



NOTICE OF ANNUAL GENERAL MEETING [2016](#)

Notice of annual general meeting

for the year ended 30 June 2016



KAP INDUSTRIAL HOLDINGS LIMITED

(Registration number: 1978/000181/06) | JSE share code: KAP | ISIN: ZAE000171963 | ('KAP' or 'the company')

Notice is hereby given that the 38th annual general meeting of shareholders of KAP will be held at 12:30 in the Cellar Hall at the Lanzerac Hotel at 1 Lanzerac Road, Stellenbosch, on Wednesday, 30 November 2016, for the purpose of dealing with the below-mentioned business and, if deemed fit, of passing, with or without modification, the resolutions set out below ('the annual general meeting').

Purpose and general information

The purpose of the annual general meeting is to transact the business set out in the agenda below and to discuss other matters raised by shareholders at the meeting, provided, in the sole discretion of the chairman of the meeting, that such matters directly concern the business of the company and may lawfully be dealt with at an annual general meeting.

Voting

As a general rule and to enhance governance, all voting at the annual general meeting will be by way of a poll and in this regard, each shareholder entitled to vote shall have one vote in respect of each ordinary share which that shareholder holds.

In order for the proposed ordinary resolutions to be adopted, more than 50% of the voting rights exercised on each such ordinary resolution must be exercised in favour thereof by shareholders present or represented and entitled to vote at the annual general meeting. For ordinary resolution number 8 to be adopted, at least 75% of the voting rights exercised on such ordinary resolution must be exercised in favour thereof by shareholders present or represented and entitled to vote at the annual general meeting.

In order for the proposed special resolutions to be adopted, they must be supported by at least 75% of the voting rights exercised on the resolution by shareholders present or represented and entitled to vote at the annual general meeting.

AGENDA

Ordinary business

1. Presentation of annual financial statements (non-voting agenda point)

Presentation of the consolidated audited annual financial statements of the company and its subsidiaries ('the Group') for the year ended 30 June 2016, together with the reports of the directors and the independent auditors thereon, and the audit and risk committee report.

A summarised version of the annual financial statements is enclosed and forms an integral part of this notice of annual general meeting. A complete set of the audited financial statements is available on the company's website at www.kap.co.za or may be obtained from the company's registered office at 28, Sixth Street, Wynberg, Sandton, 2090 during office hours.

2. Ordinary Resolution Number 1 – Re-appointment of auditor

The Companies Act, No. 71 of 2008 as amended ('the Companies Act'), the Listings Requirements of the JSE Limited ('JSE Listings Requirements') and the company's memorandum of incorporation stipulate that the company must each year at its annual general meeting, appoint or re-appoint an eligible auditor.

Upon recommendation by the company's audit and risk committee, it is proposed that shareholders pass the following resolution:

'Resolved to and herewith re-appoint the firm Deloitte & Touche, an eligible registered auditor ('the Firm'), as the independent auditor of the company for the ensuing financial year, and Mr Dirk Steyn, a registered auditor and member of the Firm, as the individual who will undertake the audit.'

3. Special Resolution Number 1 – Approval of fees payable to non-executive directors

Reason for and effect of the resolution

The reason for special resolution number 1 is that shareholders are required, in terms of section 66(9) of the Companies Act, to authorise, in advance, the basis of compensation and the remuneration to be paid to non-executive directors for their services as directors, by way of passing a special resolution.

The effect of this special resolution, once approved, will be that the company will have been authorised, for the period until the next annual general meeting, to pay the below-mentioned 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.

Having compared and benchmarked the directors' remuneration with peers in the market and having found it fair, the company's remuneration and human resources committee recommended, and the board endorsed, that shareholders approve the below-mentioned remuneration for payment to the non-executive directors of the company for the ensuing year by passing the following special resolution:

'Resolved that the remuneration, as set out in paragraphs 3.1 to 3.10 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 this special resolution until the date of the next annual general meeting, be and is hereby authorised by way of individual stand-alone resolutions:



	2016 R	2017 R
Board membership fees		
3.1 Independent, non-executive chairman (all-inclusive fee)	715 500	762 000
3.2 Member*	286 200	305 000
Committee fees		
Audit and risk committee		
3.3 Chairman	243 800	300 000
3.4 Member	119 250	150 000
Human resources and remuneration committee		
3.5 Chairman	132 500	142 000
3.6 Member	63 600	68 000
Nomination committee		
3.7 Chairman	5 830	6 000
3.8 Member	5 830	6 000
Social and ethics committee		
3.9 Chairman	25 440	27 000
3.10 Member	12 720	14 000*

*This comprises an annual retainer of R45 000 for continuous informal commitments, as well as a 'per meeting' fee of R65 000. There are four scheduled quarterly board meetings per annum.

4. Ordinary Resolution Number 2 – Retirement and re-election of directors

The company's memorandum of incorporation and the JSE Listings Requirements stipulate that at least one third of the non-executive directors of the company must retire by rotation at each annual general meeting. Eligible directors may offer themselves for re-election.

Upon recommendation by the company's nomination committee, it is proposed that shareholders, by way of individual stand-alone resolutions, elect the following directors who retire by rotation and who, being eligible, offer themselves for re-election:

- 4.1 MJ Jooste;
- 4.2 IN Mkhari; and
- 4.3 DM van der Merwe.

Summaries of the *curricula vitae* of each of these directors are contained in Annexure A to this notice of annual general meeting.

5. Ordinary Resolution Number 3 – Ratification of director appointment made by the company's board

The company's memorandum of incorporation and the Companies Act stipulate that all director appointments made by the board between annual general meetings must be ratified at the first subsequent annual general meeting following such appointment.

Upon recommendation by the company's nomination committee, it is proposed that shareholders pass the following resolution:

'To ratify and confirm the appointment of Mr FH Olivier as the financial director of the company with effect from 15 April 2016.'

A summary of the *curriculum vitae* of Mr Olivier is contained in Annexure A to this notice of annual general meeting.

6. Ordinary Resolution Number 4 – Re-election of audit and risk committee members

The Companies Act and the JSE Listings Requirements stipulate that each public listed company must each year at its annual general meeting, appoint an audit committee, comprising at least three non-executive directors who are independent and, as a collective body, are suitably qualified, skilled and experienced.

The nomination committee and the board are satisfied that the proposed members are suitably skilled and experienced independent, non-executive directors and that they collectively possess the appropriate qualifications to fulfil their duties, and accordingly recommended that shareholders re-elect, by way of individual stand-alone resolutions, the following independent, non-executive directors as members of the audit and risk committee* of the company until the next annual general meeting:

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- 6.1 SH Müller;
- 6.2 SH Nomvete; and
- 6.3 PK Quarmby.

Summaries of the *curricula vitae* of each of these directors are contained in Annexure A to this notice of annual general meeting.

* For the avoidance of doubt, any reference to the 'audit and risk committee of the company' is a reference to the 'audit committee' as contemplated in section 94 of the Companies Act.

Special business

7. Ordinary Resolution Number 5 – Placing of shares under the control of the directors for commercial purposes

The company's memorandum of incorporation does not permit the directors to issue and allot any unissued shares from the company's authorised shares unless the shareholders at an annual general meeting have in advance approved either a specific or general mandate for such an issue.

The directors are of the view that it is in the best interests of the company to have flexibility to issue shares (to the extent authorised) for purposes of, inter alia, capital-raising, maintaining a healthy capital adequacy ratio or for taking advantage of other commercial opportunities as and when they arise.

Consequently, it is proposed that shareholders pass the following resolution as an ordinary resolution:

'Resolved that 240 000 000 (two hundred and forty million) of the company's authorised but unissued ordinary shares of no par value, together with 1 000 000 000 (one billion) cumulative non-redeemable, non-participating preference shares and 50 000 000 (fifty million) perpetual preference shares (collectively 'the Preference Shares'), be and they are hereby placed under the control of the directors until the next annual general meeting of the company 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 JSE Listings Requirements.'

8. Ordinary Resolution Number 6 – Placing of shares under the control of the directors for share scheme purposes

The company has an ongoing responsibility to fulfil its obligations that may arise under the KAP Performance Share Rights Scheme ('the Share Scheme'). The maximum number of shares approved by shareholders that may be used at any time for purposes of the Share Scheme is 366 274 533 ordinary shares. It is anticipated that rights relating to approximately 18 000 000 (eighteen million) shares may be required for the period up to the next annual general meeting. This number of shares, taken together with the outstanding rights over 49 217 738 shares, is significantly below the afore-mentioned limit authorised by shareholders on 14 November 2012. The company anticipates that 20 500 000 (twenty million five hundred thousand) of these rights may vest and be issued accordingly.

Consequently, it is proposed that shareholders pass the following resolution as an ordinary resolution:

'Resolved, subject to compliance with the provisions of the JSE Listings Requirements and the Companies Act, that 18 000 000 (eighteen million) of the company's authorised but unissued ordinary shares of no par value be placed under the control of the directors for the continued implementation and fulfilment of any obligations that may arise under the KAP Performance Share Rights Scheme.'

9. Special Resolution 2 – General authority to repurchase shares issued by the company

Reason for and effect of special resolution

The reason for this special resolution number 2 is that the company may not acquire its own shares unless the shareholders at a general meeting have in advance approved either a specific or general mandate for such a repurchase of shares.

The effect of this special resolution, once approved, will be that the directors will have 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 JSE 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 best interests of the company to have flexibility to repurchase shares as and when appropriate opportunities arise. Accordingly, the board may avail itself of this authority for purposes of fulfilling its obligations under the Share Scheme or for other reasons, however, in the instance that the company decides to repurchase shares, it will not do so unless, in the opinion of the directors, all of the prescribed statutory solvency, liquidity and capital adequacy requirements are capable of being fulfilled.

Consequently, it is proposed that shareholders pass 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 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 the JSE Listings Requirements and provided that:



- such repurchase is permitted by and is in accordance with the provisions of the Companies Act, the JSE Listings Requirements 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 date of passing of this special resolution (whichever period is shorter);
- this authority be limited to a maximum of 20% (twenty per cent) of the shares issued in that class in one financial year, provided that subsidiaries of the company may not, collectively, at any time hold more than 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 is 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;
- the company may not effect a repurchase during any prohibited period as defined in terms of the JSE 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, and the repurchase programme will be executed by an independent third party appointed by the company prior to the commencement of 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 JSE Listings Requirements; and
- the directors shall have passed a resolution, authorising any repurchase and confirming that the company (and its subsidiaries, if applicable) has satisfied the solvency and liquidity test as required by the Companies Act and that, since the test was performed, there have been no material changes to the financial position of the Group.

Information and statement relating to this special resolution

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

- the importance of this resolution – should shareholders be in any doubt as to which action to take, they are advised to consult appropriate independent advisors; and
- the following information, details of which are reflected in Annexure B to this notice of annual general meeting:
 - major shareholders of the company;
 - the number of authorised and issued shares in 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 accuracy of 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 2016 and the date of this notice; and
- are of the opinion that, after having considered 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 satisfy the solvency and liquidity test as contemplated in the Companies Act;
 - the company and the Group will be able to pay its debts as they become due in the ordinary course of business;
 - the assets of the company and the Group, fairly valued in accordance with International Financial Reporting Standards, will be equal to or in excess of the liabilities of the company and the Group;
 - the share capital and reserves of the company and the Group will be adequate for ordinary business purposes; and
 - the working capital of the company and the Group will be adequate for ordinary business purposes.

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10. Ordinary Resolution Number 7 – General authority to distribute share capital and reserves

The directors of the company are seeking a general authority from shareholders to make distributions of any share capital, share premium and reserves of the company subject to the applicable provisions of the Companies Act, the JSE Listings Requirements and the company's memorandum of incorporation, with or without the right to receive shares as a capitalisation award.

Consequently, it is proposed that shareholders pass 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 to make any distribution of any nature to shareholders of the company, with or without the right to receive shares as a capitalisation award, subject to the provisions of the Companies Act, the JSE Listings Requirements and the company's memorandum of incorporation, provided that:

- this general authority shall be valid only 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 has not been supported by an independent professional acceptable to the JSE;
- the directors are authorised to afford shareholders the right to receive capitalisation awards or elect instead to receive a cash distribution, as contemplated in 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 satisfied the solvency and liquidity test as contemplated in the Companies Act and that, since the test was performed, there have been no material changes to the financial position of the company and the Group; and
- in the case of a general distribution, an announcement shall be published in accordance with the provisions of the JSE Listings Requirements.'

At the date of this notice of annual general meeting, the board does not contemplate using such authority, however, it wishes to retain flexibility to avail itself of this authority if circumstances, including the tax dispensation and a change in market conditions, warrant such a step. In the instance that the company decides to make a distribution as afore-mentioned, it will not do so unless, in the opinion of the directors, all of the prescribed statutory solvency, liquidity and capital adequacy requirements are capable of being fulfilled.

The directors of the company are of the opinion that, were the company to immediately enter into a transaction to distribute any share capital and/or reserves totalling 20% (twenty percent) of the current issued share capital and reserves of the company, then, for a period of 12 (twelve) months after the date of this notice of annual general meeting:

- the company will be able in the ordinary course of business to pay its debts;
- the assets of the company and the Group will be equal to or in excess of the liabilities of the company and the Group, fairly valued;
- the share capital and reserves of the company and the Group will be adequate for ordinary business purposes; and
- the working capital of the company and the Group will be adequate for ordinary business purposes.

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. Ordinary Resolution Number 8 – General authority to issue convertible instruments

The directors of the company are seeking a general authority from shareholders to create and issue convertible instruments subject to the applicable provisions of the Companies Act, the company's memorandum of incorporation and the JSE Listings Requirements.

Consequently, it is proposed that shareholders pass the following resolution as an ordinary resolution:

'Resolved that the directors of the company be and are hereby authorised, for the period until the next annual general meeting of the company or for 15 (fifteen) months from the date of the passing of this resolution, whichever is the earlier, to issue convertible debentures, debenture stock or other convertible instruments in the capital of the company with a term of not less than 42 months and not more than 84 months, or to create and issue ordinary shares of no par value in the company in settlement of any convertible debentures, debenture stock, or other convertible instruments issued by a subsidiary of the company, up to a maximum of 200 000 000 (two hundred million) of the company's ordinary shares of no par value, subject to the applicable provisions of the company's memorandum of incorporation, the JSE Listings Requirements and section 41 of the Companies Act, and further subject to a conversion premium of not less than 20% (twenty percent) above the volume-weighted average 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. It being recorded further that any additional ordinary shares in the capital of the



company that may arise from any adjustment to any conversion price of any existing convertible bonds, issued by the company or any subsidiary, convertible into the capital of the company, may be procured from the authority granted in terms of this ordinary resolution number 8.'

Note:

For this ordinary resolution to be adopted, it must be supported by at least 75% of the voting rights exercised on the resolution by shareholders present or represented and entitled to vote at the annual general meeting.

12. Ordinary Resolution Number 9 – Non-binding endorsement of the company's remuneration policy (non-binding advisory vote)

The third King Report on Governance for South Africa and the King Code of Governance Principles recommend that shareholders consider, for purposes of a non-binding advisory vote, the key elements and guiding principles of a company's remuneration policy to inform themselves how staff members and senior executives within the organisation are remunerated, and to express their view as to whether they consider the remuneration policy appropriate. For this reason, the company annually presents its remuneration policy to shareholders for endorsement by way of a non-binding advisory vote.

The company's remuneration policy is set out in Annexure C to this notice of annual general meeting.

Upon recommendation by the company's remuneration and human resources committee, it is proposed that shareholders pass the following resolution as an ordinary resolution:

'Resolved to and herewith 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.'

13. Special Resolution Number 3 – General authority to provide financial assistance

Reason for and effect of special resolution

In order to achieve its strategic goals, the company has, at all relevant times in the past, provided direct or indirect financial assistance to its subsidiaries, and for purposes of Black Economic Empowerment related transactions for the benefit of the company, to related and inter-related companies, which financial assistance includes, inter alia, the granting of loans, providing security and guaranteeing of debt.

The reason for this special resolution number 3 is that the company needs to continue with the aforementioned business practice. To this end, authority will be sought from shareholders, authorising the directors to provide financial assistance (as contemplated in sections 44 and 45 of the Companies Act) to a general category of recipients, namely the company's subsidiaries and other related and inter-related companies within the Group,

The effect of this special resolution, once adopted, will be that the directors of the company will have been authorised to provide financial assistance to its subsidiaries and related and inter-related companies (as defined in the Companies Act) for the purpose of, inter alia, acquiring any option, or any securities, or any convertible instruments as contemplated in section 44 of the Companies Act, and for granting loans, providing security, guaranteeing debt and subordinating its claims on shareholders' loan accounts as contemplated in section 45 of the Companies Act.

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 as contemplated in the Companies Act and, to the extent required, will conduct such further tests;
- the terms under which the direct or indirect financial assistance are to be given in respect of any subsidiary, related or inter-related company, will be fair and reasonable to the company.

Consequently, it is proposed that shareholders pass the following resolution as a special resolution:

'Resolved that, subject to the directors of the company adopting a relevant resolution and the company fulfilling the applicable provisions of the Companies Act, the company's memorandum of incorporation and the JSE Listings Requirements, the company may provide direct or indirect financial assistance to and in favour of any subsidiary and/or any related and inter-related company within the Group (being a general category of recipients as contemplated in sections 45(3)(a)(ii) and 44(3)(a)(ii) of the Companies Act):

- generally for the purpose of funding or assisting with any capital or operational expenditure of such company;
- in connection with 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;
- by way of subordinating its claims held on shareholders' and/or inter-company loan account; and/or
- in connection with the subscription of any option, or any securities or convertible instruments, issued or to be issued by the company or by a related or inter-related company, or for the purchase of any securities or convertible instruments of the company or of a related or inter-related company.'

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14. Special Resolution Number 4 – Amendment to company’s memorandum of incorporation to align it with the JSE fraction-entitlement principle

Reason for and effect of special resolution

The reason for special resolution number 4 is to obtain the required approval from shareholders to amend the memorandum of incorporation of the company in the manner that aligns the memorandum of incorporation with the recent amendments to the JSE Listings Requirements.

The effect of special resolution number 4 is that the company will have the necessary authority to amend the memorandum of incorporation in the manner set out in this special resolution number 4, which amendments have also been approved by the JSE.

Consequently, it is proposed that shareholders pass the following resolution as a special resolution in accordance with section 16(1)(c) of the Companies Act, to amend clause 6.4 in the company’s memorandum of incorporation as follows with effect from the filing of such amendments with the Companies and Intellectual Property Commission:

‘Resolved, as a special resolution, that, the memorandum of incorporation of the Company be and is hereby amended by deleting the existing clause 6.4 thereof and by replacing it in its entirety with the following new clause 6.4:

‘6.4 Should any action contemplated in clause 6.2 or any other corporate action give rise to a fraction of a Share, any affected allocation of Shares will be rounded down to the nearest whole number and the Company will make a cash payment in accordance with the JSE Listings Requirements in respect of such fractional entitlement. Notwithstanding the aforesaid, should the JSE require that fractions arising under any such action be dealt with in any other manner, the Company may apply such other principle in respect of the fractions in question.’

15. Special Resolution Number 5 – Amendment to company’s memorandum of incorporation to authorise directors to issue shares to existing shareholders in proportion to their existing shareholdings under a rights offer or as capitalisation shares

Reason for and effect of special resolution

The reason for this special resolution number 5 is that the company’s memorandum of incorporation prohibits the directors from issuing shares for purposes of a rights offer or as capitalisation shares, unless shareholders in general meeting have approved such an issue. The JSE Listings Requirements do not require shareholder approval for issues of shares as consideration for a bona fide acquisition or amalgamation/merger, for purposes of a vendor consideration placing, as capitalisation shares or under a rights offer. Since the board believes it to be in the best interests of the company to have flexibility and the ability to act swiftly in respect of transactions of the afore-mentioned nature when commercial opportunities arise, there is a need to amend clauses 6.7 and 6.10 of the company’s memorandum of incorporation in order to permit such transactions, subject to compliance with all relevant statutory prescripts.

The effect of this special resolution is that, once adopted and filed with the Companies and Intellectual Property Commission, the company’s memorandum of incorporation will have been amended and the directors would have authority to issue shares as consideration for a bona fide acquisition or amalgamation/merger, for purposes of a vendor consideration placing, under a rights offer or as capitalisation shares, without requiring further shareholder approval.

Consequently, it is proposed that shareholders pass the following resolution as a special resolution in accordance with section 16(1)(c) of the Companies Act, to amend clauses 6.7 and 6.10 of the company’s memorandum of incorporation with effect from the filing of such amendment with the Companies and Intellectual Property Commission, as follows:

‘6.7 The Board may, subject to clause 6.12 and the further provisions of this clause 6.7, resolve to issue Shares of the Company or grant options over Shares at any time, but only –

6.7.1 within the classes and to the extent that those Shares have been authorized by or in terms of this Memorandum of Incorporation; and

6.7.2 ~~only~~ to the extent that such issue has been approved by the Shareholders in general meeting, either by way of a general authority (which may be either conditional or unconditional) to issue Shares or grant options over Shares in its discretion or a specific authority in respect of any particular issue of Shares or grant of options over Shares, provided that, if such approval is in the form of a general authority to the Directors, it shall be valid only until the next annual general meeting of the Company and it may be varied or revoked by any general meeting of the Shareholders prior to such annual general meeting. Notwithstanding the foregoing provisions of this clause 6.7.2, the Board may, without prior Shareholder approval, issue unissued shares as consideration for a bona fide acquisition or amalgamation/merger, for purposes of a vendor consideration placing, as capitalisation shares or under a rights offer, in each case on such terms and in accordance with such procedures as the Board may determine, provided that such issues comply with the Act and JSE Listings Requirements.’ and

‘6.10 Subject to what may be authorised by the Act, the JSE Listings Requirements and at the meetings of Shareholders in accordance with clause 6.12, subject to clause 6.11, the Board may only issue unissued Shares if such Shares have first been offered to existing ordinary Shareholders in proportion to their shareholding on such terms and in accordance with such



procedures as the Board may determine, unless such Shares are issued as consideration for the a bona fide acquisition of assets of the Company or amalgamation/merger, for purposes of a vendor consideration placing, as capitalisation shares or under a rights offer.'

Note:

xxx represents deletions

xxx represents additions

16. General

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

Authority

Any director or secretary of the company, for the time being, be and is 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 Secretarial Services Proprietary Limited

Company secretary

Date: 31 October 2016

Record dates

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, 21 October 2016.
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, 25 November 2016, with the last day to trade being Tuesday, 22 November 2016.
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, participants should in advance contact the transfer secretaries for guidance.
4. A shareholder 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 shareholder of the company. A Form of Proxy, depicting the relevant instructions for its completion, 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 Proprietary Limited, to the address stated below so as to reach them not later than 48 hours (excluding Saturdays, Sundays and public holidays) before the time fixed for commencement of the annual general meeting.

A shareholder, 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 shareholder, 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 his/her CSDP or broker with his/her voting instructions in terms of the relevant custody agreement entered into between him/her and the CSDP or broker.
7. A shareholder present in person, by proxy or by authorised representation shall, on a show of hands, have one vote, and on a poll, shall have one vote in respect of each share held. However, it is the intent, from a corporate governance perspective, that all voting at the annual general meeting would take place by way of a poll.
8. Shareholders of the company wishing to participate in the annual general meeting by means of electronic participation, must make application in writing to the company secretary, with a copy to the transfer secretaries (at the respective addresses stated below), at least five business days prior to the date of the annual general meeting so that arrangements can be made for their participation in the meeting. Shareholders will have to provide details as to how they or their representatives may be contacted to participate electronically, and each shareholder (or its representative) must provide reasonably satisfactory identification for verification in terms

Notice of annual general meeting

for the year ended 30 June 2016 *(continued)*

of section 63(1) of the Companies Act. The costs of accessing any means of electronic participation will be borne by the shareholder so accessing the electronic participation, and such shareholder shall not be able to vote electronically. The company reserves the right not to provide for electronic participation at the annual general meeting in the event that it may be impractical to do so.

Company secretary address

28, Sixth Street
Wynberg, Sandton
2090
(PO Box 1955, Bramley, 2018)
Telefax: +27 11 445 3094/+27 21 808 0794

Transfer secretaries address

Computershare Investor Services Proprietary Limited
70 Marshall Street
Johannesburg
2001
(PO Box 61051, Marshalltown, 2107)
Tel: +27 11 373 0033
Facsimile: +27 11 688 5238
Email: P@computershare.co.za



Curricula vitae

1. Agenda point 4 – 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:

MJ (Markus) Jooste (55)

BAcc, CA(SA)

Non-executive director

Markus is group chief executive officer for Steinhoff International Holdings N.V. He completed a BAccounting at University of Stellenbosch in 1982 and a certificate in the Theory of Accounting from the University of Cape Town in 1983 before qualifying as a chartered accountant in 1986. In 1988, Markus joined Gommagomma Holdings Proprietary Limited (now Steinhoff Africa Holdings Proprietary Limited) as financial director. In 1998, he was appointed as executive director and took responsibility for the European operations of the Steinhoff group. In 2000, Markus was appointed chief executive officer of Steinhoff International and chairman of Steinhoff Africa and, in 2013, he was appointed chief executive officer for the group's operations. Markus serves on the boards of various unlisted Steinhoff group companies, including Conforama Holdings S.A. and the following listed companies: PSG Group Limited (member of the remuneration committee) and Phumelela Gaming and Leisure Limited (member of the remuneration committee). He was appointed as a non-executive director of KAP Industrial Holdings Limited in 2004.

IN (Ipeleng) Mkhari (42)

BSocSci

Independent non-executive director

Chairman of the social and ethics committee

Member of the human resources and remuneration committee

Ipeleng holds a Bachelor of Social Science degree from the University of Natal. In 2004 she completed the Executive Development Programme at Wits, and is an Archbishop Tutu Fellow. She founded Motseng Investment Holdings where she is currently the chief executive officer. In November 2012, she co-founded Delta Property Fund, a substantially black-owned property loan company listed on the Johannesburg Stock Exchange. She has received numerous entrepreneurial and similar awards. Ipeleng serves as a non-executive director on the boards of the South African Property Owners Association, Nampak and Assore, and is also a member of the board of governors of the St. John's Diocesan School for Girls. Ipeleng was appointed as an independent non-executive director of KAP Industrial Holdings in 2004. She chairs the social and ethics committee and serves as a member of the human resources and remuneration committee.

DM (Danie) van der Merwe (58)

BComm, LLB

Non-executive director

Member of the human resources and remuneration committee

Member of the nomination committee

Danie is currently group chief operating officer for Steinhoff International Holdings N.V. He 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, he joined the Steinhoff group and in 1999, was appointed as a director of Steinhoff International Holdings Limited. He previously acted as chief executive officer for Steinhoff's southern hemisphere operations and was appointed as group chief operating officer in 2013. Danie holds several other appointments within the Steinhoff group of companies and currently serves on the boards of Steinhoff Asia Pacific Limited and Steinhoff UK Holdings Limited. He was appointed as a non-executive director of KAP Industrial Holdings Limited in 2005 and serves on the human resources and remuneration and the nomination committees.

2. Agenda point 5 – Ordinary resolution number 3

Ratification of appointment to the board made on 15 April 2016:

Frans Hendrik Olivier (37)

CA(SA)

Chief financial officer

Member of the social and ethics committee

Frans qualified as a chartered accountant in 2004 and performed his articles at KPMG Inc. in Johannesburg. After completion of his articles he joined a small company for a short period before joining Steinhoff. Frans has gained extensive experience through various roles in the Steinhoff and KAP groups over a period of 10 years. His most recent appointments have been as the chief financial officer of the diversified industrial segment of KAP and, prior to that, as the chief financial officer of PG Bison, a major subsidiary of KAP Industrial Holdings Limited.

Annexure A ... continued

3. Agenda point 6 – Ordinary resolution number 4

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

SH (Steve) Müller (55)

BAcc (Hons), CA(SA) Sanlam EDP

Independent non-executive director

Chairman of the human resources and remuneration committee

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 Limited, executive director of Gensec Bank Limited, 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. He was appointed as an independent non-executive director and chairman of the audit committee of Sacoil Holdings Limited on 31 May 2013, a company listed on the Johannesburg Stock Exchange, and of AIM on the London Stock Exchange. Steve was appointed as an independent non-executive director of KAP Industrial Holdings Limited in 2012. In 2014 he was appointed chairman of the KAP human resources and remuneration committee and a member of the nomination committee. He also serves on the audit and risk committee.

SH (Sandile) Nomvete (43)

EDP (Wits), Prop Dev Prog (UCT)

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. He has undergone a property development programme at the University of Cape Town Graduate School of Business, as well as the executive development programme at the University of Witwatersrand Graduate School of Business and also obtained a finance diploma for non-financial managers from the same institution. He has nearly 18 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 Limited in 2004 and is a member of the audit and risk committee.

PK (Patrick) Quarmby (62)

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 Limited in 1996, responsible for the global expansion of the group. Patrick retired from this position in 2014. 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 Limited until the acquisition by Steinhoff of Unitrans in 2007. Patrick was appointed as an independent non-executive director of KAP Industrial Holdings Limited in 2012 and serves as the chairman of the audit and risk committee.



Major shareholders of the company as at 30 June 2016

Breakdown of major and institutional shareholders beneficially holding 5% or more	Number of ordinary shares of no par value	% of issued share capital
Steinhoff International Holdings Limited*	1 049 561 154	43.32
Allan Gray Asset Management	319 091 367	13.01
Investec Asset Management	181 509 060	7.44
Public Investment Corporation	176 966 066	7.25

*Shares held via Ainsley Holdings Proprietary Limited, a subsidiary of Steinhoff Africa Holdings Proprietary Limited

Shares of the company as at 30 June 2016

	2016 Number of shares	2015 Number of shares
ORDINARY STATED SHARE CAPITAL		
Authorised		
Ordinary shares of no par value	6 000 000 000	6 000 000 000
Cumulative, non-redeemable, non-participating preference shares of no par value	1 000 000 000	1 000 000 000
Perpetual preference shares of no par value	50 000 000	50 000 000
Stated share capital		
Ordinary shares in issue at beginning of the year	2 422 812 158	2 346 187 888
Ordinary shares issued during the year	18 124 147	76 624 270
Ordinary shares in issue at end of the year	2 440 936 305*	2 422 812 158

*On 10 October 2016 the number of issued ordinary shares has increased to 2 444 591 373 following the allotment and issue of 3 655 068 ordinary shares as part payment for the acquisition of the Lucerne Transport Proprietary Limited business.

Directors of the company as at 30 June 2016

Executive directors

- Gary Noel Chaplin Chief executive officer
- Karel Johan Grové Executive deputy chairman
- Frans Hendrik Olivier Chief financial officer

Non-executive directors

- Markus Johannes Jooste
- Daniël Maree van der Merwe
- Andries Benjamin la Grange

Independent non-executive directors

- Jacob de Vos du Toit
- Christiaan Johannes Hattingh van Niekerk
- Ipeleng Nonkululeko Mkhari
- Sandile Hopeson Nomvete
- Patrick Keith Quarmby
- Stephanus Hilgard Müller

Annexure C

Remuneration policy

The human resources and remuneration committee ('the committee') has implemented a remuneration policy, which has been approved by the board and shareholders, in order to assist in the achievement of the group's strategy and objectives.

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

- Remuneration practices throughout the group are aligned with the applicable business strategies and objectives.
- Remuneration is set at levels that are competitive and appropriate within the specific markets and industries in which the group operates.
- Incentive-based remuneration, applicable to management that is involved in determining and implementing the strategy of the group and/or divisions, is determined with reference to demanding performance targets with due regard for the sustainable well-being of the group over the short, medium and long term.

Elements of remuneration

The remuneration policy covers three elements of remuneration, namely:

- total cost to company base salary, applicable to all staff;
- annual incentive bonus, applicable to management who are involved in determining and implementing the strategy of the group or divisions; and
- longer-term incentives applicable to management who are involved in determining and implementing the strategy of the group or divisions.

The committee seeks to ensure an appropriate balance between the fixed and performance-related elements of managerial remuneration, and also between short-term financial performance and 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 group and/or division, the management team and the individual concerned.

Total cost to company base salary ('salary')

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

Benefits provide security for employees and typically include membership of a retirement fund and medical aid scheme, where employees have the flexibility in both offerings of deciding on the level of their participation in 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 and employee representative bodies active in the various industries and countries in which the group operates.

Annual incentive bonus ('AIB')

An AIB, payable in cash, is designed to incentivise applicable management to achieve the group's short and medium-term goals.

The AIB is based on the achievement of group or divisional financial targets, as well as strategic and personal performance objectives as determined by the committee, the board and the executive committee of KAP. Financial targets are set, taking into account various factors, including the prevailing economic environment, relevant market conditions in the sectors within which the group operates, the performance of market peers, as well as the group's objective of improving its return on equity over time.

These objectives are set after taking into account that management is obliged to maintain the group's assets on a sustainable basis. Relevant performance targets are adjusted to account for material unbudgeted acquisitions or capital expenditure approved according to the group's approval framework during the financial year.



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
1. Achievement of operational and financial growth objectives	
- Performance against profit target	Growth in headline earnings per share
- Performance against cash flow target	Conversion of EBIT into cash generated from operations
- Performance against return on investment criteria	Growth in return on equity
2. Implementation of key strategic initiatives related to the strategic development and competitive positioning of KAP	
- 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	At discretion of committee and the board of the group
- Implementation of risk management policy and framework	
- Successful conclusion and implementation of strategic mergers, acquisitions and disposals	
- Implementation of growth initiatives which do not benefit the year under review	
- Other initiatives such as B-BBEE, internal audit ratings, health and safety, and succession planning, etc.	

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 were weighted as follows during the 2016 financial year:

Role	Percentage of AIB relating to group performance	Percentage of AIB relating to divisional performance	On-target bonus as percentage of base salary
Group executive deputy chairman	100	-	50
Group chief executive officer	100	-	50
Group chief financial officer	100	-	50
Group human resources officer	100	-	50
Divisional chief executive officers	100	-	50
Key divisional management	-	100	15 – 50

Key executive staff are further entitled to share in a maximum of 12% to 20% of performance in excess of budgeted headline earnings before taxation. Annual bonuses are limited to 100% of their respective annual salary.

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

The committee retains the discretion to make adjustments to AIB payments, taking into account both group performance and the overall and specific contribution of the management teams to meeting the group's objectives.

The committee performs an annual review 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. The group's executive committee (i.e. group executive deputy chairman, chief executive officer, chief financial officer, human resources officer and divisional CEOs) participates in a single group AIB pool in order to support the alignment of the interests of executive management with those of the group's shareholders, and to ensure the optimal allocation of capital across the group.

Longer-term incentives ('LTIs')

KAP competes for management skills and talent in the African marketplace and its approach to remuneration takes account of the need to retain key management over the longer term. LTIs are awarded with the primary aim of promoting the sustainability of the company through business cycles, aligning performance of key management with the interests of key stakeholders and retaining key management over the longer term. The LTIs comprise a share rights scheme for executive staff and cash-settled scheme for key senior management.

The allocation and target criteria of incentives are at the discretion of the committee, and apply to individuals who are key to determining and implementing the long-term business strategy at group and/or divisional levels. Benchmark performance criteria are therefore aligned with the group's long-term strategic priorities. The allocation and quantum of LTIs are based on the responsibility and salary packages of relevant individuals.

Annexure C ... continued

Share rights only vest when, over the relevant three-year period, the group has achieved its cumulative targets, as detailed in the AIB above. Participants of the cash-settled scheme are required to achieve their own division's cumulative targets, as detailed in the AIB above, over the same period in order to qualify for the LTI.

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

Role	Percentage 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	33 – 100

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

Role	Percentage of base salary allocated to long-term cash incentive
Key divisional management	33 – 100

With effect from the 2013 Share Rights grant (i.e. for the period 1 July 2013 to 30 June 2016) onwards, a condition of the vesting of each share rights grant will be that the recipient has retained the previous year's vested shares, which effectively extends the scheme to a minimum four-year scheme and further encourages the retention of shares by recipients.

Scheme rules, the application thereof and quantum of allocations are regularly reviewed by the committee to ensure equity and compliance with legislative and regulatory requirements.

Form of proxy



KAP INDUSTRIAL HOLDINGS LIMITED

(Registration number: 1978/000181/06) | JSE share code: KAP | ISIN: ZAE000171963 | ('KAP' or 'the company')

PROXY

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

For use at the 38th annual general meeting of KAP to be held at 12:30 on Wednesday, 30 November 2016 in the Cellar Hall at the Lanzerac Hotel, at 1 Lanzerac Road, Stellenbosch and at any adjournment thereof.

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 such CSDP or broker to provide them with the necessary written authorisation to attend the annual general meeting, or the shareholders concerned must instruct the CSDP or broker as to how they wish their votes to be recorded at the annual general meeting. 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 of KAP 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):

Voting instructions in respect of all/ _____ number of shares held	NUMBER OF VOTES (ONE VOTE PER SHARE)		
	In favour of	Against	Abstain
1. Presentation of annual financial statements	Non-voting agenda point		
2. Ordinary resolution 1: Re-appointment of auditor			
3. Special resolution 1: Approval of fees payable to the non-executive directors:			
3.1. Board 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 and ethics committee chairman			
3.10. Social and ethics committee member			
4. Ordinary resolution 2: Re-election of directors retiring by rotation:			
4.1. MJ Jooste			
4.2. IN Mkhari			
4.3. DM van der Merwe			
5. Ordinary resolution 3: Ratification of appointment of FH Olivier			
6. Ordinary resolution 4: Re-election of the audit and risk committee members:			
6.1. SH Müller			
6.2. SH Nomvete			
6.3. PK Quarmby			
7. Ordinary resolution 5: Placing of shares under the control of the directors for commercial purposes			
8. Ordinary resolution 6: Placing of shares under the control of the directors for share scheme purposes			
9. Special resolution 2: General authority to repurchase shares issued by the company			
10. Ordinary resolution 7: General authority to distribute share capital and reserves			
11. Ordinary resolution 8: General authority to issue convertible instruments			
12. Ordinary resolution 9: Endorsement of remuneration policy (non-binding advisory vote)			
13. Special resolution 3: General authority to provide financial assistance			
14. Special resolution 4: Change to memorandum of incorporation to align with JSE fraction-entitlement principle			
15. Special resolution 5: Change to memorandum of incorporation, authorising directors to issue rights offer shares and capitalisation shares			
16. General	Non-voting agenda point		

Shareholder must indicate as follows how their votes must be exercised: Insert an '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 shareholder is entitled. Unless otherwise instructed, a shareholder's proxy may vote as he/she thinks fit.

Signed at _____ this _____ day of _____ 2016

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 a notarially certified copy of the power of attorney, must be forwarded to the company's transfer secretaries, Computershare Investor Services Proprietary Limited, at the address stated below so as to reach them not later than 48 hours (excluding Saturdays, Sundays and public holidays) before the time fixed for commencement of the annual general meeting.

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 such CSDP or broker 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 to be a shareholder 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 in the appropriate space provided, or an 'X' if he/she wishes to vote all the shares. 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, but the total of the votes cast, together with any abstentions 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 Forms of Proxy must reach the transfer secretaries at the address stated below not later than 48 hours (excluding Saturdays, Sundays and public holidays) before the time fixed for commencement of the annual general meeting.
6. The completion and lodging of this Form of Proxy shall not 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 of the annual general meeting may accept or reject it, provided that in the case of acceptance, the chairman is satisfied as to the manner in which the shareholder's votes are to be recorded.
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 this 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 has been deposited and registered by the transfer secretaries at the address stated below not later than 48 hours (excluding Saturdays, Sundays and public holidays) before the time fixed for commencement of the annual general meeting.
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 establishing 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. However, it is the intent, from a corporate governance perspective, that all voting at the annual general meeting would take place by way of a poll.
14. On a poll, every shareholder present in person or represented by proxy shall have one vote for every share held by such shareholder.
15. Transfer secretaries address:

Computershare Investor Services Proprietary Limited

Physical address

70 Marshall Street
Johannesburg
2001

Postal address

PO Box 61051
Marshalltown
2107

Contact details

Telephone: +27 11 373 0033
Facsimile: +27 11 668 5238
Email: P@computershare.co.za

KAP is a diversified industrial business focused on growth in African markets

KAP INDUSTRIAL HOLDINGS LIMITED Audited results for the year ended 30 June 2016

Financial review

These are provisional audited results for the year ended 30 June 2016.

Revenue and operating profit before capital items

Revenue from continuing operations increased by 4% to R16 232 million from R15 664 million. Operating profit before capital items from continuing operations increased by 19% to R1 984 million from R1 666 million. Operating margin increased to 12.2% from 10.6% as a result of an improvement in the quality of revenue and the rationalisation of the group's cost base.

Headline earnings per share (HEPS)

HEPS from continuing operations increased by 18% to 47.8 cents from 40.6 cents in the comparative period. HEPS including discontinued operations increased by 19% to 47.8 cents from 40.2 cents in the comparative period.

Tax rate

The effective tax rate increased to 29.2% from 27.2% as a result of withholding taxes emanating from the repatriation of funds from non-South African territories.

Cash flow

Cash generated from operations increased by 44% to R3 285 million from R2 275 million, supported by strong working capital management.

Working capital

Net working capital decreased by R379 million to negative R27 million. Inventories increased by R107 million; accounts receivable increased by R138 million while accounts payable increased by R624 million. The net working capital of the prior period did not include Autovest Limited, which was acquired effective 1 April 2016.

Capital expenditure

Replacement capital expenditure continues to be managed in relation to the annual depreciation charge, and amounted to R965 million for the period.

Expansionary capital expenditure of R752 million resulted from various growth opportunities in the group, which include certain new logistics contracts, a high-gloss finishing line in PG Bison's Boksburg plant, a paper impregnation plant at the Woodchem operation and progress payments on the expansion of the Hosaf PET plant and the upgrade of the Piet Retief particleboard plant.

Debt structure and finance costs

Despite the various expansion initiatives highlighted above, net interest-bearing debt reduced to R2 069 million from R2 089 million. This reduction was due to strong profit and cash generation which resulted in a further reduction in the gearing ratio to 24% from 27% in the previous year. The net interest-bearing debt maturity profile of the company was also improved during the year by the replacement of certain lines of credit with longer dated facilities. The debt structure and cover ratios are reflected as follows:

Debt structure	30 June 2016 Rm	30 June 2015 Rm
Interest-bearing long-term liabilities	4 204	3 129
Interest-bearing short-term liabilities	431	327
Bank overdrafts and short-term facilities	36	3
Cash and cash equivalents	(2 602)	(1 370)
Net interest-bearing debt	2 069	2 089
Total equity (excluding non-controlling interests)	8 667	7 761
Net interest-bearing debt: equity	24%	27%
EBITDA*	2 790	2 450
Net finance charges*	313	289
EBITDA: interest cover (times)	8.9	8.5
Net debt: EBITDA (times)	0.7	0.9

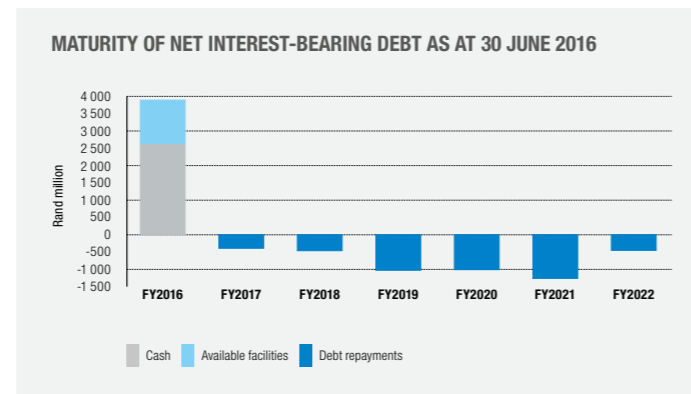
*From continuing operations

Net asset value (NAV)

The NAV per share increased to 355 cents from 320 cents in the comparative period.

Business combinations

The group acquired the business of Autovest Limited effective 1 April 2016. The fair value of the assets and liabilities of Autovest Limited was R163 million with a purchase price of R560 million, resulting in goodwill of R397 million.



Outlook

Management continues to focus on optimising and expanding its existing operations and on growing its market share in all areas of operation. Management remains optimistic that these activities will provide a solid platform for continued growth of the group, despite the current challenging economic environment.

In the Diversified Logistics segment, certain key contracts were renewed during the year and a healthy volume of new contracts was secured, providing strong momentum for FY2017. It is expected that improved efficiencies and significantly reduced costs resulting from the rationalisation of this division will result in further contract renewals, extensions and the procurement of additional contracts in the sectors within which the group operates.

In the Diversified Industrial segment, the momentum of existing operations is expected to continue during FY2017. This will be supported by the acquisition of Autovest Limited and certain expansion projects implemented during FY2016, which include the PG Bison high-gloss line and the Woodchem impregnation plant. Certain key projects, including amongst others the expansion of the Hosaf PET operation, the upgrade of the PG Bison Piet Retief particleboard line and the construction of the new Integrated Bedding factory are progressing on schedule, and will provide revenue and operating profit growth in FY2018.

Acquisitions concluded after 30 June 2016

The group continues to pursue acquisition opportunities in accordance with its strategy. To this end, the group has concluded the following transactions subsequent to 30 June 2016:

Safripol Holdings (Pty) Ltd (Safripol)

The group concluded a transaction, subject to certain conditions precedent, to acquire 100% of the equity and claims in Safripol for R4.1 billion, effective 1 January 2017. Safripol is engaged in the manufacture of polypropylene and high-density polyethylene, which are used in the manufacture of a broad range of plastic injection and blow-moulded products. This business operates with a similar business model to that of Hosaf, and produces products that are complementary to those of Hosaf.

Lucerne Transport (Pty) Ltd (Lucerne)

The group also concluded a transaction, subject to certain conditions precedent, to acquire 100% of the equity and claims in Lucerne, effective 1 September 2016. Lucerne's operations are complementary to those of Unitrans, specifically in terms of bulk liquid tanker transport of chemicals and edible oils.

Dividend

The board of directors is pleased to announce that a gross dividend of 18 cents per share (2015: 15 cents per share) for the year ended 30 June 2016 has been approved.

Appreciation

The board of directors records its appreciation for the continued support and loyalty of the group's employees, shareholders, customers and suppliers.

On behalf of the board

J de V du Toit Independent non-executive chairman 15 August 2016	KJ Grové Executive deputy chairman	GN Chaplin Chief executive officer
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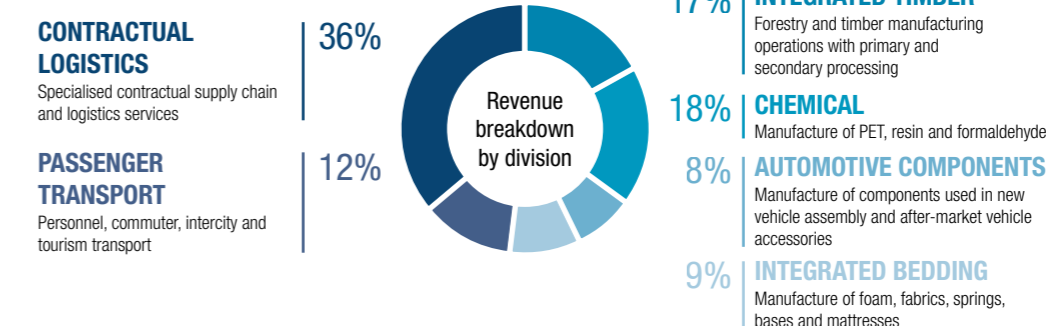
Revenue from continuing operations up by 4% to R16.2bn	Operating profit from continuing operations up by 19% to R2bn	Headline earnings per share from continuing operations up by 18%	Cash generated from operations up by 44%	Dividend per share increased by 20%	R4.1bn Safripol acquisition post 30 June 2016
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Corporate review

The group continued to grow through investment in strategically aligned, established businesses and operations with high barriers to entry which enhance the group's quality of earnings in respect of sustainability, solid margins and strong cash conversion. This was achieved during the year through continued focus on optimising existing operations, organic expansion activities and the acquisition of complementary businesses. The implementation and execution of the group's strategy produced pleasing results for the year.

Operational review

Diversified Logistics Revenue 48% | Diversified Industrial Revenue 52%



Revenue for the Diversified Logistics segment increased marginally to R7 899 million for the period despite the lower average fuel price which is contractually passed on to customers and which has the effect of reducing revenue. The operating profit of the Diversified Logistics segment increased by 14% to R1 006 million from R880 million.

The consolidation and rationalisation of the Unitrans Supply Chain Solutions ("Unitrans") operations into a single Contractual Logistics division was successfully concluded during the year. This facilitated growth within specific industry sectors, further optimising the utilisation of assets and infrastructure, resulting in enhanced operating efficiencies. This provided the platform for the reallocation of capital towards higher return activities and the reduction in overhead costs which improved operating margins.

Unitrans produced growth in the food, petrochemical and infrastructure sectors. Subdued activity in the mining and agriculture sectors was well managed, with strong focus on cost containment and fleet utilisation.

The Passenger Transport division performed well with the commuter, intercity and Gautrain operations offsetting low passenger activity in the mining sector. Activity in the tourism sector showed improvement and operations in Mozambique continued to perform well. The division benefited from lower average fuel prices in certain sectors.

Revenue for the Diversified Industrial segment increased by 7% to R8 440 million for the period. The operating profit of the Diversified Industrial segment increased by 24% to R978 million from R786 million.

The Integrated Timber division performed well during the period with revenue growth and operating margin improvement resulting from its recent MDF expansion, continued focus on its value-add strategy and a significant improvement in its sawmilling operations.

The Chemical division performed well, showing revenue growth and operating margin improvement. Woodchem showed strong market share gains and successfully commissioned its paper impregnation plant. Hosaf continued to operate at full capacity. While revenue remained flat, operating margin at Hosaf was supported by stable international PET margins and by improved operational efficiencies and reduced operating costs.

Investments in technology upgrades and continuous improvement projects associated with new model introductions have resulted in a good performance by FelteX in the Automotive Components division. The Autovest operations performed well during the three months since acquisition, and good progress was made with its integration into the group.

In the Integrated Bedding division operating margin improvement resulted from continued integration efficiency and cost-saving initiatives. Restonic performed well, while the Vitafoam and DesleeMattex operations both showed strong improvement. The division made significant progress in the implementation of its strategy of decentralised mattress assembly and distribution.

KAP Industrial Holdings Limited ("KAP" or "the company" or "the group")

Non-executive directors: J de V du Toit (Chairman)*, MJ Jooste, AB la Grange, IN Mkhari*, SH Müller*, SH Nomvete*, PK Quarmby*, DM van der Merwe, CJH van Niekerk
Executive directors: KJ Grové (Executive deputy chairman), GN Chaplin (Chief executive officer), FH Olivier (Chief financial officer) **Registration number:** 1978/000181/06
Share code: KAP **ISIN:** ZAE000171963 **Registered address:** 28 6th Street, Wynberg, Sandton, 2090 **Postal address:** PO Box 18, Stellenbosch, 7599
Telephone: 021 808 0900 **Facsimile:** 021 808 0901 **E-mail:** info@kap.co.za **Transfer secretaries:** Computershare Investor Services Proprietary Limited, 70 Marshall Street, Johannesburg, 2001 **Company secretary:** Steinhoff Africa Secretarial Services Proprietary Limited **Auditors:** Deloitte & Touche **Sponsor:** PSG Capital Proprietary Limited
 *Independent non-executive directors

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