax: +27 21 591 8951

Website: [www.jordan.co.za/www.mossops.co.za/](http://www.jordan.co.za/www.mossops.co.za/)

[www.frams.co.za/www.wayneplastics.co.za](http://www.frams.co.za/www.wayneplastics.co.za)

#### **Vitafoam**

9 Fulton Road, Industria West, Johannesburg, 2001

PO Box 43382, Industria, 2042

Tel: +27 11 248 9500, Fax: +27 11 248 9545

Website: [www.vitafoam.co.za](http://www.vitafoam.co.za)

# ANNEXURE B

(continued)

## Major shareholders of the Company as at 30 June 2013

<b>Breakdown of major and institutional shareholders holding 1% or more</b>	<b>No. of ordinary shares of no par value</b>	<b>% of issued share capital</b>
Steinhoff International Holdings Limited	1 449 561 154	61.78
Investec Asset Management	371 098 219	15.82
Allan Gray Asset Management	308 812 994	13.16
Public Investment Corporation	72 573 912	3.09
Sanlam Investment Management	52 882 798	2.25
<b>Total</b>	<b>805 367 923</b>	<b>34.32</b>

<b>Directors' interest in the Company's securities as at 30 June 2013</b>	<b>No. of ordinary shares of no par value</b>	<b>% of issued share capital</b>
J de V du Toit*	500 000	0.021
JP Haveman*	331 954	0.014
SH Müller*	300 004	0.013
<b>Total</b>	<b>1 131 958</b>	<b>0.048</b>

\* Note: No shares in the company were held by these directors as at 30 June 2012.

**Share capital as at 30 June 2013**

	<b>2013</b>	2012
	<b>Number of shares</b>	Number of shares
<b>20 ORDINARY STATED SHARE CAPITAL</b>		
20.1 Authorised		
Ordinary shares of no par value	<b>6 000 000 000</b>	6 000 000 000
20.2 Stated share capital		
Shares in issue at beginning of the year	<b>2 337 254 668</b>	424 473 657
Shares issued during the year	<b>8 933 220</b>	1 912 781 011
Shares in issue at end of the year	<b>2 346 187 888</b>	2 337 254 668

Reconciliation of share capital for purposes of accounting for the reverse acquisition in terms of IFRS 3: Business Combinations. With effect from 1 April 2012, KAP became the legal parent company of Steinhoff's Industrial assets by acquiring all the shares in Steinhoff's Industrial Assets from Steinhoff Africa Holdings Proprietary Limited. As this was accounted for as a reverse acquisition under IFRS 3, the equity structure in terms of the number of authorised and issued shares in the consolidated financial statements reflects the equity structure of KAP.

	<b>2013</b>	2012	2011
	<b>Rm</b>	Rm	Rm
Opening balance (share premium and share capital)	<b>858</b>	900	930
Net shares issued	<b>1</b>	–	–
Capital distribution	<b>–</b>	(42)	(30)
Legal entity share capital and premium	<b>859</b>	858	900
Reverse acquisition adjustment	<b>5 253</b>	5 253	5 211
Re-instatement of legal entity share capital as part of reverse acquisition accounting	<b>858</b>	858	–
Closing balance	<b>6 970</b>	6 969	6 111

# ANNEXURE C

## KAP Industrial Holdings Limited

### Remuneration policy

To assist the achievement of the group's business goals, the remuneration committee has put a remuneration policy in place.

The remuneration policy aims to follow the recommendations of King III and is based on the following principles:

- remuneration practices throughout the group are aligned with the applicable business strategies and objectives;
- total rewards are set at levels that are competitive and relative within the specific markets and industries;
- incentive-based awards are earned through achieving demanding performance measures and targets, with due regard for the sustainable well-being of all stakeholders over the short, medium and long-term;
- incentive plans, performance measures and targets are structured to operate effectively throughout the business cycle; and
- the design of longer-term incentives is prudent and does not expose stakeholders to a position where the sustainability of the company is placed at risk.

### Elements of remuneration

The four elements of managerial remuneration consist of a base salary, benefits, annual bonus and longer-term incentives. The Human Resources and Remuneration Committee seeks to ensure an appropriate balance between the fixed and performance-related elements of managerial remuneration and between those aspects of the package linked to short-term financial performance and those aspects linked to longer-term sustainable stakeholder value creation. A further consideration is the need to attract, motivate and retain critical skills in the group. The committee considers each element of remuneration relative to the market and in determining its quantum, takes into account the performance of the company, the management team and the individual executive.

### Base salary

The fixed element of remuneration is referred to as a base salary which incorporates all guaranteed cash benefits. Its purpose is to provide a competitive level of remuneration for each level of manager. The base salary is subject to annual review. It is set to be competitive with reference to market practice in companies comparable in size, market sector, business complexity and geographical location. Company performance, individual performance and changes in responsibilities are also taken into consideration when determining annual base salaries.

Benefits provide security for managerial employees and their families and include compulsory membership of a retirement fund and medical aid scheme. Employees have the flexibility of deciding on the level of their contributions to both benefits.

Remuneration and other benefits for bargaining council and related levels of employees are set through a process of collective bargaining with the major labour unions active in the various industries and countries in which we operate.

### Annual bonus

An annual short-term incentive plan provides management teams with incentives to achieve their business's short and medium-term goals. The annual cash bonus is based upon the achievement of group, divisional or company financial targets as well as strategic and personal performance objectives agreed to by the Human Resources and Remuneration Committee.

These objectives are set after taking into account that management is obliged to maintain the group's capital assets and to spend the appropriate depreciation charge on maintaining the group's assets. Any expansion or capital expenditure for capital acquisition or new projects are approved separately and take into account separate returns at the time of approval.

The annual budget and performance objectives for each and every business unit are assessed in taking into account the specific industry, its identified peers and/or competitors and the maturity of the group's operations.

Annual bonus potentials are set for management teams and are based on a percentage of team members' individual annual base salary. The Human Resources and Remuneration Committee retains the discretion to make adjustments to bonuses earned at the end of the financial year, taking into account both company performance and the overall and specific contribution of the management teams to meeting the group's objectives.

Bonuses are determined and recorded in the financial year following that to which the performance relates. For members of the group's executive team, the performance measures for the annual bonus plan will include:

- Achievement of operational and financial growth objectives:
  - performance against budgeted profit target e.g. specific measurement of profit before tax ; and
  - cash flow performance, taking into account minimum targets (throughout various divisions of the group) relating to minimum levels of cash to be generated as a percentage of operating profit achieved.

- Implementation of key strategic initiatives related to the strategic development and competitive positioning of KAP. In particular:
  - securing an appropriate and flexible capital and debt structure in order to minimise the risk of stressed debt or equity issuance in volatile economic environments;
  - implementation of risk management policy and framework; and
  - successful conclusion and implementation of strategic mergers, acquisitions and disposals.

The Human Resources and Remuneration Committee reviews measures annually, to ensure that the performance measures and the targets set are appropriate within the economic context and the performance expectations for the division or group.

### Longer-term incentives (LTIs)

KAP competes for management skills and talent in the African market-place and its approach to remuneration takes account of the need to be competitive.

LTIs are awarded with the primary aim of retaining key staff members and aligning performance with the interests of investors over longer-term periods.

The allocation and target criteria of incentives are at the discretion of the Human Resources and Remuneration Committee. These targets take into account key group performance criteria over a three year period. In addition, individuals only qualify if they have also qualified for their annual bonuses as described under the bonus scheme above.

The Human Resources and Remuneration Committee has resolved to encourage participants in the company's share incentive schemes to maintain and/or invest in the share capital of the company, to align the interests of the participants with the interests of the shareholders in the company.

In the discretion of the Human Resources and Remuneration Committee, the participation in any grant and/or the vesting of rights (and/or the delivery of shares in the company, will be subject to the participant maintaining a minimum shareholding in the company as determined by the committee.

### Allocation

The allocation of LTIs i.e. the KAP share rights scheme and divisional longer-term cash-settled bonus scheme is based on the responsibility of individuals who:

- are key to driving the long-term business strategy at group and/or divisional levels; and who
- are part of the group's succession and talent development plans for high potential and scarce competencies.

### Target criteria

The targets for the longer-term cash-settled bonus scheme are set with reference to 3-year accumulative profit, cash and growth targets for the applicable division or company and the group for the duration of the measurement period.

The targets for the share rights incentives are set with reference to industry and market-related performance criteria for the duration of the measurement period.

Benchmark performance criteria are aligned with the group's long-term strategic priorities.

Performance criteria and the quantum of allocations are benchmarked against market practices taking due cognisance of base salary, annual incentives and longer-term incentives in practice in the market.

Scheme rules and the application thereof are regularly reviewed to ensure compliance with legislative and regulatory requirements.

# ANNEXURE D

## KAP Industrial Holdings Limited

### 1. Terms and conditions of the cumulative, non-redeemable, non-participating preference shares:-

#### 1.1 For purposes of hereof-

- 1.1.1 "business day" means any day other than a Saturday, Sunday or official public holiday in the Republic of South Africa;
- 1.1.2 "calculation date" means 30 June and 31 December of each year;
- 1.1.3 "deemed value" means, in respect of each and every preference share issued by the Company at any time and irrespective of the issue price at which such share is issued, the value of a preference share as determined by the directors prior to the allotment and issue of the first preference share/s;
- 1.1.4 "dividend period" means, in respect of any particular preference shares, the dividend period commencing on 1 January ending 30 June, and commencing 1 July ending 31 December, respectively, the first dividend period to commence on the first business day following the date of issue and ending on the first following calculation date;
- 1.1.5 "Income Tax Act" means the Income Tax Act No. 58 of 1962, as amended from time to time;
- 1.1.6 "issue price" means the actual issue price of each preference share;;
- 1.1.7 "preference dividend" means a cumulative, non-participating, preference cash dividend calculated in accordance with clause 1.2.3 below;
- 1.1.8 "preference dividend payment date" means, a date at least 7 (seven) days prior to the date on which the Company pays its ordinary dividends, if any, in respect of the same period, but in any event if such dividend has been declared, it shall be payable not later than 90 (ninety) days after the calculation date;
- 1.1.9 "preference dividend rate" means, in respect of any particular preference shares, the rate determined by the directors prior to the issue of such preference shares and, failing such determination, a variable nominal annual compounded monthly in arrears rate equal to 82.5% (eighty two comma five per centum) of the prime rate;
- 1.1.10 "preference shares" means 1 000 000 000 (one billion) cumulative, non-redeemable, non-participating, variable rate, no par value preference shares in the share capital of the Company; and
- 1.1.11 "prime rate" means the publicly basic rate of interest expressed as a percentage per year, compounded monthly in arrear and calculated on a 365 (three hundred and sixty five) day year factor (irrespective of whether or not the year is a leap year) from time to time quoted by Standard Bank Limited ("Standard ") or its successors in title in South Africa as being its prime overdraft rate as certified by any manager of Standard , whose appointment and/ or designation need not to be proved. A certificate from any manager of Standard as to the prime rate at any time shall constitute prima facie proof thereof.

#### 1.2 The following are the rights, privileges, restrictions and conditions which attach to the preference shares:

- 1.2.1 Each preference share will rank as regards to dividends and repayment of capital on the winding-up of the Company prior to the ordinary shares and any other class of shares in the capital of the Company not ranking prior to or pari passu with the preference shares.
- 1.2.2 Each preference share shall confer on the holder thereof the right to a return of capital on the winding-up of the Company equal to the deemed value of the preference shares then in issue divided by the number of preference shares in issue in priority to any payment in respect of any other class of shares in the capital of the Company not ranking prior to or pari passu with the preference share.

1.2.3 Each preference share shall confer on the holder thereof the right to receive out of the profits of the Company, a cumulative preference cash dividend which it shall determine to distribute in priority to any payment of dividends to the holders of any other class of shares in the capital of the Company not ranking prior to or pari passu with the preference shares, the preference dividend calculated in accordance with the following formula, provided such right shall be subject to the Company declaring such dividend in the manner set out in clause 1 and in accordance herewith ~

$$a = b \times (c \div 365) \times d$$

in which formula ~

a = such preference dividend;

b = the deemed value of a preference share;

c = the preference dividend rate; and

d = the number of days in the dividend period,

If the preference dividend rate changes during any particular dividend period the preference dividend for such dividend period shall be calculated, in terms of the formula contained in this clause 1.2.3, on the basis that the period prior to such change is one dividend period and the interest subsequent to such change is another dividend period and that the preference dividend for the entire dividend period is the aggregate of the two amounts thus calculated.

1.2.4 The preference dividend shall if declared:

1.2.4.1 accrue on the preference dividend calculation date, calculated in accordance with clause 1.2.3;

1.2.4.2 be payable on the preference dividend payment date; and

1.2.4.3 failing payment by the relevant preference dividend payment date, be considered to be in arrears.

1.2.5 Subject to the provisions of clause 1.2.10, if a preference dividend is not declared by the Company in respect of the period to which such preference dividend calculation date relates, the preference dividend shall accumulate and will accordingly only become payable by the Company if declared and in preference to payments of dividends to holders of ordinary shares in the Company or to any other class of share. The Company will not declare an ordinary dividend, or a dividend for holders of any other class of share in the Company, in respect of the period in question unless the dividend for the holders of the cumulative, non-participating, non-redeemable preference shares for such period has been declared in full.

1.2.6 Any arrear preference dividend, declared but not paid, shall accumulate. Accordingly, any outstanding preference dividend shall be increased by an amount equal to interest calculated on the unpaid preference dividend at the relevant prime rate, compounded monthly from the relevant preference dividend calculation date until the date of payment thereof, and shall be paid by the Company in preference to payments in respect of any other class of shares in the Company .

1.2.7 Payment of any preference dividend and/or accumulated outstanding preference dividend due by the Company shall be made by cheque sent by the Company by registered post at the risk of the holder of the preference share concerned, as recorded in the register of shareholders, or at the option of the registered holder, to that holder's commercial bank which has been nominated in writing, for credit to an account nominated in writing by such holder at least 7 (seven) business days prior to such aforementioned amounts becoming payable, or at the option of a dematerialised registered holder, in accordance with the relevant custody agreement between such holder and his Central Securities Depository Participant ("CSDP") or broker as a fully electronic share transaction.

- 1.2.8 If, as a result of any amendment to the Income Tax Act or any tax law (which is applicable uniformly to all corporate taxpayers and not because of their specific tax position) that results in their after tax return increasing or decreasing, then the Company will in its exclusive discretion, with effect from the next dividend date decrease or increase the dividend rate to place such corporate taxpayer in the same net after tax position as it would have been in had the applicable amendment to the Income Tax Act or other tax law not been made (and had the preference dividend rate and/or dividend declared accordingly not been increased or decreased). The Company shall be entitled to require its auditors to verify whether it is obliged to increase or decrease the percentage of the prime rate in accordance with this clause 1.2.8. The auditors, in deciding whether such increase or decrease is required in terms of this clause 1.2.8, shall act as experts and not as arbitrators and their decision shall, in the absence of manifest error, be final and binding on the Company and all preference shareholders. The costs of such auditors shall be borne and paid by the Company. If such increased dividend rate is too expensive for the Company as determined by the board, the Company will have the full right to voluntarily redeem the preference shares at the Deemed value, plus a redemption premium as determined by the board, or failing determination, at 102.5% (one hundred and two comma five percent) of the deemed value, within 90 (ninety) days of any dividend declaration date on written notice to the holders of the preference shares and in such instance to determine not to increase the dividend rate.
- 1.2.9 Save as set out in clauses 1.2.1, 1.2.2, 1.2.3, 1.2.5, 1.2.6 and 1.2.8, the preference share shall not entitle the holder thereof to any participation in the profits or assets of the Company, or on a winding-up in any of the surplus assets of the Company.
- 1.2.10 The holders of the preference shares shall not be entitled to receive notice of any meeting of the Company and shall not be entitled to be present or to vote, either in person or by proxy, at any meeting of the Company, by virtue of or in respect of the preference shares, unless one or all of the following circumstances prevail at the date upon which notice convening the meeting in question is posted to such persons as are, in accordance with the provisions hereof, entitled to receive notice of all meetings from the Company –
- 1.2.10.1.1 Any preference dividend or outstanding preference dividend remains in arrear and/or unpaid as determined in clause 1.2.4.3 above; and/or
- 1.2.10.1.2 a resolution of the Company is proposed which resolution directly affects the rights attached to the preference shares or the interests of the holders of the preference shares, including a resolution for the winding-up of the Company or for the reduction of its capital, in which event the preference shareholders shall be entitled to vote only on such resolution.
- 1.2.10.2 In accordance with the provisions of clause 21.2 of the Company's Memorandum of Incorporation and the provisions therein relating to affected shareholders and affected shares, at every general meeting of the Company at which holders of the preference shares as well as other classes of shares are present and entitled to vote, a preference shareholder shall be entitled to 1 (one vote in respect of each preference share held and the total voting rights at the preference shareholders in respect of the preference shares shall not be more than 24.99% (twenty four point nine percent) of the total votes (including the votes of shareholders of all classes and ordinary shareholders) exercisable at that meeting (with any cumulative fraction of a vote in respect of any preference share held by a preference shareholder rounded down to the nearest whole number).
- 1.2.10.3 Notwithstanding the provisions of clause 1.2.1, no shares in the capital of the Company ranking, as regards rights to dividends or, on a winding-up as regards return of capital, in priority to the preference shares, shall be created or issued nor will the rights for the time being attached to the preference shares be modified, amended, added to or abrogated, without -
- 1.2.10.3.1 the consent in writing of the holders of at least 75% (seventy five percent) of the preference shares; or
- 1.2.10.3.2 the prior sanction of a resolution passed at a separate class meeting of the holders of the preference shares in the same manner *mutatis mutandis* as a special resolution.

At every meeting of the holders of the preference shares, the provisions hereof relating to general meetings shall apply, *mutatis mutandis*, except that a quorum at any such meeting shall be any person or persons holding or representing by proxy at least one quarter of the issued preference shares, provided that if at any adjournment of such meeting a quorum is not so present, the provisions hereof relating to adjourned general meeting shall apply, *mutatis mutandis*."

## KAP Industrial Holdings Limited

### 1. THE PERPETUAL PREFERENCE SHARE TERMS

The following rights and privileges shall attach to each Perpetual Preference Share:

- 1.1 Subject to the preferential rights of any holders of cumulative, non-participating, non-redeemable preference shares of no par value in the Company, holders shall be entitled to such dividends, at the dividend rate determined on subscription, as the directors of the Company may from time to time declare in respect thereof in accordance with the dividend policy attaching to any Perpetual Preference share as determined by the directors of the Company on subscription for Perpetual Preference shares (and the directors of the Company shall not be obliged to declare any dividends in respect of any Perpetual Preference Share but, if they elect to declare any dividends in respect of the Perpetual Preference Shares, all the Perpetual Preference Shares then in issue shall participate equally in the dividends thus declared); and any such dividends will be declared within 180 (one hundred and eighty) days after the Company's financial year end and will be payable within 30 (thirty) days from the date of any dividend declaration failing which, the Perpetual Preference dividend shall be considered to be in arrears.
- 1.2 On the liquidation of the Company, it shall confer, on its holder, a right to a return of capital, in preference to the rights of the holders of any other classes of shares in the Company's share capital, other than the rights of any holders of the cumulative, non-participating, non-redeemable preference shares of no par value in the Company, which shall take precedence, in an amount equal to its subscription price on the date on which that return of capital is paid to the holder of that Perpetual Preference Share;
- 1.3 The holders of the Perpetual Preference shares shall not be entitled to receive notice of any meeting of the Company and shall not be entitled to be present or to vote, either in person or by proxy, at any meeting of the Company, by virtue of or in respect of the Perpetual Preference shares, unless one or all of the following circumstances prevail at the date upon which notice convening the meeting in question is posted to such persons as are, in accordance with the provisions hereof, entitled to receive notice of all meetings from the Company-
  - 1.3.1 Any preference dividend or outstanding preference dividend remains in arrear and/or unpaid as determined in clause 1.1 above; and/or
  - 1.3.2 a resolution of the Company is proposed which resolution directly affects the rights attached to the Perpetual Preference shares or the interests of the holders of the Perpetual Preference shares, including a resolution for the winding-up of the Company or for the reduction of its capital, in which event the Perpetual Preference shareholders shall be entitled to vote only on such resolution.
  - 1.3.3 In accordance with the provisions of clause 21.2 of the Company's Memorandum of Incorporation and the provisions therein relating to Affected shareholders and Affected shares, at every general meeting of the Company at which holders of the Perpetual Preference shares as well as other classes of shares are present and entitled to vote, a Perpetual Preference shareholder shall be entitled to 1 (one) vote in respect of each Perpetual Preference share held and the total voting rights of the Perpetual Preference shareholders in respect of the Perpetual Preference shares shall not be more than 24.99% (twenty four point nine nine percent) of the total votes (including the votes of shareholders of all classes and ordinary shareholders) exercisable at that meeting (with any cumulative fraction of a vote in respect of any Perpetual Preference share held by a Perpetual Preference shareholder rounded down to the nearest whole number).

At every meeting of the holders of the Perpetual Preference shares, the provisions hereof relating to general meetings shall apply, mutatis mutandis, except that a quorum at any such meeting shall be any person or persons holding or representing by proxy at least one quarter of the issued Perpetual Preference shares, provided that if at any adjournment of such meeting a quorum is not so present, the provisions hereof relating to adjourned general meeting shall apply, mutatis mutandis.

- 1.4 Perpetual Preference shares shall be redeemable, at the instance of the Company, at any time and against payment of the redemption price as determined on subscription in respect of that Perpetual Preference Share (calculated, as at the applicable actual redemption date, in accordance with the formula or pricing model determined on subscription);
- 1.5 each holder of a Perpetual Preference Share shall be entitled to sell that share (i) to any permitted transferee specified by the directors of the Company; and (ii) in accordance with the procedure to sell, determined on subscription by the directors; (but shall not otherwise be entitled to dispose of that Perpetual Preference Share);

and the holders of the Perpetual Preference Shares shall not, whether individually or jointly, be entitled to appoint any of the Company's directors.

# FORM OF PROXY



## KAP INDUSTRIAL HOLDINGS LIMITED

(Registration number 1978/000181/06) ("KAP"), JSE share code: KAP, ISIN: ZAE000171963

### PROXY

To be completed by certificated shareholders and dematerialised shareholders with own name registration only.

For use at the 35th annual general meeting to be held at 12h30 on Monday, 18 November 2013, at 28 Sixth Street, Wynberg, Sandton, 2090 and at any adjournment thereof as follows:

If shareholders have dematerialised their shares with a Central Securities Depository Participant ("CSDP") or broker, other than with own name registration, they must arrange with the CSDP or broker concerned to provide them with the necessary written authorisation to attend the annual general meeting or the shareholders concerned must instruct them as to how they wish to vote in this regard. This must be done in terms of the custody agreement entered into between the shareholder and the CSDP or broker concerned.

I/We (Full name (s) in block letters)

Of (address)

Being the registered holder/s of

ordinary shares hereby appoint:

1 of or failing him/her

2 of or failing him/her

3 the chairman of the annual general meeting, as my/our proxy, to vote for me/us and on my/our behalf at the annual general meeting for purposes of considering and, if deemed fit passing, with or without modification, the special and ordinary resolutions to be proposed thereat and at each adjournment thereof and to vote for and/or against the resolutions and/or abstain from voting in respect of the shares registered in my/our name/s in accordance with the following instructions (see Notes on the reverse hereof)

		NUMBER OF VOTES (ONE VOTE PER SHARE)		
		In favour of	Against	Abstain
1.	Presentation of annual financial statements			
2.	Re-appointment of auditors			
3.	Special resolution number 1: To approve the fees payable to the non-executive directors:			
3.1	Chairman			
3.2	Board members			
3.3	Audit and risk committee chairman			
3.4	Audit and risk committee members			
3.5	Human resources and remuneration committee chairman			
3.6	Human resources and remuneration committee members			
3.7	Nomination committee chairman			
3.8	Nomination committee members			
4.	Re-election of directors retiring by rotation:			
4.1	JB Magwaza			
4.2	IN Mkhari			
4.3	DM van der Merwe			
5.	Re-election of members of the audit and risk committee:			
5.1	SH Müller			
5.2	SH Nomvete			
5.3	PK Quarmby			
6.	Placing of unissued shares under the control of the directors			
7.	Placing of shares under the control of the directors for share scheme purposes			
8.	General authority to issue unissued shares for cash			
9.	Special resolution number 2: General authority to repurchase own shares by the company and its subsidiaries			
10.	General authority to distribute share capital and/or reserves			
11.	Special resolution number 3: General authority to provide financial assistance to related or inter-related companies			
12.	Endorsement of remuneration policy			
13.	General authority to create and issue convertible instruments			
14.	Special resolution number 4: Amendment of Memorandum of Incorporation to provide for odd-lot offers			
15.	Special Resolution Number 5: creation of cumulative, non-redeemable, non-participating preference shares			
16.	Special Resolution Number 6: creation of perpetual preference shares			

A member's instructions will be indicated by the insertion of the relevant number of votes exercisable by that member in the appropriate block. Insert "X" in the appropriate block if you wish to vote all your shares in the same manner. If not, insert the number of votes in the appropriate block. The total number of votes may not exceed the total to which the member is entitled. Unless otherwise instructed, my/our proxy may vote as he/she thinks fit.

Signed at \_\_\_\_\_ this \_\_\_\_\_ day of \_\_\_\_\_ 2013

Signature \_\_\_\_\_

Any power of attorney and any instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed, or notarially certified copy of the power of attorney, must be forwarded to the company's transfer secretaries, Computershare Investor Services Proprietary Limited, 70 Marshall Street, Johannesburg 2001 or Computershare Investor Services Proprietary Limited, PO BOX 61051, Marshalltown 2107, so as to arrive not less than 48 hours (excluding Saturdays, Sundays and public holidays) before the meeting commences.

## Notes to form of proxy:

1. This form of proxy should only be used by certificated shareholders or shareholders who have dematerialised their shares with own name registration.
2. All other shareholders who have dematerialised their shares through a Central Securities Depository Participant (CSDP) or broker and wish to attend the annual general meeting, must arrange with CSDP or broker concerned to provide them with the necessary written authorisation to attend the annual general meeting or, should they not wish to attend, the shareholders must provide the CSDP or broker with their voting instructions in terms of the relevant custody agreement entered into between them and the CSDP or broker.
3. A shareholder may insert the name/s of one or more proxies, none of whom need be a member of the company, in the space provided, with or without deleting "the chairman of the annual general meeting". The person whose name appears first on the form of proxy and who is present at the annual general meeting will be entitled to act as proxy to the exclusion of those whose names follow. In the event that no names are indicated, the proxy shall be exercised by the chairman of the annual general meeting.
4. A shareholder's instruction on the form of proxy must be indicated by the insertion of a number of shares or an "X", if you wish to vote all your shares, in the appropriate space provided. Failure to comply with the above will be deemed to authorise the chairman of the annual general meeting, if the chairman is the authorised proxy, to vote in favour of the resolutions at the annual general meeting, or any other proxy to vote or to abstain from voting at the annual general meeting as he/she deems fit in respect of all of the shareholder's votes exercisable thereat. A shareholder or his/her proxy is not obliged to use all the votes exercisable by the shareholder or his/her proxy, but the total of the votes cast and in respect whereof abstentions are recorded may not exceed the total of the votes exercisable by the shareholder or by his/her proxy.
5. In order to be effective, completed proxy forms must reach the transfer secretaries so as to arrive not less than 48 hours before the time fixed for the meeting excluding Saturdays, Sundays and public holidays.
6. The completion and lodging of this form of proxy shall in no way preclude the shareholder from attending, speaking and voting in person at the annual general meeting to the exclusion of any proxy appointed in terms hereof.
7. Should this form of proxy not be completed and/or received in accordance with these notes, the chairman may accept or reject it, provided that the case of acceptance, the chairman is satisfied as to the manner in which the shareholder wishes to vote.
8. Documentary evidence establishing the authority of the person signing this form of proxy in a representative or other legal capacity must be attached to this form of proxy unless previously recorded by the transfer secretaries or waived by the chairman of the annual general meeting.
9. The chairman shall be entitled to reject the authority of a person signing the form of proxy
  - 9.1 under a power of attorney; or
  - 9.2 on behalf of a company unless that person's power of attorney or authority is deposited at the registered office of the transfer secretaries not less than 48 hours before the annual general meeting, therefore not later than 12h30 on Thursday, 14 November 2013.
10. Where shares are held jointly, all joint holders are required to sign the form of proxy.
11. A minor must be assisted by his/her parent or guardian unless the relevant documents established his/her legal capacity are produced or have been registered by the transfer secretaries.
12. Any alterations of or correction to this form of proxy must be initialed by the signatory/ies.
13. On a show of hands, every shareholder present in person or represented by proxy shall have only one vote, irrespective of the number of shares he/she holds or represents.
14. On a poll, every shareholder present in person or represented by proxy shall have one vote for every share held by such shareholder.

### Transfer secretaries

Computershare Investor Services (Pty) Ltd

Address	Postal
70 Marshall Street	PO Box 61051
Johannesburg	Marshalltown
2001	2107

### Contact

Telephone 011 370 5000  
Facsimile 011 668 7710







[www.kap.co.za](http://www.kap.co.za)