

# KAAP AGRI

Sedert 1912

Since 1912

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## Notice of annual general meeting for the year ended 30 September 2017

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# Salient features

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**Value of transactions**  
(R'000)

**8 586 154**

+12,3%

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**Final dividend per share**  
(cents)

**82,6**

+21,5%

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**Recurring headline earnings per share**  
(cents)

**351,9**

+17,9%

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**Total dividend per share**  
(cents)

**112,0**

+18,5%

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# Letter to shareholders

21 December 2017

Dear Shareholder

## Notice of annual general meeting and proxy form

We are pleased to enclose herewith a detailed notice of Kaap Agri Limited's (**Kaap Agri**) annual general meeting to be held at 12:30 on 15 February 2018 in the Kaap Agri Member Hall, 65 Voortrekker Road, Malmesbury.

We have included the following:

- summarised consolidated financial statements with explanatory notes and commentary, and
- a proxy form.

In an effort to support environmental initiatives, printed copies of Kaap Agri's full integrated report will only be mailed to shareholders on request from 24 January 2018. Should you require a printed copy, please contact Reinhard Köstens at [rkostens@kaapagri.co.za](mailto:rkostens@kaapagri.co.za). The full report will be available on our website [www.kaapagri.co.za](http://www.kaapagri.co.za) on or before 24 January 2018.

Sincerely



**RH KÖSTENS**  
Company Secretary

# Notice of annual general meeting



Sedert 1912

Since 1912

## KAAP AGRI LIMITED

Incorporated in the Republic of South Africa  
(Registration number: 2011/113185/06)

ISIN: ZAE000244711

Share code: KAL

("Kaap Agri" or "the company")

## To the shareholders of Kaap Agri

Notice is hereby given of the annual general meeting of the shareholders of Kaap Agri, to be held at the Kaap Agri Member Hall, 65 Voortrekker Road, Malmesbury, on Thursday, 15 February 2018, at 12:30 (**AGM**).

## Purpose

The purpose of the AGM is to transact the business as set out in the agenda below.

## Agenda

- **Presentation of the audited annual financial statements of the company, including the reports of the directors and the audit and risk committee for the year ended 30 September 2017.**

This notice is accompanied by the summarised consolidated financial statements (Annexure A) of the company for its 2017 financial year, while the audited annual consolidated financial statements, including the unmodified audit opinion, are available or may be requested and obtained in person, at no charge, at the registered office of the company during office hours.

The company's integrated report will be, on or before 24 January 2018, made available on Kaap Agri's website at [www.kaapagri.co.za](http://www.kaapagri.co.za) and may thereafter be requested and obtained in person, at no charge, at the registered office of the company during office hours.

- **To consider and, if deemed fit, approve, with or without modification, the following ordinary resolutions:**

**Note:** For any of the ordinary resolutions numbered 1 to 11 (inclusive) to be adopted, more than 50% of the voting rights exercised on each such ordinary resolution must be exercised in favour thereof. For ordinary resolution number 12 to be adopted, at least 75% of the voting rights exercised on such ordinary resolution must be exercised in favour thereof.

### 1. RE-APPOINTMENT OF AUDITOR

#### **Ordinary resolution number 1**

"Resolved that PricewaterhouseCoopers Inc. be and is hereby re-appointed as auditor of the company for the ensuing year on the recommendation of the Audit and Risk committee of the company. The individual designated auditor will be nominated by PricewaterhouseCoopers Inc., subject to the approval by the Audit and Risk committee of the company."

*The reason for ordinary resolution number 1 is that the company, being a public listed company, is required to have its financial statements audited annually and the auditors have to be appointed or re-appointed, as the case may be, at each annual general meeting of the company, as required by the Companies Act.*

## 2. RETIREMENT AND RE-ELECTION OF DIRECTORS

### 2.1 Ordinary resolution number 2

"Resolved that Mr JH van Niekerk, who retires by rotation in terms of the memorandum of incorporation of the company and, being eligible, offers himself for re-election, be and is hereby re-elected as director."

#### **Summary curriculum vitae of Mr JH (Kosie) van Niekerk**

*Mr JH van Niekerk served as director on the board of Boland Agri Limited, one of Kaap Agri Limited's predecessors, since 1987. Previously he was a pilot in the South African Air Force, after which he started farming in the Saron area, near Porterville, in the Western Cape. He is an export fruit farmer and has farming interests in Australia. Kosie serves as a member of the Nomination and Remuneration committees.*

### 2.2 Ordinary resolution number 3

"Resolved that Mr HM Smit, who retires by rotation in terms of the memorandum of incorporation of the company and, being eligible, offers himself for re-election, be and is hereby re-elected as director."

#### **Summary curriculum vitae of Mr HM (Helgard) Smit**

*Mr HM Smit, who graduated with a BEcon and MA – Town and regional planning degrees, is a grain farmer from Eendekuil in the Western Cape. He also farms near Porterville, and has farming interests in Australia. Helgard has served on the Finance committee of Kaap Agri Limited since 2011.*

**Note:** The reason for ordinary resolutions numbered 2 and 3 (inclusive) is that the memorandum of incorporation of the company, the Listings Requirements of the JSE Limited (**JSE Listings Requirements**) and, to the extent applicable, the South African Companies Act, 71 of 2008, as amended (**Companies Act**) require that a component of the non-executive directors rotate at every annual general meeting of the company and, being eligible, may offer themselves for re-election as directors.

## 3. CONFIRMATION OF APPOINTMENT AS DIRECTORS

### 3.1 Ordinary resolution number 4

"Resolved that Mrs D du Toit's appointment as director, in terms of the memorandum of incorporation of the company, be and is hereby confirmed."

#### **Summary curriculum vitae of Mrs D (Danell) du Toit**

*Mrs D du Toit holds a BComm (Hons) degree from the University of Stellenbosch. She is currently the managing director of the De Keur Group and serves on a number of boards, including De Keur Agri (Pty) Ltd, De Keur Landgoed (Pty) Ltd, Tipmar (Pty) Ltd and De Keur Marketing (Pty) Ltd. She serves on the Audit and Risk committee of the company.*

### 3.2 Ordinary resolution number 5

"Resolved that Dr EA Messina's appointment as director, in terms of the memorandum of incorporation of the company, be and is hereby confirmed"

#### **Summary curriculum vitae of Dr EA (Ernest) Messina**

*Dr EA Messina holds a BA (Hons) degree. He also holds two masters degrees, a PhD and a postgraduate diploma in higher education. Ernest also serves as the chairman of the Groot Constantia Trust and is a director of, inter alia, the Du Toit Group.*

### 3.3 Ordinary resolution number 6

"Resolved that Dr W Michaels' appointment as director, in terms of the memorandum of incorporation of the company, be and is hereby confirmed."

#### **Summary curriculum vitae of Dr W (Wynoma) Michaels**

*Dr W Michaels obtained a BSc degree at the University of the Western Cape, and BSc (Hons), MSc and PhD degrees at the Stellenbosch University. She started her career as a scientist at Denel Somchem, and later expanded her focus to the education sector. She gained experience of the business sector through her work as a business consultant in sectors such as agriculture, chemical, food and beverage, and education. Wynoma started her own management consultancy business, Wynoma Michaels Consult.*

**Note:** The reason for ordinary resolutions numbered 4 to 6 is that the memorandum of incorporation of the company and the JSE Listings Requirements require that non-executive directors appointed by the Board of the company be confirmed by shareholders at the next annual general meeting of the company.

#### 4. APPOINTMENT OF THE MEMBERS OF THE AUDIT AND RISK COMMITTEE OF THE COMPANY

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

##### 4.1 Ordinary resolution number 7

"Resolved that Mr CA Otto's appointment as member of the Audit and Risk committee of the company, as recommended by the Board of directors, until the next annual general meeting of the company, be and is hereby confirmed."

##### **Summary curriculum vitae of Mr CA Otto**

Mr CA (Chris) Otto graduated with a BComm LLB from Stellenbosch University and is a founding member of PSG Group. He currently serves on the boards of various companies as a non-executive director, including PSG Group, Capitec and Zeder Investments.

##### 4.2 Ordinary resolution number 8

"Resolved that Mrs D du Toit's appointment as member of the Audit and Risk committee of the company, as recommended by the Board, until the next annual general meeting of the company, be and is hereby confirmed."

##### **Summary curriculum vitae of Mrs D Du Toit**

A summary of Mrs D du Toit's curriculum vitae has been included in paragraph 3.1 on the previous page.

#### 5. RE-APPOINTMENT OF MEMBER OF THE AUDIT AND RISK COMMITTEE OF THE COMPANY

##### **Ordinary resolution number 9**

"Resolved that Mr BS du Toit, being eligible, be and is hereby re-appointed as a member of the Audit and Risk committee of the company, as recommended by the Board of directors of the company, until the next annual general meeting of the company."

##### **Summary curriculum vitae of Mr BS (Bernhardt) du Toit**

Mr BS du Toit farms in the Koue Bokkeveld region near Ceres and is an export farmer involved in the production of, inter alia, fruit and vegetables, wheat and potatoes, and exporting to Canada, various European countries, Russia and the Far East. He has served on the Audit committee of Kaap Agri Limited for many years, and serves as director on the boards of various other companies in the agricultural sector.

**Note:** The reason for ordinary resolutions numbered 7 to 9 (inclusive) is that the company, being a public listed company, must appoint an Audit committee, and the Companies Act requires that the members of such committee be appointed, or re-appointed, as the case may be, at each annual general meeting of the company.

#### 6. NON-BINDING ADVISORY VOTE ON THE REMUNERATION POLICY OF THE COMPANY

##### **Ordinary resolution number 10**

"Resolved that the company's remuneration policy, as set out in **Annexure C** to this AGM notice, be and is hereby endorsed by way of a non-binding advisory vote."

The reason for and effect of ordinary resolution number 10 is that the King IV Report on Corporate Governance™ for South Africa, 2016 (King IV™) recommends, and the JSE Listings Requirements require, that the remuneration policy of a company be tabled for a non-binding advisory vote by shareholders at each AGM. This enables shareholders to express their views on the remuneration policy adopted. Ordinary resolution number 10 is of an advisory nature only and failure to pass this resolution will therefore not have any legal consequences relating to existing remuneration agreements. However, the Board will take the outcome of the vote into consideration when considering amendments to the company's remuneration policy.

#### 7. NON-BINDING ADVISORY VOTE ON THE IMPLEMENTATION REPORT OF THE REMUNERATION POLICY OF THE COMPANY

##### **Ordinary resolution 11**

"Resolved that the company's implementation report in regard to the remuneration policy, as set out in the integrated report, be and is hereby endorsed by way of a non-binding vote."

The reason for and effect of ordinary resolution number 11 is that King IV™ recommends that the implementation report on a company's remuneration policy be tabled for a non-binding advisory vote by shareholders at each annual general meeting. This enables shareholders to express their views on the implementation of a company's remuneration policy. Ordinary resolution number 11 is of an advisory nature only and failure to pass this resolution will therefore not have any legal consequences relating to existing remuneration agreements. However, the Board will take the outcome of the vote into consideration when considering amendments to the company's remuneration policy.

## 8. GENERAL AUTHORITY TO ISSUE ORDINARY SHARES FOR CASH

### **Ordinary resolution number 12**

"Resolved that the directors of the company be and are hereby authorised, by way of a general authority, to allot and issue any of the company's unissued shares for cash as they in their discretion may deem fit, without restriction, subject to the provisions of the company's memorandum of incorporation, the Companies Act and the JSE Listings Requirements, provided that:

- the approval shall be valid until the date of the next annual general meeting of the company, provided it shall not extend beyond 15 months from the date of this resolution;
- the general issues of shares for cash under this authority may not exceed, in the aggregate, 5% of the company's issued share capital (number of securities) of that class, excluding treasury shares, as at the date of this notice of AGM, it being recorded that ordinary shares issued pursuant to a rights offer to shareholders and shares issued in respect of the Kaap Agri equity-settled management share incentive scheme in accordance with the JSE Listings Requirements shall not diminish the number of shares that can be issued in terms of this ordinary resolution. As at the date of this notice of AGM, 5% of the issued ordinary shares of the company, excluding treasury shares, amounts to 3 708 514 ordinary shares;
- in determining the price at which an issue of shares will be made in terms of this authority, the maximum discount permitted will be 10% of the weighted average traded price of such shares over the 30 business days prior to the date that the price of the issue is agreed between the company and the party subscribing for the securities. The JSE will be consulted for a ruling if the securities have not traded in such 30-business-day period;
- any such issue will only be made to public shareholders as defined in paragraphs 4.25 to 4.27 of the JSE Listings Requirements and not to related parties;
- any such issue will only comprise securities of a class already in issue or, if this is not the case, will be limited to such securities or rights that are convertible into a class already in issue; and
- in the event that the securities issued represent, on a cumulative basis, 5% or more of the number of securities in issue prior to that issue, an announcement containing the full details of such issue shall be published on SENS."

**Note:** For listed entities wishing to issue shares for cash (other than issues by way of rights offers, in consideration for acquisitions and/or duly approved share incentive schemes), it is necessary for the Board of the company to obtain the prior authority of the shareholders in accordance with the JSE Listings Requirements and the memorandum of incorporation of the company. Accordingly, the reason for ordinary resolution number 12 is to obtain a general authority from shareholders to issue shares for cash in compliance with the JSE Listings Requirements and the memorandum of incorporation of the company.

For this resolution to be adopted, at least 75% of the votes exercised on this resolution must be exercised in favour thereof.

- **To consider and, if deem fit, pass, with or without modification, the following special resolutions:**

**Note:** For any of the following special resolutions to be adopted, at least 75% of the voting rights exercised on such special resolution must be exercised in favour thereof.

## 9. APPROVAL OF NON-EXECUTIVE DIRECTORS' REMUNERATION

### **Special resolution number 1**

"Resolved, in terms of section 66(9) of the Companies Act, that the company be and is hereby authorised to remunerate its non-executive directors for their services as directors, on the basis set out in the table below, with effect from 1 October 2017, provided that the authority will be valid until the next annual general meeting of the company:

	Proposed annual remuneration	
Director – basic fee	R160 000	
Board Chairman	+R250 000	
Committee	Member	Chairman
Audit and Risk committee	+120 000	+R240 000
Finance committee	+R50 000	+R120 000
Remuneration committee	+R100 000	+R200 000
Social and Ethics Committee	+R25 000	+R75 000

**Note:** No fee will be payable to the chairman and members of the Nomination committee."

The reason for special resolution number 1 is to obtain shareholders' approval for the payment of remuneration to the company's non-executive directors in terms of the provisions of section 66(9) of the Companies Act.



The effect of special resolution number 1 is that the company will be able to pay its non-executive directors for their services as directors without requiring further shareholder approval until the next annual general meeting.

Shareholders are requested to approve these fees with effect from the 1 October 2017, in order to align the remuneration with the company's financial year.

## 10. SHARE REPURCHASES BY THE COMPANY AND ITS SUBSIDIARIES

### ***Special resolution number 2***

"Resolved, as a special resolution, that the company and the subsidiaries of the company be and are hereby authorised, as a general approval, to repurchase any of the shares issued by the company, upon such terms and conditions and in such amounts as the directors may from time to time determine, but subject to the provisions of sections 46 and 48 of the Companies Act, the memorandum of incorporation of the company and the JSE Listings Requirements, including, *inter alia*, that:

- the general repurchase of the shares may only be implemented through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the company and the counterparty;
- this general authority shall only be valid until the next annual general meeting of the company, provided that it shall not extend beyond 15 months from the date of this resolution;
- an announcement must be published as soon as the company has acquired shares constituting, on a cumulative basis, 3% of the number of shares in issue at the time of the granting of this authority, containing full details thereof, as well as for each 3% in aggregate of the initial number of shares acquired thereafter;
- the general authority is limited to a maximum of 20%, in the aggregate, in any one financial year, of the company's issued share capital at the time the authority is granted;
- a resolution has been passed by the Board of directors that it has approved the repurchase, that the company has satisfied the solvency and liquidity test as defined in the Companies Act, and that since the solvency and liquidity test has been applied there have been no material changes to the financial position of the company and its subsidiaries (**Group**);
- the general repurchase is authorised by the company's memorandum of incorporation;
- repurchases must not be made at a price more than 10% above the weighted average of the market value of the shares for the five business days immediately preceding the date that the transaction is effected. The JSE will be consulted for a ruling if the company's securities have not traded in such five-business-day period;
- the company may, at any point in time, only appoint one agent to effect any repurchase(s) on the company's behalf; and
- the company may not effect any repurchase during any prohibited period as defined in terms of the JSE Listings Requirements, unless there is a repurchase programme in place, which programme has been submitted to the JSE in writing prior to the commencement of the prohibited period and executed by an independent third party, as contemplated in terms of paragraph 5.72(h) of the JSE Listings Requirements."

The reason for and effect of special resolution number 2 is to grant the directors a general authority for the acquisition by the company, or by a subsidiary of the company, of shares issued by the company on the basis detailed above. The company has no immediate plans to use this authority and is simply obtaining same in the interest of prudence and good corporate governance should the unforeseen need arise to use the authority.

In terms of section 48(2)(b)(i) of the Companies Act, subsidiaries may not hold more than 10%, in aggregate, of the number of the issued shares of a company. For the avoidance of doubt, a *pro rata* repurchase by the company from all its shareholders will not require shareholder approval, save to the extent as may be required by the Companies Act.

## 11. INTER-COMPANY FINANCIAL ASSISTANCE

### 11.1 *Special resolution number 3: Intercompany financial assistance*

"Resolved, in terms of section 45(3)(a)(i) of the Companies Act, as a general approval, that the Board of the company be and is hereby authorised to approve that the company provides any direct or indirect financial assistance (financial assistance will have the meaning attributed to it in section 45(1) of the Companies Act) that the Board may deem fit to any company or corporation that is related or interrelated to the company (as defined in section 2 of the Companies Act) on terms and conditions and for amounts that the Board may determine, provided that the aforementioned approval shall be valid until the next annual general meeting of the company."

The reason for and effect of special resolution number 3 is to grant the Board the authority to authorise the company to provide direct or indirect financial assistance as contemplated in section 45 of the Companies Act to any one or more related or interrelated companies or corporations of the company. This means that the company is, *inter alia*, authorised to grant loans to its subsidiaries and to guarantee the debt of its subsidiaries.

#### **Notice to shareholders of the company, in terms of section 45(5) of the Companies Act, of a resolution adopted by the Board that authorises the company to provide direct or indirect financial assistance**

- By the time this notice of the AGM is delivered to shareholders, the Board will have adopted a resolution (**section 45 Board resolution**) to authorise the company, at any time and from time to time during the period starting on the date of adopting this special resolution number 3, up to and including the date of the next annual general meeting of the company, to provide any direct or indirect financial assistance as contemplated in section 45 of the Companies Act, to any one or more related or interrelated companies or corporations of the company.
- The section 45 Board resolution will only take effect when, and to the extent that special resolution number 3 has been adopted by the shareholders, and the provision of any such direct or indirect financial assistance by the company, following such resolution, will always be subject to the Board being satisfied that: (i) immediately after providing such financial assistance the company would satisfy the solvency and liquidity test, pursuant to section 45(3)(b)(i) of the Companies Act; (ii) the terms under which such financial assistance is provided will be fair and reasonable to the company as contemplated in section 45(3)(b)(ii) of the Companies Act; and (iii) the conditions and restrictions respecting the granting of financial assistance set out in the company's memorandum of incorporation have been satisfied.
- Inasmuch as the section 45 Board resolution contemplates that, in total, such financial assistance will exceed one tenth of one percent of the company's net value as at the date of adopting the resolution, the Board hereby notifies the shareholders of the section 45 Board resolution. Such notice will also be given to any trade union representing the employees of the company.

### 11.2 *Special resolution number 4: Financial assistance for the subscription and/or purchase of shares in the company or a related or interrelated company*

"Resolved, in terms of section 44(3)(a)(ii) of the Companies Act, as a general approval, that the Board of the company be and is hereby authorised to approve that the company provides any direct or indirect financial assistance ("financial assistance" will herein have the meaning attributed to it in sections 44(1) and 44(2) of the Companies Act), that the Board of the company may deem fit to any company or corporation that is related or interrelated to the company (related or interrelated will herein have the meaning attributed to it in section 2 of the Companies Act) and/or to any financier who provides funding by subscribing for preference shares or other securities in the company or any company or corporation that is related or interrelated to the company, on the terms and conditions and for amounts that the board of the company may determine, for the purpose of, or in connection with, the subscription for any option, or any shares or other securities, issued or to be issued by the company or a related or interrelated company or corporation, or for the purchase of any shares or securities of the company or interrelated company or corporation, provided that the aforementioned approval shall be valid until the date of the next annual general meeting of the company."

The reason for and effect of special resolution number 4 is to grant the directors the authority, until the next annual general meeting of the company, to provide financial assistance to any company or corporation which is related or interrelated to the company and/or any financier for the purpose of or in connection with the subscription or purchase of options, shares or other securities in the company or any related or interrelated company or corporation. This means that the company is authorised, *inter alia*, to grant loans to its subsidiaries and to guarantee and furnish security for the debt of its subsidiaries where any such financial assistance is related directly or indirectly to a party subscribing or purchasing options, shares or securities in the company or its subsidiaries. A typical example of where the company may rely on this authority is where a subsidiary raised funds by way of issuing preference shares and the third-party funder requires the company to furnish security, by way of a guarantee or otherwise, for the obligations of its subsidiary to the third-party funder arising from the issue of the preference shares. The company has no immediate plan to use this authority and is simply obtaining same in the interests of prudence and good corporate governance should the unforeseen need arise to use the authority.

In terms of and pursuant to the provisions of section 44 of the Companies Act, the directors of the company confirm that the Board will satisfy itself, after considering all reasonably foreseeable financial circumstances of the company, that immediately after providing financial assistance as contemplated in special resolution numbers 3 and 4 above:

- the assets of the company, fairly valued, will equal or exceed the liabilities of the company, fairly valued (taking into consideration the reasonably foreseeable contingent assets and liabilities of the company);
- the company will be able to pay its debts as they become due in the ordinary course of business for a period of 12 months;
- the terms under which any financial assistance is proposed to be provided, will be fair and reasonable to the company; and
- all relevant conditions and restrictions (if any) relating to the granting of financial assistance by the company as contained in the company's memorandum of incorporation have been met.

## 12. REPORT OF THE SOCIAL AND ETHICS COMMITTEE

The report of the company's Social and Ethics committee is included in the integrated report and will serve as the Social and Ethics committee report to the company's shareholders at the AGM.

## 13. TO TRANSACT ANY OTHER BUSINESS AS MAY BE TRANSACTED AT AN ANNUAL GENERAL MEETING

### INFORMATION RELATING TO THE SPECIAL RESOLUTIONS

The directors of the company or its subsidiaries will only utilise the general authority to repurchase shares of the company as set out in special resolution number 2 to the extent that the directors, after considering the maximum number of shares to be purchased, are of the opinion that the position of the Group would not be compromised as to the following:

- the Group's ability in the ordinary course of business to pay its debts for a period of 12 months after the date of the AGM and for a period of 12 months after the repurchase;
- the consolidated assets of the Group will, at the time of the AGM and at the time of making such determination, be in excess of the consolidated liabilities of the Group. The assets and liabilities should be recognised and measured in accordance with the accounting policies used in the latest audited annual financial statements of the Group;
- the ordinary capital and reserves of the Group after the repurchase will remain adequate for the purpose of the business of the Group for a period of 12 months after the AGM and after the date of the share repurchase; and
- the working capital available to the Group after the repurchase will be sufficient for the Group's requirements for a period of 12 months after the date of the notice of the AGM.

Information in respect of major shareholders, material changes and the share capital of the company is contained in **Annexure B** to this notice of AGM.

The directors of the company collectively and individually accept full responsibility for the accuracy of the information given and certify that, to the best of their knowledge and belief, there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made, and that this notice of AGM contains all information required by the JSE Listings Requirements.

### RECORD DATE

The record date in terms of section 59 of the Companies Act for shareholders to be registered in the securities register of the company in order to receive notice of the AGM is Friday, 15 December 2017.

The record date for shareholders to be recorded in the securities register of the company in order to be able to attend, participate and vote at the AGM is **Friday, 9 February 2018**, and the last day to trade in the company's shares in order to be recorded in the company's securities register in order to be able to attend, participate and vote at the AGM is **Tuesday, 6 February 2018**.

### ATTENDANCE AND VOTING BY SHAREHOLDERS AND PROXIES

Shareholders entitled to attend and vote at the AGM may appoint one or more proxies to attend, speak and vote thereat in their stead. A proxy need not be a shareholder of the company. A form of proxy, which sets out the relevant instructions for its completion, is enclosed for use by a certificated shareholder or own-name registered dematerialised shareholder who wishes to be represented at the AGM. Completion of a form of proxy will not preclude such shareholder from attending and voting (in preference to that shareholder's proxy) at the AGM.

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The instrument appointing a proxy and the authority (if any) under which it is signed must be completed and returned to the company's transfer secretaries, Computershare Investor Services (Pty) Ltd, at Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196, or posted to the transfer secretaries at PO Box 61051, Marshalltown, 2107, South Africa, or e-mailed to proxy@computershare.co.za, so as to be received by them by not later than 12:30 on Tuesday, 13 February 2018, provided that any form of proxy not delivered to the transfer secretary by this time may be handed to the Chairman of the AGM at any time before the appointed proxy exercises any shareholder rights at the AGM.

Dematerialised shareholders, other than own-name registered dematerialised shareholders, who wish to attend the AGM in person, will need to request their central securities depository participant (**CSDP**) or broker to provide them with the necessary authority (i.e. letter of representation) in terms of the custody agreement entered into between such shareholders and the CSDP or broker.

Dematerialised shareholders, other than own-name registered dematerialised shareholders, who are unable to attend the AGM and who wish to be represented thereat, must provide their CSDP or broker with their voting instructions in terms of the custody agreement entered into between themselves and the CSDP or broker in the manner and time stipulated therein.

Shareholders present in person, by proxy or by authorised representative shall, on a show of hands, have one vote each and, on a poll, will have one vote in respect of each share held.

#### **PROOF OF IDENTIFICATION REQUIRED**

In terms of the Companies Act, any person who intends to attend a shareholders' meeting and participate in it, is required to present reasonably satisfactory identification at the meeting. Persons attending the meeting have to furnish proof of identification to the reasonable satisfaction of the chairman of the meeting and should therefore present an identity document, a passport or driver's license at the meeting.

By order of the Board



**RH KOSTENS**  
*Company Secretary*

# Annexure A

## **Kaap Agri Limited** **Summarised consolidated financial statements**

for the year ended 30 September 2017

### **COMMENTARY**

#### **Financial review**

The Kaap Agri Group summary report provides an overview of the activities, results and financial position of the Group for the year ended 30 September 2017.

The Group specialises in trading in agricultural, fuel and related retail markets in Southern Africa. With its strategic footprint, infrastructure, facilities and client network, it follows a differentiated market approach. In support of the core retail business, the Group also offers financial, grain handling and agency services. Kaap Agri has over 190 operating points located in seven of the nine South African provinces as well as in Namibia.

#### **Operating environment**

The agricultural environment remains heavily impacted by climatic conditions in the various areas in which we operate as well as foreign exchange volatility. Whilst the general retail sector in South Africa has struggled with subdued consumer spending, Kaap Agri's ongoing diversification strategy has resulted in strong retail and fuel growth across a number of categories and has contributed substantially to the overall strong trading results.

#### **Financial results**

Kaap Agri increased the value of business transacted by 12,3% to approximately R8,6 billion, up from R7,6 billion in the previous financial year, with comparable stores growing turnover by 9,4%. The growth in the value of business transacted was driven mainly by a 15,9% increase in the number of transactions. Product inflation is estimated at 3,9%. The strong revenue growth is testament to Kaap Agri's ongoing diversification and resilience. Retail sales growth continues to outperform agricultural sales growth, albeit off a far lower base, and the retail income channel now accounts for similar trading profits as the agriculture income channel. During the period, nine new fuel sites were opened, with total fuel volumes increasing by 10,9% in the year. The Paarl Agrimark was successfully extended and upgraded to reflect our new urban-format retail offering. A number of other Agrimark and Pakmark offerings were upgraded or expanded. This continuing investment into the business bodes well for sustained revenue growth going forward.

Gross profit has increased by 18,5%, ahead of revenue growth and a firm indicator of the change in sales mix. Improved retail margins are expected to be partially offset by the higher growth in lower-margin fuel sales going forward.

Expenditure increased by 17,7%, below gross profit growth, with significant investment into improving the human capital pillar and the supply chain capabilities of our business. Although the increase in operating expenses was higher than in past years, costs were well controlled and certain costs have been invested ahead of the curve to support the growth initiatives underpinning our strategic medium-term plan.

Effective 1 August 2017, 50% of the shareholding in Kaap Agri (Namibia) was sold to a Namibian retail group with its head office in Windhoek. The combined strength and offering of these two businesses is expected to deliver an improved performance from the Namibian operation, which until now has struggled due to economic and operational challenges.

Interest received grew by 16,4% as a result of increased credit sales and a higher average debtors book. Interest paid increased by 41,6% due to higher average borrowings during the year in support of growth.

The Group's effective tax rate of 27,5% is in line with expectation (2016: 27,6%).

Recurring headline earnings per share of 351,91 cents have grown by 17,9% on last year, resulting in a compound annual growth rate of 18,9% over the five years ended 30 September 2017. Once-off items, predominantly costs associated with the JSE listing, are excluded from headline earnings to calculate recurring headline earnings. Return on revenue has grown to 3,9% from 3,7% last year.

## Operating results

Income from the Trading division, which includes the Agrimark retail branches, Pakmark packaging material distribution centres, mechanisation services, spare parts and irrigation operations, increased by 6,3%, with operating profit before tax increasing by 14,1%. The impact of equity accounting Kaap Agri (Namibia) negatively impacted income growth by 2,4%. The impact of the increased higher-margin retail contribution is evident.

Significant growth was realised in the Fuel and convenience division with income growing 34,2% and operating profit before tax increasing by 37,4%. Continued strong growth in this division is expected.

Wesgraan, which includes grain handling and storage of grain and related products, seed processing and potato seed marketing, grew income by 27,1% and increased operating profit before tax by 68,7% as a result of increased wheat volumes.

The Corporate division includes the cost of support services as well as other costs not allocated to specific segments and represents 1,7% of turnover, slightly up on the previous year.

Treasury income, which represents the net internal interest received less interest paid, decreased by 1,7%.

## Financial position

Capital expenditure of R201,6 million was incurred during the year. Of this, R158,6 million was directed to capacity expansion while a further R43,0 million was spent on replacement assets. An additional R90,7 million was spent on the acquisition of business operations.

Working capital has been well controlled. Debtors have grown in relation to the increase in credit sales and stock levels have been more effectively managed, assisted by a higher retail sales contribution and the increased participation of our centralised distribution centre. Creditors' payment terms have remained relatively constant during the year. Return on net assets has increased to 10,4% from 9,8% last year.

Net interest-bearing borrowings reduced by 14,5% to R730,7 million, largely due to the impact of timing of cash flows at year-end. Average borrowings increased by R41,7 million year on year off the back of investments into expansions, upgrades and acquisitions as well as working capital. The Group's debt to equity ratio decreased to 46,1% (2016: 60,8%), with net debt to EBITDA of 1,7 times (2016: 2,3 times) and interest cover of 7,1 times (2016: 8,1 times). Gearing is within appropriate levels, with sufficient facilities available to enable medium-term growth as well as access to adequate additional financing facilities if required. Return on equity improved to 16,6% (2016: 15,8%).

The Group continues to generate strong cash flows from operations (R482,8 million) and significant investment has been made back into the business to support growth, in terms of increased capital expenditure and acquisitions.

## Dividend

A gross final dividend of 82,60 cents per share (2016: 68,00 cents) has been approved and declared by the Board from income reserves, which represents a 21,5% increase on the previous year. The final dividend amount, net of South African dividends tax of 20%, is 66,08 cents for those shareholders who are not exempt from dividends tax. The total dividend for the year of 112,00 cents per share (2016: 94,50 cents) increased by 18,5% over the prior year and has grown at a compound annual growth rate of 26,2% over five years. The total dividend per share represents a dividend cover of 3,0 times (2016: 3,0 times).

The salient dates for this distribution are:

Declaration date	Wednesday, 29 November 2017
Last day to trade cum dividend	Tuesday, 13 February 2018
Trading ex dividend commences	Wednesday, 14 February 2018
Record date to qualify for dividend	Friday, 16 February 2018
Payment date	Monday, 19 February 2018

Share certificates may not be dematerialised or rematerialised between Wednesday, 14 February 2018 and Friday, 16 February 2018, both days inclusive.

## Outlook

Economic conditions in South Africa have been difficult over the past year and general retail performance in the country has been constrained. Agricultural conditions have shown improvement in specifically the northern areas of the country, but remain under pressure in the Western Cape with the Swartland grain producers expecting a decreased yield on last year. Dam levels in certain areas are at below-average levels, which may impact fruit producers negatively. Retail fuel growth remains an aggressive part of the expansion strategy.

Although the year ahead will be a challenging one, we believe our growth strategies are firmly on track to deliver superior returns in line with our strategic medium-term plans. We will continue to invest into our people and to engage proactively with customers. We will maintain and, in certain circumstances, accelerate investment into revenue-generating capital expenditure, and the focus on improved retail and fuel offerings will positively impact results.

Kaap Agri is well positioned to take advantage of its extensive footprint and diverse service offerings to maintain its strong organic growth and to focus on new business opportunities.

## Events after the reporting date

As announced on SENS on 10 November 2017, subsidiaries of Kaap Agri acquired certain retail fuel operations and accompanying retail fuel-related properties in Gauteng and Limpopo in line with the Group's growth strategy for its TFC brand. Subject to the fulfilment of the conditions precedent as detailed in the announcement, it is anticipated that the acquisition will be implemented on or before 28 February 2018.

There have been no other events that may have a material effect on the Group that occurred after the end of the reporting period and up to the date of approval of the summary consolidated financial results by the Board.

## 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



**GM STEYN**

*Chairman*

29 November 2017



**S WALSH**

*Chief Executive Officer*

## STATEMENT OF FINANCIAL POSITION at 30 September

	Notes	2017 R'000	2016 R'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	5	926 998	753 593
Intangible assets	6	99 482	48 094
Investment in joint venture	8	15 357	–
Loans		13 533	–
Deferred taxation		823	6 008
		<b>1 056 193</b>	<b>807 695</b>
<b>Current assets</b>			
Inventory		774 244	829 210
Trade and other receivables	9	1 496 333	1 441 831
Derivative financial instruments		348	10 335
Short-term portion of loans		23 925	26 821
Cash and cash equivalents		35 088	16 983
		<b>2 329 938</b>	<b>2 325 180</b>
<b>Total assets</b>		<b>3 386 131</b>	<b>3 132 875</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
		<b>1 582 634</b>	<b>1 405 677</b>
<b>Non-current liabilities</b>			
Deferred taxation		16 815	5 858
Employee benefit obligations		17 621	24 003
		<b>34 436</b>	<b>29 861</b>
<b>Current liabilities</b>			
Trade and other payables	10	987 819	805 329
Derivative financial instruments		348	10 335
Short-term portion of employee benefit obligations		13 478	7 569
Short-term borrowings		764 892	871 058
Income tax		2 524	3 046
		<b>1 769 061</b>	<b>1 697 337</b>
<b>Total liabilities</b>		<b>1 803 497</b>	<b>1 727 198</b>
<b>Total equity and liabilities</b>		<b>3 386 131</b>	<b>3 132 875</b>
Total shareholders' equity to total assets employed* (%)		45,8	45,7
Net interest-bearing debt to total assets employed* (%)		24,3	25,8
Net asset value per share (rand)		22,46	19,95
Shares issued (number – '000)		70 462	70 462
Total number of ordinary shares in issue**		74 170	74 170
Treasury shares		(3 708)	(3 708)

\* Ratios calculated on average balances.

\*\* There was no change in the issued share capital between 30 September 2017 and the dividend declaration date, being 74 170 277 shares.



## INCOME STATEMENT

for the year ended 30 September

	<b>2017</b> <b>R'000</b>	<b>2016</b> <b>R'000</b>
Revenue	6 415 697	5 652 843
Cost of sales	(5 323 055)	(4 730 958)
Gross profit	1 092 642	921 885
Operating expenses	(805 595)	(680 677)
Operating profit before interest received	287 047	241 208
Interest received	112 780	96 898
Operating profit	399 827	338 106
Finance costs	(67 001)	(47 308)
Share in profit of joint venture	201	–
Profit before tax	333 027	290 798
Income tax	(91 610)	(80 376)
Profit for the period attributable to equity holders of the holding company	241 417	210 422
Earnings per share – basic (cents)	342,62	298,63
Earnings per share – diluted (cents)	339,76	298,63
Dividend per share (cents)	112,00	94,50

## HEADLINE EARNINGS RECONCILIATION

for the year ended 30 September

	<b>2017</b> <b>R'000</b>	<b>2016</b> <b>R'000</b>
Profit for the period	241 417	210 422
Net profit on disposal of assets	(137)	(118)
Gross	(190)	(164)
Tax effect	53	46
Net loss on disposal of share in subsidiary and impairment of joint venture	2 211	–
Loss on disposal of share in subsidiary	1 088	–
Fair value adjustment on loss of control	1 123	–
Tax effect	–	–
Headline earnings attributable to equity holders of the holding company	243 491	210 304
Non-recurring expenses*	4 470	–
Recurring headline earnings attributable to equity holders of the holding company	247 961	210 304
Headline earnings per share – basic (cents)	345,56	298,46
Headline earnings per share – diluted (cents)	342,67	298,46
Recurring headline earnings per share (cents)	351,91	298,46
Weighted average number of shares (number – '000)	70 462	70 462
Weighted average number of diluted shares (number – '000)	71 056	70 462

\* Non-recurring expenses consist predominantly of once-off costs associated with the JSE listing.

## STATEMENT OF COMPREHENSIVE INCOME

### for the year ended 30 September

	2017 R'000	2016 R'000
Profit for the period	241 417	210 422
Other comprehensive income:		
Cash flow hedges	384	(427)
Gross	533	(593)
Tax	(149)	166
Total comprehensive income for the period attributable to equity holders of the holding company	241 801	209 995

## STATEMENT OF CHANGES IN EQUITY

### for the year ended 30 September

	2017 R'000	2016 R'000
<b>Share capital</b>	456 643	456 643
Gross shares issued	480 347	480 347
Treasury shares	(23 704)	(23 704)
<b>Other reserves</b>	3 893	(277)
Opening balance	(277)	150
Share-based payments	3 786	-
Other comprehensive income	384	(427)
<b>Retained profit</b>	1 122 098	949 311
Opening balance	949 311	798 429
Profit for the period	241 417	210 422
Dividends paid	(68 630)	(59 540)
<b>Capital and reserves</b>	1 582 634	1 405 677

## STATEMENT OF CASH FLOWS

### for the year ended 30 September

	2017 R'000	2016 R'000
Cash flow from operating activities	482 766	100 462
Net cash profit from operating activities	473 489	384 616
Working capital changes	103 788	(204 504)
Income tax paid	(94 511)	(79 650)
Cash flow from investment activities	(272 985)	(213 746)
Purchase of property, plant and equipment	(201 616)	(177 260)
Proceeds on disposal of property, plant and equipment	775	1 193
Decrease in loans	18 555	-
Acquisition of operations	(90 699)	(37 679)
Cash flow from financing activities	(191 676)	106 765
Increase/(decrease) in short-term loans	(56 045)	201 078
Decrease in loans	-	12 535
Interest paid	(67 001)	(47 308)
Dividends paid	(68 630)	(59 540)
Net increase/(decrease) in cash and cash equivalents	18 105	(6 519)
Cash and cash equivalents at the beginning of the year	16 983	23 502
Cash and cash equivalents at the end of the year	35 088	16 983

# NOTES TO THE SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 September

## 1. BASIS OF PRESENTATION AND ACCOUNTING POLICIES

The summarised Group financial statements for the year ended 30 September 2017 have been prepared in accordance with the requirements of the JSE Limited Listings Requirements (JSE) for preliminary reports, and the requirements of the Companies Act of South Africa, Act 71 of 2008, as amended, applicable to summary financial statements. The Listings Requirements of the JSE require preliminary reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS) and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and the Financial Pronouncements as issued by the Financial Reporting Standards Council and also, as a minimum, to contain the information required by IAS 34 *Interim Financial Reporting*.

The summarised Group financial statements are an extract from the audited information, but this summary report has not been audited. The Group annual financial statements for the year, which have been audited by PricewaterhouseCoopers Inc., and their unmodified audit report thereon, are available for inspection at the company's registered office. The Group's auditors have not reviewed, nor reported on any comments relating to prospects.

The directors take full responsibility for the preparation of the preliminary report and that the financial information has been correctly extracted from the underlying financial records.

The summarised Group financial statements for the year ended 30 September 2017 were prepared by GC Victor CA(SA), the Group's Financial Manager under supervision of GW Sim CA(SA), the Group's Financial Director.

## 2. ACCOUNTING POLICIES

The accounting policies applied in the preparation of the Group financial statements, from which the summarised Group financial statements were derived, are in terms of IFRS and are consistent with those accounting policies applied in the preparation of the previous Group annual financial statements.

## 3. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

In preparing these summarised Group financial statements, the significant judgements made by management in applying the Group's accounting policies of estimation uncertainty were the same as those that applied to the Group annual financial statements for the year ended 30 September 2017. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

### *Provision for impairment of trade receivables*

In estimating the provision for impairment of trade receivables, management makes certain estimates and judgements relating to the estimated recovery rate of debtors who are deemed to be impaired. This includes an assessment of current and expected future payment profiles and customer-specific risk factors such as economic circumstances, geographical location and the value of security held.

## 4. FAIR VALUE ESTIMATION

Financial instruments measured at fair value are disclosed by level of the following fair value hierarchy:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – Inputs (other than quoted prices included within level 1) that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and
- Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The only financial instruments that are carried at fair value are derivative financial instruments held for hedging. The fair value is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Group is the current bid price (Level 1).

Level 1 hedging derivatives comprise forward purchase and sale contracts and options. The effects of discounting are generally insignificant for Level 1 derivatives.

The fair value of the following financial instruments approximates their carrying amount at the reporting date:

- Trade and other receivables
- Trade and other payables
- Short-term borrowings
- Loans

## 5. PROPERTY, PLANT AND EQUIPMENT

Reconciliation of movements in carrying value:

	2017 R'000	2016 R'000
Carrying value beginning of period	753 593	607 756
Additions	201 616	177 260
Land and buildings	32 521	49 782
Machinery and equipment	23 015	19 573
Vehicles	3 651	914
Office furniture and equipment	13 000	15 434
Leasehold properties	816	727
Assets under construction	128 613	90 830
Additions through business combinations	43 067	138
Sale of share in subsidiary	(35 393)	–
Disposals	(584)	(1 029)
Depreciation	(35 301)	(30 532)
Carrying value end of period	926 998	753 593
Land and buildings	651 842	519 939
Grain silos	16 782	18 408
Machinery and equipment	90 362	74 545
Vehicles	7 308	6 257
Office furniture and equipment	54 083	52 522
Leasehold properties	14 708	18 533
Assets under construction	91 913	63 389

## 6. INTANGIBLE ASSETS

Reconciliation of movements in carrying value:

Carrying value beginning of period	48 094	14 061
Additions through business combinations	53 217	35 862
Amortisation	(1 829)	(1 829)
Carrying value end of period	99 482	48 094
Goodwill	97 951	44 734
Customer relations	1 531	3 360

To assess for impairment of goodwill, a value in use calculation was done per CGU. Income and expenses were increased at the expected inflation rate and a discount rate of 11% to 15% was used depending on the CGU's specific risk profile. No impairment was recognised, with no indicators that the calculation is sensitive to reasonable change in assumptions.

	<b>2017</b> <b>R'000</b>	<b>2016</b> <b>R'000</b>
<b>7. CAPITAL COMMITMENTS</b>		
Contracted	74 250	117 083
Not yet contracted	64 676	43 100
	<b>138 926</b>	<b>160 183</b>
<p>These commitments have been approved by the Board of directors. The commitments will be financed by own and borrowed funds.</p>		
<b>8. INVESTMENT IN JOINT VENTURE</b>		
<i>Kaap Agri (Namibia) (Pty) Ltd</i>		
Carrying value at date of acquisition	16 279	–
Fair value adjustment on loss of control	(1 123)	–
Share in total comprehensive income	201	–
	<b>15 357</b>	<b>–</b>
<p>On 1 August 2017, a 50% share in the subsidiary Kaap Agri (Namibia) (Pty) Ltd was sold. All income and expenses are consolidated up to 31 July 2017. From 1 August 2017, the equity method of accounting is applied.</p>		
<b>9. TRADE AND OTHER RECEIVABLES</b>		
Trade debtors	1 438 292	1 402 204
Provision for impairment	(45 313)	(37 448)
	<b>1 392 979</b>	<b>1 364 756</b>
VAT	41 755	55 475
Pupkewitz Holdings	16 550	–
Other debtors	45 049	21 600
	<b>1 496 333</b>	<b>1 441 831</b>
<b>10. TRADE AND OTHER PAYABLES</b>		
Trade creditors	871 343	711 306
Employee accruals	50 179	39 227
Other creditors	66 297	54 796
	<b>987 819</b>	<b>805 329</b>

## 11. INFORMATION ABOUT OPERATING SEGMENTS

Management has determined the operating segments based on the reports reviewed by the Executive committee that are used to make strategic decisions. The Executive committee considers the business from a divisional perspective. The performance of the following divisions is separately considered: Trade, Fuel and convenience (TFC), Wesgraan as well as Irrigation manufacturing. The performance of the operating segments is assessed based on a measure of revenue and net profit before taxation.

Trade provides a complete range of production inputs, mechanisation equipment and services, and other goods to agricultural producers as well as the general public. Fuel and convenience (TFC) provides a full retail fuel offering to a diverse range of customers, including convenience store and quick-service restaurant outlets. Wesgraan provides a complete range of marketing and hedging options as well as handling grain products between producer and buyer. Irrigation manufacturing manufactures dripper pipe and other irrigation equipment and distributes franchise and other irrigation parts.

### Segment revenue and results

	Segment revenue		Segment results	
	2017 R'000	2016 R'000	2017 R'000	2016 R'000
Trade	4 134 625	3 887 991	221 662	194 189
Fuel and convenience (TFC)	1 385 271	1 031 865	63 782	46 426
Wesgraan	710 239	558 610	51 922	30 785
Irrigation manufacturing	180 976	169 405	25 248	18 163
Total for reportable segments	6 411 111	5 647 871	362 614	289 563
Corporate	4 586	4 972	(109 851)	(80 170)
Treasury	–	–	80 063	81 405
Share in profit of joint venture	–	–	201	–
<b>Total external revenue</b>	<b>6 415 697</b>	<b>5 652 843</b>		
Profit before tax			333 027	290 798
Income tax			(91 610)	(80 376)
Profit after tax			241 417	210 422

### Segment assets and liabilities

	Segment assets		Segment liabilities	
	2017 R'000	2016 R'000	2017 R'000	2016 R'000
Trade	1 231 029	1 180 500	816 221	675 939
Fuel and convenience (TFC)	340 921	215 713	24 420	15 969
Wesgraan	68 980	63 312	25 704	2 080
Irrigation manufacturing	64 016	71 000	29 822	27 653
Total for reportable segments	1 704 946	1 530 525	896 167	721 641
Corporate	272 026	231 586	125 623	128 641
Trade debtors	1 392 979	1 364 756	–	–
Investment in joint venture	15 357	–	–	–
Short-term borrowings	–	–	764 892	871 058
Deferred taxation	823	6 008	16 815	5 858
	<b>3 386 131</b>	<b>3 132 875</b>	<b>1 803 497</b>	<b>1 727 198</b>

**12. EQUITY-SETTLED MANAGEMENT SHARE INCENTIVE SCHEME**

	2017		2016	
	Average exercise price per share option	Number of options	Average exercise price per share option	Number of options
Granted during the year	23,88	1 242 605	-	-

The impact on profit and loss is R3 785 734 (2016: RNil)

Share options outstanding at the end of the year have the following expiry dates and exercise prices:

Grant date	Vesting date	Exercise price	Fair value at grant date	Share options 2017	Share options 2016
1 October 2016	1 October 2018	23,88	8,66	310 651	-
1 October 2016	1 October 2019	23,88	9,53	310 651	-
1 October 2016	1 October 2020	23,88	10,21	310 651	-
1 October 2016	1 October 2021	23,88	10,75	310 651	-

*Fair value of options granted*

In terms of IFRS 2, the grant date for the calculation of the fair value of the new equity-settled management incentive scheme is 30 November 2016. The date on which the above-mentioned existing options were granted during the year, as reflected in the scheme rules, has been corrected to 1 October 2016. This did not result in any changes to the exercise price, number of options or entitlement date.

The fair value of the grant is determined using the Black-Scholes-Merton model using six different inputs that would have an effect on the fair value of the grant. The inputs are the exercise price of the option, the share price at grant date, the expected life of the option, the expected volatility, the expected dividend yield and the risk-free interest rate. Volatility is based on comparable listed entities.

	2017	2016
Model inputs:		
Exercise price (rand)	23,88	-
Share price at grant date (rand)	30,00	-
Expected life of option (years)	2 to 5	-
Expected volatility (%)	29,8	-
Expected dividend yield (%)	3,62	-
Risk-free interest rate (%)	7,33 to 7,58	-

The Group has implemented a new equity-settled management share incentive scheme (the scheme). The purpose of the scheme is to provide employees with the opportunity to acquire shares in the company through the grant of rights in order to promote and enable the retention and attraction of exceptional talent and to align the interests of the management of the company and Group companies more closely with the shareholders of the company. In terms of the scheme, grants are allocated to participants taking into account each participant's annual cost to company (CTC), a factor of CTC based on the nature and level of their position and the share price. The number of shares that a participant will become eligible for at vesting date will be calculated at the time of vesting based on the growth in the share price between the date of grant and the entitlement date, less employee tax. A participant's entitlement to settlement in terms of the rights granted shall be in equal 25% annual tranches from the first day of the second financial year commencing after date of grant onwards. The number of shares that may be utilised for the purposes of the scheme shall not exceed 3 700 000 shares, with no single individual being entitled to more than 1 235 000 shares.

### 13. BUSINESS COMBINATIONS

In line with the Group's growth strategy to acquire businesses in the fuel sector, certain retail fuel operations and accompanying retail fuel properties were acquired. Goodwill on acquisition was paid on these businesses as the price is competitive in the context of other retail fuel operations and the business combination presents synergies within the Group and have further earnings potential.

A purchase price allocation, as required by IFRS 3 *Business Combinations*, was performed and no material intangible assets were identified, other than fuel site operating licences. This is recognised with the property that it relates to as one asset, as these assets have similar useful lives.

The Group does not disclose revenue and profit of the combined entities as if the acquisitions occurred at the beginning of the reporting period, because the Group does not have access to the relevant information before the Group obtained control over the businesses.

The Group acquired the following assets through business combinations:

Mirage Motors service station on 1 October 2016  
 Garden Route service station on 1 March 2017  
 Modderivier OK and service station on 1 April 2017  
 Kempena Motors New Holland workshop and parts outlet on 1 August 2017  
 Sasol Motherwell service station on 1 August 2017  
 Sasol Stanford Road service station on 1 August 2017  
 Sasol Figtree service station on 1 August 2017

The assets and liabilities at the date of acquisition can be summarised as follows:

	Total R	Garden Route R	Mirage Motors R	Modder- rivier R	Kempena Motors R	Sasol Mother- well R	Sasol Stanford Road R	Sasol Figtree R
<i>Carrying value</i>								
<i>Assets</i>								
Property, plant and equipment	53 185	10 175	2 738	6 930	100	9 410	11 117	12 715
Inventory	6 239	161	1 289	2 496	745	484	641	423
	<b>59 424</b>	<b>10 336</b>	<b>4 027</b>	<b>9 426</b>	<b>845</b>	<b>9 894</b>	<b>11 758</b>	<b>13 138</b>
<i>Fair value</i>								
<i>Assets</i>								
Property, plant and equipment	43 067	4 529	4 841	11 975	100	8 490	8 618	4 514
Inventory	6 239	161	1 289	2 496	745	484	641	423
Deferred taxation	(11 824)	(1 260)	(1 353)	(3 179)	–	(2 377)	(2 411)	(1 244)
Goodwill	53 217	7 906	4 574	5 435	2 250	8 797	11 211	13 044
Purchase consideration paid in cash	<b>90 699</b>	<b>11 336</b>	<b>9 351</b>	<b>16 727</b>	<b>3 095</b>	<b>15 394</b>	<b>18 059</b>	<b>16 737</b>

The acquired businesses contributed as follows since acquisition to the Group's results:

	Total R	Garden Route R	Mirage Motors R	Modder- rivier R	Kempena Motors R	Sasol Mother- well R	Sasol Stanford Road R	Sasol Figtree R
Revenue	91 669	1 761	35 332	31 925	1 478	7 887	7 377	5 909
Net profit/(loss)	2 361	(349)	(744)	2 030	89	700	386	249



# Annexure B

## SHAREHOLDER INFORMATION

### 1. SHAREHOLDERS' PROFILE

#### Spread

1 to 1 000 shares	1 598	660 880	0,9%
1 001 to 10 000 shares	1 546	5 408 008	7,3%
10 001 to 100 000 shares	416	11 220 214	15,1%
100 001 to 1 000 000 shares	24	5 960 847	8,0%
More than 1 000 000 shares	4	50 920 328	68,7%
<b>Total</b>	<b>3 588</b>	<b>74 170 277</b>	<b>100,0%</b>

#### Type of shareholder

Public	3 578	22 791 870	30,7%
Non-public	10	51 378 407	69,3%
Directors and associates of the company	6	3 253 181	4,4%
Zeder Financial Services (Pty) Ltd	1	29 481 038	39,8%
Plurispace (Pty) Ltd	1	14 834 056	20,0%
Empowerment and Transformation Investments (Pty) Ltd	1	3 708 514	5,0%
The Fruit Workers Development Trust	1	101 618	0,1%
<b>Total</b>	<b>3 588</b>	<b>74 170 277</b>	<b>100,0%</b>

#### Major beneficial shareholders

The following shareholders have a holding equal to or greater than 5% of the issued shares of the company.

Zeder Financial Services (Pty) Ltd	29 481 038	39,8%
Plurispace (Pty) Ltd	14 834 056	20,0%
Empowerment and Transformation Investments (Pty) Ltd	3 708 514	5,0%
<b>Total</b>	<b>48 023 608</b>	<b>64,8%</b>

	Number	
	2017	2016
<b>2. SHAREHOLDING OF DIRECTORS (DIRECT AND INDIRECT)</b>		
BS Du Toit	29 729	29 729
SJ Liebenberg*	–	20 000
NC Loubser*	–	4 331
HS Louw*	–	7 678
CA Otto	33 597	33 597
HM Smit	3 461	3 461
GM Steyn	2 896 720	2 896 720
S Totaram*	–	9 129
JH Van Niekerk	249 674	249 674
S Walsh	40 000	40 000
Total	3 253 181	3 294 319
Percentage of issued shares	4,4%	4,4%

\* Resigned as a member of the Board during the year.

There has been no change in the directors' interest from the financial year-end of the company on 30 September 2017 up until the approval of the financial statements.

### 3. SHARE CAPITAL OF THE COMPANY AT 30 SEPTEMBER 2017

**Authorised:**

1 000 000 000 (2016 : 100 001 000) ordinary shares with no par value

**Issued:**

74 170 277 (2016 : 74 170 277) ordinary shares with no par value

**Stated capital:**

Total stated capital

**R456 643 000**

### 4. MATERIAL CHANGES

There has been no material change in the financial or trading position of the company and its subsidiaries subsequent to the company's financial year-end, being 30 September 2017.

# Annexure C

## REMUNERATION POLICY

### Remuneration philosophy

Our reward philosophy is focused on entrenching a high-performance culture where excellence is rewarded and mediocrity is not acceptable. At all levels of the organisation, this is evident in the design of our incentive schemes and in the management of total guaranteed pay (TGP).

We ensure that remuneration is appropriately set against a variety of factors, such as the complexity of functions, the scope of accountability, market practice and competitiveness, the alignment of risks and rewards, and the long-term objectives of the Group and its shareholders. We are committed to the principle of equitable remuneration while acknowledging there will be occasions when jobs with the same grade earn different amounts determined by market factors and justified by a reason such as a shortage of skills.

Our philosophy underpins a framework for remuneration that fulfils the following requirements:

- Enables the long-term sustainable success of Kaap Agri by linking reward to the achievement of Group strategy and the creation of shareholder value
- Attracts and retains the required skills base
- Link remuneration to performance measures
- Achieves a balance between individual, team and business performance
- Offers employees a competitive and market-aligned remuneration package with fixed salaries representing a significant remuneration component.

### Organisation-wide remuneration approach and the wage gap

Kaap Agri is committed to ensure that remuneration is responsible, fair and reasonable to both the company and the employee. During the financial year, the Remuneration Committee (RemCo) has received regular updates from the Executive director: Human Resources on the remuneration arrangements for all employees, in particular the level of annual increases provided.

To ensure fair and responsible remuneration strategy, the RemCo will focus on:

- ensuring that the remuneration policy is competitive, best suited to Kaap Agri's business model, guided by best practice and compliant with regulatory requirements;
- ensuring that good governance principles are applied with regard to remuneration and there are no income disparities based on gender, race, or any other unacceptable grounds of discrimination;
- ensuring on an annual basis that employee remuneration, including that of non-permanent employees within the various bargaining councils, meets the prescribed minimum pay rate;
- ensuring that there is no unfair discrimination and that the fairness of total reward practices is continually monitored and appropriate corrective action taken where deemed necessary; and
- ensuring that remuneration practices respect the "equal work for equal pay" principle.

## Components of remuneration for all employees

The remuneration framework in respect of all employees is as follows:

REMUNERATION FRAMEWORK			
Guaranteed pay		Variable pay	
Basic pay	Benefits	Incentives	Allowances
Cash salary including the 13th cheque (annual bonus)	Benefits that include vehicle benefit, medical aid and retirement scheme	Profit share, short-term incentives (STI), marketer's commission and long-term share incentive (LTI) schemes based on individual and company performance	Monthly allowances not limited to only those prescribed by the bargaining council and sectoral determination agreements

### Basic pay and condition of service

On an annual basis the company will compare the annual increases proposed by the bargaining councils and/or sectoral determination agreements to that proposed by the Board and award the higher of these increases to eligible employees. The company ensures that employees receive the most favourable conditions of service.

### Profit share

This profit share scheme applies to all permanent employees based on the level of performance in their business area, excluding the executive directors and Group managers. Also excluded is any employee earning commission, for example marketers. This amount is payable in June and December of each year in line with the scheme guidelines.

Profit share is designed to:

- motivate employees to deliver branch performance targets that contribute to the Group performance targets; and
- recognise performance on a short-term basis, based on half-year and full-year targets.

The detail of the profit share scheme is described in the profit share scheme guidelines, and reviewed annually.

### Components of remuneration for executive directors and Group managers

The table below sets out an overview of the components of remuneration that apply to executive directors and Group managers.

Element	Purpose	Performance period and measures	Operation and delivery
Total guaranteed pay (TGP)  <i>Includes fixed salary and benefits (e.g. vehicle benefit, medical aid and retirement scheme)</i>	To compensate the employee for time and competence at a market-related rate, taking into account individual performance and contribution	TGP is reviewed annually based on individual performance.	TGP is delivered to the employee as a cash salary and a mix of compulsory and/or discretionary benefits such as retirement fund, medical aid and vehicle allowance benefit (all benefits are funded from TGP).
STI	To create a high-performance culture through a cash bonus linked to performance against contracted deliverables with due regard to preventing excessive risk taking; and to retain and motivate key talent	Performance is evaluated annually against growth in profit before tax.	Payable in cash in December based on guidelines each year in respect of the previous financial year. All bonuses are self-funded, based on financial targets.
LTI	To increase employee motivation and thereby create alignment between employee's interests and shareholder interests; and to retain the services of valuable and highly skilled individuals who are performing exceptionally	The performance conditions are inherent in the award in that there must be an increase in the Group share price before any value is received by a participant.	Annual award of rights is made entitling an individual to shares calculated with reference to the increase in share price between grant date and vesting date. Vesting occurs in equal tranches in the 2nd, 3rd, 4th and 5th year following the grant date.

### Short-term incentive scheme (STI)

The STI is designed to motivate employees to deliver Group performance improvements over the financial year. Executive directors and executive managers participate in the STI with an entitlement equivalent to a proportion of TGP. The maximum amount that can be earned under the STI by the CEO/executive directors is 100% of TGP. Any amount is payable in cash following the end of the financial year.

For 2018 the following performance conditions apply:

Profit before tax	Payment as percentage of maximum opportunity
<5% growth	No payment
5% growth	8.3%
40% growth	100%

### Long-term incentive scheme (LTI)

The LTI is an equity-settled management share incentive scheme (the scheme) that was implemented from 1 October 2016. Executive directors and Group managers participate in the LTI scheme.

The scheme is designed to:

- motivate and recognise the contribution of senior managers at top management level;
- provide employees with the opportunity to acquire shares in the Group through the grant of rights to future delivery of shares, subject to certain performance criteria;
- promote and enable the retention and attraction of exceptional talent; and
- align the interests of the management of the Group with shareholders.

#### Operation

On an annual basis, participants are awarded a number of rights in the scheme. The rights awarded are based on 200% of TGP for the CEO and 150% of TGP for the Financial Director. The rights vest in equal tranches on the first day of the 2nd, 3rd, 4th and 5th financial year following the grant date.

On the vesting date, shares will be awarded to a participant calculated with reference to the value of the growth in the share price between the grant date and vesting date. As such participants only benefit from the Scheme if the share price has increased. Should the share price not increase, the rights will be worth nil and will lapse.

#### Cessation of employment and effect on unvested LTI

In the case of cessation of employment, the treatment of unvested rights will depend on the reason for cessation as set out below.

Reason for cessation	Treatment of unvested rights
Just cause dismissal or resignation	Unvested rights will lapse
Death, ill health, permanent disability, retirement, early retirement and retrenchment	Following cessation, participants will be entitled to vest the rights due on the next vesting date. Any remaining rights following this vesting event will lapse.

### Executive director and key management contracts

Executive directors and other key management of the Group do not have fixed-term or bespoke key management contracts, but are employed in terms of the Group's standard contract of employment. The notice period for termination of service is three (3) calendar months.

No additional payments are made to key management upon termination of employment (apart from those required in terms of labour legislation), and they do not receive sign-on bonuses.

Upon cessation of employment all STI will be forfeited, and unvested LTI will be treated in accordance with the LTI policy (refer to the paragraph above titled "Cessation of employment and effect on unvested LTI").

### Non-executive director (NED) fees

The fees of the NEDs consist of a fixed annual fee for services as a director and an additional fixed fee for duties on committees. NEDs are reimbursed for travelling and other costs in relation to their duties, alternatively the Group carries these costs directly.

NEDs do not qualify for any STI or LTI.

The Group reviews market best practice and leadership publications by reputable remuneration consulting firms to assess the reasonability and level of NED fees. Comparison analyses are done with regard to other similar companies and committees with similar responsibilities.

#### *Proposed 2018 financial year NED fees*

Fees for the 2018 financial year will be submitted for approval by the shareholders in accordance with the Companies Act 71 of 2008 at the Group's AGM to be held on the 15th of February 2018. Refer to special resolution number 1, in this notice of AGM on page 6.

#### **Remuneration governance**

The RemCo is a committee of the Board which is primarily responsible for overseeing the remuneration and incentives of executive directors and key management (collectively executives). The members of the committee are appointed annually by the Board and consist of at least three non-executive directors, of whom the majority is independent. The chairman is appointed annually by the Board and will be an independent, non-executive director.

There are currently three members of the RemCo, all of whom are independent non-executive directors:

- CA Otto (chairman);
- GM Steyn; and
- JH van Niekerk.

The level of accountability for governance of the remuneration policy and implementation thereof is illustrated in the table below.

<b>GOVERNANCE FRAMEWORK</b>	
<b>Board of directors</b>	The Kaap Agri Board of directors has ultimate responsibility to ensure compliance with remuneration principles and limiting risk.
<b>RemCo</b>	The Remuneration committee determines appropriate remuneration policies and guidelines for different groups (subject to Board approval) and monitors performance, in line with the committee's role and responsibilities.
<b>Operational level functions</b>	
Executive team	The executive team is responsible for compliance with their respective areas of responsibility and for the evaluation of recommendations to change policies and practices.
Executive director HR	The executive director HR is responsible for managing the day-to-day application of the remuneration policy and for recommending changes to policies and practices to the Executive committee.

The RemCo has the following functions and responsibilities:

- To determine the remuneration of the Chief Executive Officer
- To determine the remuneration of the executive directors as recommended by the Chief Executive Officer
- To determine the remuneration of the non-executive directors
- To consider the remuneration of all senior managers
- To ensure that the remuneration philosophy and principles are in line with the business strategy of the Group
- To ensure a performance-based incentive scheme and performance criteria are developed and implemented
- To determine the annual average increase for staff remuneration.

#### **Implementation of the remuneration policy in the 2017 financial year**

The RemCo is satisfied that Kaap Agri complied with the remuneration policy in the 2017 financial year.

More detail about the implementation of the remuneration policy is provided in the integrated report, which will be available on our website [www.kaapagri.co.za](http://www.kaapagri.co.za) on or before 24 January 2018.

# Corporate information

## **Kaap Agri Limited**

Incorporated in the Republic of South Africa

Registration number: 2011/113185/06

Income tax number: 9312717177

Share code: KAL

ISIN code: ZAE000244711

## **Directors**

GM Steyn (Chairman)\*\*

S Walsh (Chief Executive Officer)

GW Sim (Financial Director)

BS du Toit\*\*

D du Toit\*\* (Appointed 1 March 2017)

JH le Roux\*

EA Messina\*\* (Appointed 1 March 2017)

WC Michaels\*\* (Appointed 1 August 2017)

CA Otto\*\*

HM Smit\*\*

JH van Niekerk\*\*

S Totaram (Resigned 30 January 2017)

SJ Liebenberg (Resigned 1 March 2017)

NC Loubser (Resigned 1 March 2017)

HS Louw (Resigned 1 March 2017)

\* Non-executive

# Independent

## **Transfer secretaries**

Computershare Investor Services (Pty) Ltd

Registration number: 2004/003647/07

Rosebank Towers, 15 Biermann Avenue, Rosebank, Johannesburg, 2196

PO Box 61051, Marshalltown, 2107

Fax number: 086 636 7200

## **Company Secretary**

RH Köstens

## **Registered address**

65 Voortrekker Road, Malmesbury, 7300

PO Box 22, Malmesbury, 7299

Telephone number: 022 482 8000

Fax number: 022 482 8008

Web address: [www.kaapagri.co.za](http://www.kaapagri.co.za)

## **Auditors**

PricewaterhouseCoopers Inc.

## **Sponsor**

PSG Capital (Pty) Ltd

Registration number: 2006/015817/07

1st Floor, Ou Kollege, 35 Kerk Street, Stellenbosch, 7600

PO Box 7403, Stellenbosch, 7599

and

2nd Floor, Building 3, 11 Alice Lane, Sandhurst, Sandton, 2196

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