

Salient features of the Deneb Investments Employee Share Scheme

I. Definitions

In this statement, unless otherwise stated or the context requires otherwise, the words in the first column have the meanings stated opposite them in the second column. Words in the singular include the plural and vice versa. Words signifying one gender include the others and reference to a person includes references to a body corporate and vice versa.

“Act”	the Companies Act, No. 71 of 2008;
“Board”	the board of directors for the time being of the Company or, should the board of directors delegate its authority to a committee of the Board, such committee (unless the context indicates the contrary), provided always that if any director has any personal financial interest in any decision being taken by the Board (or committee) in terms of the Scheme, such director shall disclose such interest in accordance with the requirements of the Act and recuse himself from such decision-taking;
“Business Day”	any day other than a Saturday, Sunday or public holiday officially recognised as such in the Republic of South Africa;
“Company Secretary”	the company secretary of the Company from time to time and any person authorised by the company secretary of the Company from time to time to administer the Scheme for such company secretary;
“Deneb” or “the Company”	Deneb Investments Limited (Registration Number: 2013/091290/06) of 5th Floor, Deneb House, Cnr Main and Browning Roads, Observatory, Cape Town;
“Employee”	any full-time employee, including a director holding salaried employment or office, of the Group (but excluding non-executive directors);
“Employer Company”	the relevant company in the Group which employs or employed the Participants or in respect of which the Participant holds or held office, and which has adopted the terms of the Scheme;
“Exercise Date Price”	the Middle Market Price as at the relevant date on which the Participant exercises an Option;
“Group”	the Company and its subsidiaries from time to time;
“JSE”	the JSE Limited (Registration Number 2005/022939/06), a public company incorporated in accordance with the laws of South Africa and licensed as an exchange under the Securities Services Act, 2004;
“JSE Listings Requirements”	the listings requirements published by the JSE;
“Middle Market Price”	in relation to any particular business day, the volume weighted average of the middle market price of the shares as traded on the JSE during the 20 (twenty) business days preceding the business day in question, as notified to the company by the JSE;
“Option”	an option to acquire Shares granted to an Employee in terms of the Scheme which has not yet been exercised and which has not lapsed;
“Option Date”	the date of the Option in terms of which an Option was granted;
“Option Notice”	the written notice in terms of which the Employer Company grants an Option to an Employee to acquire Shares;

“Option Price”	the price per share, if any, payable by a participant pursuant to the exercise of an option as set out in the option notice, being the Middle Market Price as at the Option Date, less a discount of 10%, as recorded in the Option Notice;
“Participant”	an Employee who has been granted an Option (and who has accepted such Option in accordance with the Option Notice), or his executor, heir, administrator, trustee or permitted assign, as the case may be;
“Performance Target”	such performance target as may be determined, waived or amended by the Board;
“Scheme”	The Deneb Investments Employee Share Scheme;
“Statement”	this statement, forming part of the annual report of Deneb;
“Deneb shareholders” or “shareholders”	the registered shareholders of the Shares;
“Shares”	ordinary shares of no par value in the capital of the Company;
“Termination of Employment”	the date on which an Employee’s contract of employment terminates, including a termination of the contract of employment as a result of death, provided that if a notice of termination was given by either the Employee or the Employer Company, such termination shall only occur upon the expiry of the notice period, provided further that there shall be deemed to be no Termination of Employment for purposes of the Scheme, if the Participant ceases to be employed by one Employer Company but remains within the continuous employment of the Group by being employed by another Employer Company; and
“Tranche”	that number of Shares in respect of which the Participant becomes entitled to exercise the Option on the relevant anniversary date of the Option Notice, subject to meeting the relevant Performance Targets (if any).

2. Introduction

The purpose of this Statement is to advise Deneb shareholders of the proposed adoption of the Scheme (and to set out the salient features thereof) in order for the shareholders to consider and vote in respect of the ordinary resolution approving the adoption of the Scheme at the annual general meeting of Deneb shareholders to be held on Wednesday, 1 November 2017 at 09:00.

3. Rationale of the Scheme

The purpose of the Scheme is to provide selected Employees with the opportunity to acquire Shares, thereby ensuring that such Employees are encouraged and motivated to pursue continued growth and profitability of their Employer Companies and to contribute to the growth and profitability of the Employer Company and the Group as a whole.

4. Salient features of the Scheme

4.1 Only selected Employees are eligible to participate in the Scheme and to acquire Options.

4.2 The aggregate number of Shares (whether issued or unissued) which may be utilised for the Scheme, and which includes for this purpose Shares which remain subject to an unexercised Option and Shares which have been delivered to a Participant pursuant to the exercise of an Option, shall not exceed 42 862 171 (forty-two million, eight hundred and sixty-two thousand and one hundred and seventy-one).

Salient features of the Deneb Investments Employee Share Scheme (continued)

- 4.3 The aggregate number of Shares which any one Participant may acquire in terms of the Scheme shall not exceed 8 572 234 (eight million, five hundred and seventy-two thousand, two hundred and thirty-four).
- 4.4 The Company in general meeting may from time to time reserve unissued Shares and place those unissued Shares under the control of the Board for the purpose of the Scheme.
- 4.5 Newly issued Shares, market-purchased Shares or Shares held in treasury may be used for purposes of the Scheme. Any shares purchased through the market will not be taken into account when calculating the number of Shares utilised by the Scheme.
- 4.6 The Option Price per Share payable by a Participant pursuant to the exercise of an Option shall be the Middle Market Price as at the Option Date, less a 10% (ten percent) discount to the Middle Market Price, and subject further to an adjustment (if any) in terms of the following formula:
A = B – C
where:
A = the adjusted Option Price;
B = the original Option Price per Share, as stipulated in the Option Notice, being the Middle Market Price as at the Option Date, less a 10% (ten percent) discount; and
C = the sum of all dividends and other payments to shareholders, including returns of capital (if any), declared and paid by the Company per Share in the issued share capital of the Company, provided the last date for registration (the record date) for all such dividends or payments (if any) occurred during the period from the Option Date until the date on which the Option is exercised (both dates inclusive),
provided that where this formula results in "A" being a negative number, the adjusted Option Price shall be nil.
- 4.7 Payment for, if required, and delivery of the Shares shall take place in accordance with the Option Notice.
- 4.8 The Shares shall, at the time of delivery thereof to the Participant, be issued fully paid and shall rank *pari passu* with existing issued Shares, and shall be listed on the JSE as soon as reasonably possible in the relevant circumstances.
- 4.9 The relevant Employer Company, on the directions of the Board from time to time, shall, by way of an Option Notice, grant an Option to Employees (selected in the sole discretion of the Board and notified in writing from time to time to the Employer Company) to acquire Shares.
- 4.10 When selecting which Employees will be granted Options (and the number of Options to be granted to each such Employee), the Board shall take into account the contribution to be made by the relevant Employee to the Group in light of the Employee's skills, experience, qualifications and/or attributes and the Group's strategic objectives at the relevant time.
- 4.11 Should the Board become aware that:
- 4.11.1 the Company will be party to an amalgamation, merger or scheme of arrangement as contemplated in chapter 5 of the Act; or
- 4.11.2 shareholders in the Company who collectively hold more than 50% of the Shares in the Company will sell, exchange or otherwise dispose of their Shares in the Company; or
- 4.11.3 a mandatory offer to shareholders of the Company is required in terms of section 123 of the Act; or
- 4.11.4 the Company will propose to pass a resolution for the voluntary winding up of the Company,
then the terms of the Scheme shall continue in force.
- 4.12 Should:
- 4.12.1 an Employer Company become an immediate subsidiary of another company outside of the Group as a result of a take-over, scheme of arrangement, reconstruction or amalgamation; or
- 4.12.2 shareholders in an Employer Company who hold more than 50% of the ordinary shares in the issued share capital of such Employer Company agree to sell, exchange or otherwise dispose of such shares in such Employer Company; or
- 4.12.3 an Employer Company resolve to dispose of the whole or the greater part of its undertaking or business; or
- 4.12.4 the Board serve notice on those Participants who are Employees of a particular Employer Company that such Employer Company proposes to pass a resolution for voluntary winding up,
then all unexercised Options held by Participants who are Employees of the relevant Employer Company shall automatically vest on a date as may be determined by the Board prior to the Change in Control.
- 4.13 Should an Employer Company cease to be part of the Group for any reason whatsoever, then all unexercised Options held by Participants who are Employees of the relevant Employer Company shall automatically vest on a date as may be determined by the Board prior to the Change in Control.

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- 4.14 Options shall, in addition to such other circumstances set out in the Scheme, lapse on the date of the relevant Participant's Termination of Employment; Provided that where the Termination of Employment is as the result of:
- 4.14.1 death; or
 - 4.14.2 ill health or injury, provided that the Employer Company has received a certificate from a suitably qualified, independent medical practitioner nominated for this purpose by the Employer Company or otherwise acceptable to the Employer Company to the effect that, due to such ill health or injury, the Participant shall not be able to perform his/her normal employment duties for a consecutive period exceeding 12 (twelve) months;
- the Company Secretary shall treat an Option as having been exercised on the date of the Participant's Termination of Employment, and where the Termination of Employment is as the result of:
- 4.14.3 normal or late retirement, and the Participant has met the Performance Target in respect of the Tranche but the relevant Trigger Date has not yet arrived; or
 - 4.14.4 early retirement (being retirement other than such normal or late retirement) with the approval of the Board,
- the Board shall be entitled, but not obliged, to direct that the Participant may exercise such Option on a date as may be determined by the Board within its sole discretion.
- 4.15 Each Participant shall become entitled to exercise an Option in respect of:
- 4.15.1 up to 10% (ten percent) of the number of Shares to which the Option relates from the first anniversary of the Option Date;
 - 4.15.2 up to a further 20% (twenty percent) of the number of Shares to which the Option relates from the second anniversary of the Option Date;
 - 4.15.3 up to a further 30% (thirty percent) of the number of Shares to which the Option relates from the third anniversary of the Option Date; and
 - 4.15.4 the balance, namely 40% (forty percent) of the number of Shares to which the Option relates, from the fourth anniversary of the Option Date,
- provided, in respect of each Tranche, that on the date on which the Participant exercises the Option, each of the conditions required to be met in order for the Option to be exercised have been met, including the conditions that the Participant is still an Employee, the Exercise Date Price exceeds the Option Price, and the Performance Target for that Tranche, if applicable, has been met.
- 4.16 If at any time:
- 4.16.1 the Shares of the Company are consolidated or sub-divided or in any other way reorganised;
 - 4.16.2 the Company is placed in liquidation pursuant to or in the course of the reorganisation of the Group;
 - 4.16.3 the Company is party to a scheme of arrangement affecting the structure of its Share capital;
 - 4.16.4 the Company allots additional Shares by the capitalisation of the Company's profits and/or reserves or undertakes a rights issue,
- then the number of Shares which may be utilised for the Scheme and the number of Shares which are the subject of any Option and/or the Option Price, if any, in respect thereof shall be adjusted in such manner as the Auditors determine to be appropriate and, in making such determination, the Auditors shall ensure that as far as possible in the circumstances, Participants shall remain entitled to the same proportion of the equity capital of the Company as that to which such Participant would have been entitled but for such event, and that Participants are not prejudiced nor given benefits beyond those provided for in the Scheme. The Auditors shall confirm to the Board in writing that any such adjustments were calculated on a reasonable basis and shall confirm to the JSE that any adjustments so made are in accordance with the provisions of the Scheme. The Board shall notify the Participant of that adjustment which shall be binding on the Company and on the Participant. Any such adjustment shall be reported on in the Company's annual financial statements in the financial period during which the adjustment is made. The issue of equity securities as consideration for an acquisition, the issue of securities for cash and the issue of equity securities for a vendor consideration placing will not be regarded as circumstances requiring adjustment.
- 4.17 If the Company is placed into liquidation other than for the purposes of reorganisation, any Options that have not yet vested will *ipso facto* lapse from the date of liquidation. For the purposes hereof "date of liquidation" will mean the date upon which any application for the liquidation of the Company (whether provisional or final) is granted by a South African court.
- 4.18 Where the Shares in respect of which an Option has been allocated to a Participant are not subsequently issued to such Participant, such Shares shall revert back to the Scheme and may form the subject of further Options to be allocated to Participants under the Scheme.

Salient features of the Deneb Investments Employee Share Scheme (continued)

5. Conditions precedent

The implementation of the Scheme is subject to obtaining the approval of shareholders by way of an ordinary resolution (requiring a 75% majority of the votes cast in favour of such resolution) in accordance with the JSE Listings Requirements.

6. Directors' responsibility statement

The directors of the company collectively and individually accept full responsibility for the accuracy of the information given in this explanatory statement and certify that, to the best of their knowledge and belief, there are no facts that have been omitted which would make this statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that this statement contains all information required by law and the JSE Listings Requirements. The Board undertakes to comply fully with all of the provisions of the Act relating to "employee share schemes" as defined therein, including, but not limited to those set out in section 97 of the Act.

7. Recommendation

The directors are of the opinion that the Scheme will be beneficial to the Group and accordingly recommend that Deneb shareholders vote in favour of the ordinary resolution necessary for the adoption of the Scheme.

8. Deneb annual general meeting

8.1 An annual general meeting will be held on Wednesday, 1 November 2017 at 09:00 for the purposes of considering, inter alia, an ordinary resolution (requiring a 75% (seventy-five percent) majority of the votes cast in favour of such resolution by all Deneb shareholders present or represented by proxy at the annual general meeting to approve such resolution):

8.1.1 approving the scheme; and

8.1.2 placing 42 862 171 (forty-two million, eight hundred and sixty-two thousand and one hundred and seventy-one) shares under the control of the directors of Deneb for purposes of their being allotted and issued in terms of the provisions of the Scheme.

8.2 The proposed ordinary resolution accompanies the notice of annual general meeting, which is included in this annual report.

9. Documents available for inspection

A copy of the scheme will be available for inspection during normal business hours (Saturdays, Sundays and South African public holidays excluded) at the registered office of Deneb (set out immediately below) and at the office of the company's sponsor, PSG Capital (1st Floor, Ou Kollege Building, 35 Kerk Street, Stellenbosch, 7600) from 28 September 2017 to 1 November 2017.

For and on behalf of the board



Company secretary

Mr C Philip

Cape Town

4 September 2017

REGISTERED OFFICE

5th Floor Deneb House,

Cnr Main And Browning Roads,

Observatory

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