

Appointment Of Internal Auditor

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

APPOINTMENT OF INTERNAL AUDITOR

1. INTRODUCTION

Shareholders are advised that on 14 November 2018, Deneb entered into an agreement ("Agreement") with GRIPP Advisory Proprietary Limited ("GRIPP"), appointing GRIPP to provide internal audit and other related advisory services to the Company and its subsidiaries ("Engagement").

As Deneb's holding company, Hosken Consolidated Investments Limited ("HCI"), also holds 75% of GRIPP's issued share capital, GRIPP is a related party to Deneb, in terms of the JSE Limited ("JSE") Listings Requirements. Deneb has appointed an independent expert to prepare a fairness opinion and the independent expert is of the opinion that the terms and conditions of the Engagement are fair to the shareholders of the Company. Kindly refer to paragraph 5 below for further information in this regard.

2. RATIONALE FOR THE ENGAGEMENT

The appointment of GRIPP to fulfil the internal audit function of Deneb will enhance the integrity of the Company's financial reporting processes and will, in addition, provide Deneb with the benefit of GRIPP's extensive knowledge, skills and experience.

While GRIPP is a subsidiary of HCI, all shareholders of Deneb have an interest in, and will benefit from, any improvements in the integrity of the Company's financial reporting.

The Company's financial reporting will continue to be underpinned by its independent external auditors, being, currently, PricewaterhouseCoopers Incorporated.

3. PARTICULARS OF THE ENGAGEMENT

The Engagement is not subject to the fulfilment of any conditions precedent and will commence on 1 December 2018 and continue for a fixed term of three years, terminating on 30 November 2021.

3.1. Internal audit services

GRIPP is to assist the Company and its subsidiaries ("Deneb Group") on an ongoing basis in evaluating and testing the design and effectiveness of its internal financial and operational controls. The internal audit function will be an integral part of the Deneb Group, operating in accordance with the internal audit charter, that will be approved by the Company's audit committee.

For the duration of the Engagement, GRIPP will fulfil the role of the Deneb Group internal auditor and will, in accordance with GRIPP's internal audit methodology that is tailored to meet the requirements of the Deneb Group, amongst other things:

- ensure that all risk areas are coordinated;
 - develop a group-wide risk-based internal audit plan;
 - report in writing any significant weaknesses in, or its observations on, the control structure and other areas that come to its notice and that it considers reportable.
- GRIPP will issue a report or deliverable at the end of each internal audit project;
- and
- ensure the internal audit functions of the Deneb Group are managed on a consistent and professional basis.

3.2. Other related advisory services

In addition to the above internal audit services, Deneb may request GRIPP to provide the following related advisory services:

- secondment of staff to the Deneb Group to assist with ad hoc accounting, financial management internal control, policy and procedures, and reporting work;
- the provision of internal control advice when designing or amending current information technology systems architecture;
- the provision of risk management reviews and assessments;
- the provision of corporate governance reviews and assessments;
- the provision of evaluation of effectiveness of the boards and board committees of Deneb Group companies;
- the provision of regulatory compliance reviews;
- information technology governance related reviews and assessments; and
- the provision of forensic audits and related fraud risk assessments, health checks and ethics surveys.

4. FEES

The base-line fees charged by GRIPP in relation to the internal audit services will be calculated, at an agreed hourly rate, on a base-line of 5 000 contracted hours per annum ("Base-line Fees") and will be billed on a straight-line and monthly basis.

The Base-line Fees will, for the 12 months from 1 December 2018 until 30 November 2019, be calculated at the rate of R435.96 per hour, resulting in an annual fee of R2 179 800, excluding value added tax and disbursements. The hourly rate is subject to an annual increase, on each anniversary of the Agreement, equal to the consumer price index.

Should Deneb request GRIPP to perform any ad hoc internal audit or additional advisory related engagements, the fees for such services will be scoped and billed separately to the Base-line Fees.

All such additional fees, as well as travel, subsistence and other disbursements will, in aggregate, be limited to a maximum amount equal to the total Base-line Fees over the three-year period of the Engagement, with such maximum aggregate amount, taken together with the Base-line Fees, being referred to below collectively as the "Maximum Aggregate Fees".

5. CLASSIFICATION OF THE ENGAGEMENT

As indicated above, GRIPP is a related party of the Company. Taking into account the Maximum Aggregate Fees that may become payable under the Agreement, the Engagement constitutes a small related party transaction under the JSE Listings Requirements, requiring the appointment of an independent expert ("Independent

Expert") to compile a fairness opinion under paragraph 10.7(b) of the JSE Listings Requirements.

Accordingly, the directors of the Company have appointed PSG Capital as the Independent Expert to compile a fairness opinion in respect of the Engagement, in compliance with paragraph 10.7(b) of the JSE Listings Requirements. The Independent Expert has considered the terms and conditions of the Engagement and is of the opinion that the terms and conditions of the Engagement are fair to the shareholders of the Company.

The JSE has been provided with a copy of the fairness opinion prepared by the Independent Expert. Copies of the fairness opinion are available for inspection at the Company's registered office during normal business hours for a period of 28 days from the date of this announcement.

14 November 2018

Sponsor and Independent Expert
PSG Capital

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