



NOTICE OF ANNUAL GENERAL MEETING 2014

# NOTICE OF ANNUAL GENERAL MEETING

for the year ended 30 June 2014

KAP INDUSTRIAL HOLDINGS LIMITED

(Registration number 1978/000181/06) ("KAP"), JSE share code: KAP, ISIN ZAE 000171963



Notice is hereby given that the 36th 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 12:30 in the auditorium at 28 Sixth Street, Wynberg, Sandton on Tuesday, 18 November 2014, 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 resolution number 8, 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 resolution number 8, 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 2014, 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 Stellenbosch ("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:

	2015 R'000	2014 R'000
<b>Board membership fees</b>		
3.1 Independent, non-executive chairman (all inclusive fee)	675 000	<b>636 000</b>
3.2 Member*	270 000	<b>254 000</b>
<b>Committee fees</b>		
<b>Audit and risk committee</b>		
3.3 Chairman	230 000	<b>215 000</b>
3.4 Member	112 500	<b>106 000</b>
<b>Human resources and remuneration committee</b>		
3.5 Chairman	125 000	<b>117 000</b>
3.6 Member	60 000	<b>53 000</b>
<b>Nomination committee</b>		
3.7 Chairman	5 500	<b>5 000</b>
3.8 Member	5 500	<b>5 000</b>
<b>Social and ethics committee**</b>		
3.9 Chairman	24 000	–
3.10 Member	12 000	–

\* A per meeting fee of R54 000 is proposed together with an annual retainer of R54 000 in respect of continuous informal commitments. (There are four scheduled quarterly board meetings per annum).

The proposed committee fees are based on the planned number of meetings in respect of each committee and on attendance of the members.

\*\*The social and ethics committee was formed on 18 August 2014.

The aforementioned fees represent an increase of approximately 6% in respect of the fees approved at the previous annual general meeting.

Each of the special resolutions set out in paragraphs 3.1 to 3.10 above will be considered separately.

***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 J de Vos du Toit;

4.2 AB la Grange; and

4.3 CJH van Niekerk.

Summaries of the *curricula 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, requires that one-third of the non-executive directors of the company must retire by rotation at each annual general meeting but, if eligible, may offer themselves for re-election as directors.

The company's Memorandum of Incorporation requires further that directors over the age of 71 (seventy-one) retire from office at every annual general meeting. Mr JB Magwaza has advised that he will be retiring from the board of the company after the annual general meeting on 18 November 2014 and accordingly will not stand for re-election. An announcement will be released on SENS after the annual general meeting and board meeting to be held on 18 November 2014, advising shareholders of Mr Magwaza's retirement and giving details of the restructuring of the committees on which Mr Magwaza serves, namely as chairman of the human resources and remuneration committee and as a member of the nomination committee.

**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 *curricula 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.

# NOTICE OF ANNUAL GENERAL MEETING

for the year ended 30 June 2014 (*continued*)

Notice to  
Shareholders



## 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 230 000 000 (two hundred and thirty million) of the authorised but unissued ordinary shares of no par value in the capital of the company, together with 1 000 000 000 (one billion) cumulative non-redeemable, non-participating preference shares and 50 000 000 (fifty million) perpetual preference shares, the creation of which shares was approved by shareholders at the annual general meeting of the company held on 18 November 2013 (“the 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 Listings Requirements (“the Listings Requirements”) of the JSE Limited (“the JSE”) and in compliance with the terms under which the Preference Shares were created.

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 of *inter alia* 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, a further 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 and 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 Scheme is 366 274 533 ordinary shares of no par value. The number of shares for which this authority is sought, taken together with the outstanding options and rights over 49 437 476 shares already granted under the previous KAP Performance Share Plan (“the Share Plan”) and the Share Scheme, is significantly below the number authorised by shareholders. Approval of this resolution will afford the directors the ability to grant rights under the Share Scheme. The rights granted under the Share Plan in 2011 will not vest as the relevant performance criteria have not been met.

### 8. 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 of directors of any such subsidiary company, be and is hereby authorised 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 was in place prior to the prohibited period and which programme has been submitted to the JSE in writing and the terms of such repurchase programme have been determined prior to the commencement of the prohibited period. The repurchase programme will be effected by an independent third party;

- 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; and
- 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.

***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. The board may 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 the 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:
  - major shareholders of the company; 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 enquires 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 2014 and the date of this notice; and
- 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 in section 46, read with section 4, 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.

# NOTICE OF ANNUAL GENERAL MEETING

for the year ended 30 June 2014 (*continued*)



## 9. 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 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 per cent) 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”); 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 6 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 totaling 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;
- 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.

## 10. Special Resolution Number 3

To consider and, if deemed fit, to pass, with or without modification, the following resolution 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 sections 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 or 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.

**11. Ordinary Resolution Number 7**

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).

**12. Ordinary Resolution Number 8**

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 for a period of not less than 42 months and not more than 84 months and relating 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 25% (twenty-five per cent) 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.

**13. General**

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

**14. 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 20 October 2014

# NOTICE OF ANNUAL GENERAL MEETING

for the year ended 30 June 2014 (*continued*)

Notice to  
Shareholders



## 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, 10 October 2014.
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, 14 November 2014, with the last day to trade being Friday, 7 November 2014.
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 proxy form 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 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 time fixed for the annual general meeting.

A member, who has dematerialised his/her shares (other than those with "own name registration"), who wishes to attend the annual general meeting should 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.

6. 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.
7. 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:

#### 4.1 J de Vos du Toit

Jacob ("Jaap") de Vos du Toit (60)

BAcc, CA(SA), CFA

Independent non-executive Chairman

Jaap was appointed as senior general manager at the Trust Building Society in 1984, financial director at SMK Securities (Pty) Ltd in 1988, and as their portfolio director in 1990. He was a founder member of PSG Group Ltd in 1996 and has acted as a director ever since. He acted as chairman of PSG Konsult from its formation in 1998 until 2013, and is still a director on that board. In August 2012 Jaap was appointed as the lead independent non-executive director for PSG Group Ltd and PSG Financial Services Ltd. Jaap has served, and currently serves, as chairman of various national committees and boards. He was appointed as chairman of KAP Industrial Holdings Ltd in 2012 and in 2013 as chairman of the nomination committee.

#### 4.2 AB la Grange

Andries ("Ben") Benjamin la Grange (40)

BComm (Law), BComm Hons (Financial Accounting), CTA, CA (SA)

Non-executive director

Ben is the chief financial officer for the Steinhoff Group. He completed his articles with PricewaterhouseCoopers Inc. and spent two and a half years in their international and corporate tax division before joining Steinhoff in 2003 as manager of the corporate tax division. Ben acted as chief financial officer for the group's Southern Hemisphere Operations and as an alternate director to the Steinhoff International board, prior to being appointed to his current position and as a director to the Steinhoff International board in March 2013. He was appointed as a non-executive director of KAP Industrial Holdings Limited in 2012. He also serves on the board of JD Group Limited and is an alternate director on the board of PSG Group Limited.

#### 4.3 CJH van Niekerk

Christiaan ("Chris") Johannes Hattingh van Niekerk (67)

BA

Non-executive director

After a long career in the chemical industry with Sentrachem Group, where Chris managed several operations, he was appointed to the board of PG Bison in May 1998 as chief executive officer. Chris led the management buy-out of PGSI which transformed PG Bison, then listed on the JSE Ltd.

Steinhoff Africa Holdings acquired PG Bison in 2006, expanding the business into sawmilling and forestry before it was integrated into the KAP Industrial Holdings group in 2012. Chris also holds several other directorships including NCP Chlorchem, Chlor Alkali Holdings, Walvis Bay Salt Holdings and Phumelela Gaming and Leisure Ltd. Chris was appointed as a non-executive director of KAP Industrial Holdings Ltd in 2012.

## 2. Ordinary resolution number 3

Election of members of the audit and risk committee of the company:

### 5.1 SH Müller

Stephanus ("Steve") Hilgard Müller (53)

BAcc (Hons), CA (SA)

Independent non-executive director and 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. During December 2007 Steve was appointed as a non-executive director of Amalgamated Appliances Ltd (currently named Home of Living Brands Ltd) and also serves as the chairman of its audit committee. Steve was appointed as an independent non-executive director of KAP Industrial Holdings Ltd in 2012 and serves on the audit and risk committee. He was appointed as an independent non-executive director and chairman of the audit committee of Sacoil Holdings Ltd on 31 May 2013, a company listed on the Johannesburg Stock Exchange and of AIM on the London Stock Exchange. On 20 November 2013 Steve was appointed as an independent non-executive director of JD Group Ltd where he also serves as the chairman of the audit and remuneration committees.

### 5.2 SH Nomvete

Sandile Hopeson Nomvete (41)

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

Independent non-executive director

Member of the audit and risk committee

Sandile is the founder and chief executive officer of Delta Property Fund, a REIT listed on the Johannesburg Stock Exchange. He co-founded Motseng Investment Holdings, which eventually became the empowerment partner to Marriott Property Group. 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. He has nearly 15 years' experience in executive and non-executive positions and serves as a director on a number of listed companies. 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.

### 5.3 PK Quarmby

Patrick Keith Quarmby (60)

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 a non-executive director of KAP Industrial Holdings Ltd in 2012 and serves as the chairman of the audit and risk committee.

## Major shareholders of the Company as at 30 June 2014

	<b>No. of ordinary shares of no par value</b>	<b>% of issued share capital</b>
<b>Breakdown of major and institutional shareholders holding 1% or more</b>		
Steinhoff International Holdings Limited	1 049 561 154	44.73
Allan Gray Asset Management	551 591 031	23.51
Investec Asset Management	370 146 195	15.78
Public Investment Corporation	82 686 217	3.52
Kagiso Asset Management	76 150 785	3.24
Sanlam Investment Management	51 341 279	2.19
PSG Asset Management	34 402 419	1.47
<b>Total</b>	<b>2 215 879 080</b>	<b>94.44</b>

## Share capital of the Company as at 30 June 2014

	<b>2014 Number of shares</b>	2013 Number of shares
<b>19. ORDINARY STATED SHARE CAPITAL</b>		
19.1 <b>Authorised</b>		
Ordinary shares of no par value	<b>6 000 000 000</b>	6 000 000 000
19.2 <b>Stated share capital</b>		
Shares in issue at beginning of the year	<b>2 346 187 888</b>	2 337 254 668
Shares issued during the year	-	8 933 220
Shares in issue at end of the year	<b>2 346 187 888</b>	2 346 187 888

## Remuneration policy

To assist the achievement of the group's business goals, the human resources and remuneration committee ("the committee") has put a remuneration policy in place, approved by the Board.

The remuneration policy, which is reviewed on an annual basis, 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 appropriate 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 three elements of managerial remuneration consist of a total cost to company base salary, annual incentive bonus and longer-term incentives.

The 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. 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.

#### *Total cost to company base salary ("base salary")*

The fixed element of remuneration is referred to as a salary which incorporates all guaranteed cash benefits. Its purpose is to provide a competitive level of remuneration for each level of manager. The 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 all employees and their families and include compulsory membership of a retirement fund and medical aid schemes. Although membership is compulsory, 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 incentive bonus ("AIB")*

A short-term AIB, payable in cash, provides management teams with incentives to achieve their business's short and medium-term goals.

The AIB is based upon the achievement of group or divisional financial targets as well as strategic and personal performance objectives as determined by the committee.

These objectives are set after taking into account that management is obliged to maintain the group's assets on a sustainable basis. Any expansion or capital expenditure for capital acquisition or new projects, additional to approved annual budgets, are approved separately and take into account separate returns at the time of approval.

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 include:

Objective	Metric	Target for 2014
1 Achievement of operational and financial growth objectives (90% of bonus):		
– performance against profit target	Growth in headline earnings before tax	12-14%
– performance against cash flow target	Conversion of EBIT into cash generated from operations	80% conversion
2 Implementation of key strategic initiatives related to the strategic development and competitive positioning of KAP (10% of bonus):	In discretion of committee	
– 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; and		
– other initiatives such as BBBEE, internal audit ratings, health & safety, succession planning		

Should the first component (operational and financial growth objectives) not be met, no bonus will be payable in respect of the second component.

AIB allocations to the group's senior management are weighted as follows:

Role	% of AIB relating to group performance	% of AIB relating to divisional performance	On-target bonus as % of base salary
Group chief executive officer	100%	–	50%
Group chief financial officer	100%	–	50%
Group human resources officer	100%	–	50%
Divisional chief executive officers	30%	70%	30% – 50%
Key divisional management	–	100%	20% – 50%

The performance objectives for individual divisions are assessed in taking into account their specific industry, identified peers and/or competitors and the maturity of the division.

Key executive staff are further entitled to share in a maximum of 20% of performance in excess of budgeted/targeted headline earnings before taxation.

The committee retains the discretion to make adjustments to bonuses earned at the end of the financial year, taking into account both group performance and the overall and specific contribution of the management teams to meeting the group's objectives.

The 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 (LTI's)

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.

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

## Allocation

The allocation and quantum of LTI's i.e. the KAP share rights scheme for executive staff, and divisional longer-term cash-settled bonus scheme for senior management staff, is based on the responsibility and salary packages of individuals who are key to driving the long-term business strategy at group and/or divisional levels.

The value of share scheme allocations to the group's executive staff is measured as follows:

Role	% of base salary allocated to share scheme
Group chief executive officer	167%
Group chief financial officer	133%
Group human resources officer	100%
Divisional chief executive officers	133%
Key divisional management	67% - 100%

The value of long-term cash incentives to the group's senior management is measured as follows:

Role	% of base salary allocated to long-term cash incentive
Key divisional management	33% - 67%

## Retention requirements for share scheme participants

The 2012 grant (i.e. for the period from 1 July 2012 to 30 June 2015) is not subject to any requirements compelling participants to retain and hold any shares at the time of vesting of shares.

With effect from the 2013 grant (i.e. for the period 1 July 2013 to 30 June 2016) it is required that a condition of the vesting of each grant is that the recipient retains one year's share allocation as a retention, in the discretion of the committee.

## Target criteria

The allocation and target criteria of incentives are at the discretion of the committee. Individuals qualify only for the key performance criteria if they have also achieved their annual bonus targets cumulatively over the corresponding three years' period. (see targets as detailed elsewhere in this report)

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

LTI's are paid only when the group has achieved its targets over the three year period. In addition, divisional executives are required to achieve their own division's targets over the same period in order to qualify for the LTI.

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







# 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 36th annual general meeting to be held at 12h30 on Tuesday, 18 November 2014, 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.	Reappointment 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			
3.9	Social & ethics committee chairman			
3.10	Social & ethics committee members			
4.	Re-election of directors retiring by rotation:			
4.1	J de V du Toit			
4.2	AB la Grange			
4.3	CJH van Niekerk			
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 portion of unissued shares under the control of the directors.			
7.	Placing of shares under the control of the directors for share scheme purposes.			
8.	Special resolution number 2: General authority to repurchase own shares by the company and its subsidiaries			
9.	General authority to distribute share capital and/or reserves			
10.	Special resolution number 3: General authority to provide financial assistance to related or inter-related companies			
11.	Endorsement of remuneration policy			
12.	General authority to create and issue convertible instruments			

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 BO 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 Friday, 14 November 2014.
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 initialled 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

<b>Address</b>	<b>Postal</b>
70 Marshall Street	PO Box 61051
Johannesburg	Marshalltown
2001	2107

### Contact

Telephone 011 370 5000  
Facsimile 011 668 7710



KAP 

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