

DENEB INVESTMENTS LIMITED
Registration number: 2013/091290/06
(Incorporated in the Republic of South Africa)
JSE share code: DNB
ISIN: ZAE000197398
("Deneb" or "the Company")



CATEGORY 2 DISPOSAL ANNOUNCEMENT

1. INTRODUCTION

Shareholders are advised that Deneb and its wholly owned subsidiary, Sargas Proprietary Limited ("**Sargas**", collectively "**the Deneb Group**") have entered into a Sale of Shares and Claims agreement ("**the Sale Agreement**") with K2019630452 (South Africa) Proprietary Limited, a black empowerment entity led by Ms T Eboka, ("**the Purchaser**") dated 31 January 2020 in terms of which the Deneb Group will dispose of 100% of the shares and claims against Winelands Textiles Proprietary Limited ("**Winelands Textiles**") (collectively, "**the Assets**") to the Purchaser for a disposal consideration of R65 million plus a contingent portion as specified below ("**Disposal Consideration**") ("**Disposal**").

2. DESCRIPTION OF THE ASSETS

Winelands Textiles is a textile manufacturing company based in Worcester, Western Cape.

The Assets comprise 100 ordinary shares in the issued share capital of Winelands Textiles owned by Deneb and all of the loan claims owing by Winelands Textiles to Sargas, which as at the date hereof has a face value of approximately R74 million.

3. RATIONALE FOR THE DISPOSAL

Winelands Textiles does not meet the required return on capital hurdle rate, and the Company therefore believes it is in the best interests of the Deneb Group to dispose of the Assets at this time.

4. DISPOSAL CONSIDERATION

4.1 The Disposal Consideration payable by the Purchaser for the Assets is R65,000,000 (sixty-five million Rand) ("**the Base Consideration**") plus the proceeds receivable by Winelands Textiles arising from a pending legal dispute with a potential claim value of R4,200,000 (four million two hundred thousand Rand) ("**the Contingent Portion**").

4.2 The Base Consideration shall remain owing by the Purchaser to Sargas on loan account on terms contained in a written loan agreement concluded between Sargas and the Purchaser ("**Loan Agreement**"). The Base Consideration shall be payable as follows:

4.2.1 R25,000,000 (twenty-five million Rand) is payable by no later than 31 March 2020;

4.2.2 R40,000,000 (forty million Rand) is to be paid in 30 (thirty) equal bi-monthly payments, the first being paid on 1 July 2020 and each subsequent instalment being due on the first day of the second month after the previous payment date.

4.3 The Contingent Portion, if applicable, shall be paid to the Deneb Group immediately upon receipt thereof.

4.2 Interest shall accrue on the Base Consideration at the Prime Rate plus 1% (one per cent) from the Effective Date to date of repayment, and shall be serviced on a monthly basis, the first of which payment shall be made on 1 May 2020.

5. APPLICATION OF THE DISPOSAL CONSIDERATION

The Disposal Consideration will be applied to repay / reduce debt.

6. EFFECTIVE DATE OF THE DISPOSAL

The Disposal is unconditional. The effective date of the Disposal is 4 February 2020.

7. FINANCIAL INFORMATION

The value of the net assets comprising the Assets as at 30 September 2019, being the date of the most recent published interim results of Winelands Textiles as included in the consolidated results of the Deneb Group, was R65.8 million.

The loss after tax attributable to the Assets for the six months ended 30 September 2019, was R2.2 million based on the most recent published interim results of Winelands Textiles as included in the consolidated results of the Deneb Group, which were prepared in terms of IFRS.

8. WARRANTIES AND OTHER SIGNIFICANT TERMS OF THE SALE AGREEMENT AND LOAN AGREEMENT

8.1 The Sale Agreement and Loan Agreement provides for warranties, undertakings, indemnities and events of default that are normal for a transaction of this nature.

8.2 The Disposal Consideration has been adequately secured by the Purchaser with sufficient security and acceptable guarantees, which guarantees are not dependent on the assets and future performance of Winelands Textiles.

9. CATEGORISATION

The Disposal constitutes a Category 2 transaction for Deneb as contemplated in the Listings Requirements of the JSE Limited.

Cape Town
31 January 2020

Sponsor
PSG Capital



PSG CAPITAL

Legal Advisor
Edward Nathan Sonnenbergs Incorporated

