

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this Document, or the action you should take, you are recommended immediately to seek your own financial advice from an independent financial adviser, such as a stockbroker, solicitor, accountant or other adviser who specialises in advising on the acquisition of shares and securities and is authorised under the Financial Services and Markets Act 2000 ("FSMA") (or, if you are a person outside the UK, a person otherwise similarly qualified in your jurisdiction). If you have sold or transferred all your Ordinary Shares you should send this Document (but not the accompanying Form of Proxy) as soon as possible to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee. If you have sold or transferred only part of your holding of Ordinary Shares, you should retain these documents and consult the person through whom the sale or transfer was effected.

The whole of this Document should be read. Investors are strongly advised to seek independent financial advice before investing in the Company. Investment in the Company involves a high degree of risk and may not be suitable for all recipients of this Document. Prospective investors should consider carefully whether an investment in the Company is suitable for them in the light of their personal circumstances. Investors may lose some or all of their capital. Investors need to be mindful that their investment is not covered by the Financial Services Compensation Scheme ("FSCS") operated by the Financial Conduct Authority ("FCA") and investors may not be covered by the Financial Ombudsman Service.

This Document comprises an admission document (the "Admission Document" or the "Document") drawn up in compliance with the requirements of the AQSE Rules and is being issued in connection with the proposed admission of the Enlarged Share Capital of SAPO PLC to trading on the AQSE Growth Market. This Document does not constitute and the Company is not making an offer to the public within the meaning of sections 85 and 102B of FSMA. Therefore, this Document is not an approved prospectus for the purposes of and as defined in section 85 of FSMA, it has not been prepared in accordance with the Prospectus Regulation Rules and its contents have not been approved by the FCA or any other authority which could be a competent authority for the purposes of the Prospectus Regulation (2017/1129). Further, the contents of this Document have not been approved by an authorised person for the purposes of section 21 of FSMA or otherwise. This Document will not be filed with, or approved by, the FCA or any other government or regulatory authority in the UK or elsewhere.

This Document is an "offering document" for the purposes of section 45 of the IOM Act. This Document has not been approved or reviewed by the Isle of Man Financial Services Authority or any other governmental or regulatory authority in the Isle of Man. It is not necessary for this Document to be filed or registered with any governmental or regulatory authority in the Isle of Man and it is not intended that this Document will be filed with the Registrar of Companies in the Isle of Man pursuant to section 45(5) of the IOM Act.

The Directors of the Company, whose names are set out on page 5 of this Document (each, a "Director" and collectively, the "Directors"), accept full responsibility, collectively and individually, for the information contained in this Document including the Company's compliance with the AQSE Rules. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this Document is in accordance with the facts and there is no other material information the omission of which is likely to affect the import of such information.

The Ordinary Shares have been traded on the AQSE Growth Market (formerly the NEX Exchange Growth Market) since 3 December 2019. Application has been made for the Placing Shares and the Consideration Shares to be admitted to trading on the AQSE Growth Market. It is expected that Admission will become effective and that dealings will commence on 21 October 2020.

SAPO PLC

*(Incorporated and registered in the Isle of Man under the Isle of Man Companies Acts
1931 to 2004 with registered number 117001C and subsequently re-registered under the Isle of Man Companies Act 2006 with registered number 006491V)*

Proposed acquisition of Secure Web Services Limited

and

Proposed Placing

and Proposed Subscription to raise £2,500,000

and

Proposed issue of share warrants

and

Admission of the Enlarged Share Capital to trading on the AQSE Growth Market

and

Change of Name to Rural Broadband Solutions Plc

and

Notice of Extraordinary General Meeting

AQSE Corporate Adviser

ALFRED HENRY

CORPORATE FINANCE LIMITED

AQSE Broker

HYBRIDAN

YOUR PARTNER FOR GROWTH

The AQSE Growth Market, which is operated by Aquis Stock Exchange Limited ("Aquis Stock Exchange" or "AQSE"), a Recognised Investment Exchange, is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. It is not classified as a Regulated Market under EU financial services law and AQSE Growth Market securities are not admitted to the Official List of the United Kingdom Listing Authority. Investment in an unlisted company is speculative and involves a higher degree of risk than an investment in a listed company. The value of investments can go down as well as up and investors may not get back the full amount originally invested. An investment should therefore only be considered by those persons who are prepared to sustain a loss on their investment. A prospective investor should be aware of the risks of investing in the AQSE Growth Market securities and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser authorised under FSMA who specialises in advising on the acquisition of shares and other securities.

Notice of an Extraordinary General Meeting of the Company to be held at the registered office of the Company at Millennium House, 46 Athol Street, Douglas, Isle of Man, IM1 1JB at 11.00 a.m. on 19 October 2020 is set out at the end of this Document. A Form of Proxy for use at the Extraordinary General Meeting accompanies this Document and, to be valid, must be completed and returned to the Company's registered agents, Mainstream Fund Services (IOM) Limited, Millennium House, 46 Athol Street, Douglas, Isle of Man IM1 1JB as soon as possible but in any event to be received not later than 11.00 a.m. on 17 October 2020 or 48 hours before any adjourned meeting. Completion of a Form of Proxy will not preclude a Shareholder from attending and voting at the Extraordinary General Meeting in person.

Your attention is drawn to the letter from the Executive Chairman of SAPO plc which is set out on pages 12 to 18 of this Document.

The Company is required by AQSE to appoint an AQSE Corporate Adviser to apply on its behalf for admission to the AQSE Growth Market and must retain an AQSE Corporate Adviser at all times. The requirements for an AQSE Corporate Adviser are set out in the Corporate Adviser Handbook and the AQSE Corporate Adviser is required to make a declaration to AQSE in the form prescribed by Appendix B of the AQSE Corporate Adviser Handbook.

This Admission Document has not been approved or reviewed by AQSE or the FCA.

Alfred Henry Corporate Finance Limited, which is authorised and regulated by the FCA, is the Company's AQSE Corporate Adviser for the purposes of Admission. Alfred Henry Corporate Finance Limited has not made its own enquiries except as to matters which have come to its attention and on which it considered it necessary to satisfy itself and accepts no liability whatsoever for the accuracy of any information or opinions contained in this Document, or for the omission of any material information, for which the Directors are solely responsible. Alfred Henry Corporate Finance Limited is acting for the Company and no one else in relation to the arrangements proposed in this Document and will not be responsible to anyone other than the Company for providing the protections afforded to its clients or for providing advice to any other person on the content of this Document.

OVERSEAS SHAREHOLDERS

This Document does not constitute an offer to sell, or a solicitation to buy shares in any jurisdiction in which such offer or solicitation is unlawful. In particular, this Document is not, subject to certain exceptions, for distribution in or into the United States, Australia, Canada, Japan, New Zealand or the Republic of South Africa. The shares have not been nor will be registered under the United States Securities Act of 1933, as amended, nor under the securities legislation of any state of the United States or any province or territory of Australia, Canada, Japan, New Zealand or the Republic of South Africa or in any country, territory or possession where to do so may contravene local securities laws or regulations. Accordingly, the shares may not, subject to certain exceptions, be offered or sold directly or indirectly in or into the United States, Australia, Canada, Japan, New Zealand or the Republic of South Africa or to any national, citizen or resident of the United States, Australia, Canada, Japan, New Zealand or the Republic of South Africa. The distribution of this Document in certain jurisdictions may be restricted by law. No action has been taken by the Company or Alfred Henry Corporate Finance Limited that would permit a public offer of shares or possession or distribution of this Document where action for that purpose is required. Persons into whose possession this Document comes should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

Holding shares in the Company may have implications for overseas shareholders under the laws of the relevant overseas jurisdictions. Overseas Shareholders should inform themselves about and observe any applicable legal requirements. It is the responsibility of each overseas shareholder to satisfy himself as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required, or the compliance with other necessary formalities which are required to be observed and the payment of any issue, transfer or other taxes due in such jurisdiction.

FORWARD-LOOKING STATEMENTS

This Document contains forward-looking statements. These statements relate to the Group's future prospects, developments and business strategies.

Forward-looking statements are identified by their use of terms and phrases such as "believe", "could", "envisage", "estimate", "intend", "may", "plan", "will" or the negative of those variations or comparable expressions, including references to assumptions. These statements are primarily contained in Part I of this Document.

The forward-looking statements in this Document are based on current expectations and are subject to risks and uncertainties that could cause actual results to differ materially from those expressed or implied by those statements. Certain risks to and uncertainties for the Group are specifically described in Part III of this Document headed "Risk Factors". If one or more of these risks or uncertainties materialises, or if underlying assumptions prove incorrect, the Group's actual results may vary materially from those expected, estimated or projected. Given these risks and uncertainties, potential investors should not place any reliance on forward-looking statements.

These forward-looking statements are made only as at the date of this Document. Neither the Directors nor the Company undertake any obligation to update forward-looking statements or Risk Factors other than as required by law or the AQSE Rules whether as a result of new information, future events or otherwise. The Company expressly disclaims any obligation or undertaking to disseminate any updates or revisions in relation to any forward-looking statement contained herein to reflect any change in the Company's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

CONTENTS

| | <i>Page</i> |
|---|-------------|
| DIRECTORS, REGISTERED AGENT AND ADVISERS | 5 |
| DEFINITIONS | 6 |
| EXPECTED TIMETABLE OF PRINCIPAL EVENTS | 10 |
| ADMISSION AND FUNDRAISING STATISTICS | 11 |
| PART I: LETTER FROM THE EXECUTIVE CHAIRMAN | 12 |
| PART II: INFORMATION ON SECURE WEB SERVICES LIMITED | 19 |
| PART III: RISK FACTORS | 23 |
| PART IV: | |
| Part A – HISTORICAL FINANCIAL INFORMATION RELATING TO THE COMPANY | 31 |
| Part B – HISTORICAL FINANCIAL INFORMATION RELATING TO SECURE WEB SERVICES LIMITED | 89 |
| Part C – UNAUDITED PRO-FORMA STATEMENT OF NET ASSETS OF THE ENLARGED GROUP | 138 |
| PART V: ADDITIONAL INFORMATION | 140 |
| PART VI: NOTICE OF EXTRAORDINARY GENERAL MEETING | 163 |

DIRECTORS, REGISTERED AGENT AND ADVISERS

| | |
|---|---|
| Directors | Dr Keith Harris (<i>Executive Chairman</i>) Selwyn Lewis (<i>Non-Executive Director</i>) Michael Langoulant (<i>Independent Non-Executive Director</i>) |
| Registered Agent and Administrator | Mainstream Fund Services (IOM) Limited Millennium House 46 Athol Street Douglas Isle of Man IM1 1JB |
| Registered Office | Millennium House 46 Athol Street Douglas Isle of Man IM1 1JB |
| AQSE Corporate Adviser | Alfred Henry Corporate Finance Limited Finsgate 5-7 Cranwood Street London EC1V 9EE |
| Auditors to the Company | Jeffreys Henry LLP Finsgate 5-7 Cranwood Street London EC1V 9EE (<i>members of Institute of Chartered Accountants England & Wales</i>) |
| Reporting Accountants | Jeffreys Henry LLP Finsgate 5-7 Cranwood Street London EC1V 9EE |
| Legal Advisers to the Company | Walker Morris LLP 33 Wellington Street Leeds LS1 4DL (<i>as to English law</i>) Appleby (Isle of Man) LLC 33-37 Athol Street Douglas Isle of Man IM1 1LB (<i>as to Isle of Man law</i>) |
| Registrars | Link Market Services (Isle of Man) Limited PO Box 227 Clinch's House Lord Street Douglas Isle of Man IM99 1RZ |
| Broker | Hybridan LLP 2 Jardine House The Harrovian Business Village Bessborough Road Harrow Middlesex HA1 3EX |
| Website | www.sapoinvest.com |

DEFINITIONS

The following terms apply in this Document unless the context requires otherwise:

| | |
|------------------------------------|---|
| “Acquisition” | the proposed acquisition of the entire issued share capital of SWS pursuant to the terms of the Acquisition Agreement |
| “Acquisition Agreement” | the conditional share purchase agreement dated 23 September 2020 between (1) the Company and (2) the Vendors setting out the terms of the Acquisition, further details of which are set out in paragraph 10.15 of Part V of this Document |
| “Acquisition Resolution” | the resolution numbered 2 set out in the Notice of Extraordinary General Meeting which, if passed, will approve the Acquisition as a Reverse Takeover for the purposes of the AQSE Rules |
| “Admission” | the admission of the Enlarged Share Capital to trading on the AQSE Growth Market and such admission becoming effective in accordance with the AQSE Rules |
| “Admission Document” or “Document” | this document |
| “Alfred Henry” | Alfred Henry Corporate Finance Limited, AQSE Corporate Adviser to the Company, which is authorised and regulated by the FCA |
| “AQSE Growth Market” | the primary market segment operated by AQSE for dealings in unlisted securities |
| “AQSE Rules” | the AQSE Growth Market – Rules for Issuers, which set out the admission requirements and continuing obligations of companies seeking admission to and whose securities are admitted to trading on the AQSE Growth Market |
| “Aquis Stock Exchange” or “AQSE” | Aquis Stock Exchange, a Recognised Investment Exchange under FSMA |
| “Articles” | the articles of association of the Company, as amended from time to time |
| “Board” or “Directors” | the board of directors of SAPO, whose names are set out on page 5 of this Document |
| “Business Day” | a day other than Saturday or Sunday or a public holiday in England and Wales and/or the Isle of Man |
| “City Code” | the City Code on Takeovers & Mergers |
| “Cash Consideration” | the sum of approximately £1.2 million payable to the Vendors in the proportions set out in the Acquisition Agreement |
| “Company” or “SAPO” | SAPO PLC, a company incorporated in the Isle of Man under the Isle of Man Companies Acts 1931 to 2004 on 27 June 2006 as a public limited company with registered number 117001C, and then subsequently, on 7 January 2011 with the approval of Shareholders in a general meeting, reregistered as a company under the Isle of Man Act with registered number 006491V |
| “Completion” | completion of the Acquisition Agreement in accordance with its terms |

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| “Consideration” | the consideration comprising approximately £1.6 million to be paid by the Company to the Vendors as consideration for the Acquisition through the Cash Consideration and the Consideration Shares pursuant to the Acquisition Agreement |
| “Consideration Shares” | means the 16,000,000 Ordinary Shares to be issued by the Company upon Completion to New Developments Limited, one of the Vendors, as part of the Consideration pursuant to the Acquisition Agreement |
| “CREST” | the Relevant System (as defined in the CREST Regulations) for paperless settlement of share transfers and the holding of shares in uncertificated form which is administered by Euroclear |
| “CREST Regulations” | the Uncertificated Securities Regulations 2006 (SD 743/06) of the Isle of Man, as amended from time to time |
| “EBITDA” | earnings before interest, taxes, depreciation and amortization which is a measure of a company’s overall financial performance |
| “Enlarged Group” | the Company and its wholly owned subsidiary, SWS, with effect from Completion |
| “Enlarged Share Capital” | the Existing Ordinary Shares, the Placing Shares, the Subscription Shares, the Ordinary Shares issued in consideration for services and the Consideration Shares |
| “EU” | the European Union |
| “Euroclear” | Euroclear UK & Ireland Limited, a company incorporated in England and Wales and the operator of CREST |
| “Existing Ordinary Shares” | the 187,292,810 Ordinary Shares of £0.01 each in the capital of the Company in issue at the date of this Document |
| “Extraordinary General Meeting” | the extraordinary general meeting of the Company which is to be held at 11.00 a.m. on 19 October 2020 at the registered office of the Company, notice of which is set out on page 163 of this Document |
| “FCA” | the United Kingdom Financial Conduct Authority, the statutory regulator under FSMA responsible for the regulation of the United Kingdom financial services industry |
| “FSMA” | the Financial Services and Markets Act 2000 (as amended) |
| “FTTC” | fibre to the cabinet |
| “Group” | the Company and its subsidiaries for the time being |
| “HMRC” | Her Majesty’s Revenue & Customs |
| “Hybridan” | Hybridan LLP, the Company’s broker |
| “Hybridan Warrant” | the warrant in favour of Hybridan to subscribe for 1,622,400 Ordinary Shares at £0.025 per share, further details of which are set out in Part V of this Document |
| “IOM Act” | the Isle of Man Companies Act 2006 |
| “ISIN” | international security identification number |

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| “London Stock Exchange” | London Stock Exchange PLC |
| “Market Abuse Regulation” | the EU Market Abuse Regulation (No. 596/2014) of the European Parliament and the Council of 16 April 2014, as may be amended from time to time |
| “MEG” | megabits per second |
| “New Developments Limited” | New Developments Limited, a company incorporated and registered in England and Wales as a private limited company with registered number 03123751 |
| “NEX Admission” | the admission of the entire issued share capital of the Company to trading on the NEX Exchange Growth Market on 3 December 2019 |
| “NEX Exchange” or “NEX” | NEX Exchange Limited, a Recognised Investment Exchange under section 290 of FSMA which was renamed Aquis Stock Exchange following its acquisition by Aquis Exchange Plc |
| “NEX Exchange Growth Market” | the primary market segment operated by NEX Exchange for dealings in unlisted securities |
| “Notice of Extraordinary General Meeting” | the notice of the Extraordinary General Meeting set out in Part VI of this Document |
| “Orderly Market Agreement” | the agreement to be entered into on Completion between (1) the Company, (2) New Developments Limited (3) Alfred Henry and (4) Hybridan, further details of which are contained in paragraph 10.16 of Part V of this Document |
| “Ordinary Shares” | ordinary shares of the Company of £0.01 par value |
| “p” or “penny” | one hundredth part of one-pound sterling |
| “Placees” | the private and institutional investors who have conditionally subscribed for the Placing Shares at the Placing Price pursuant to the Placing |
| “Placing” | the placing of the Placing Shares at the Placing Price conditional on Admission |
| “Placing Agreement” | the placing agreement between the Company, Hybridan and the Directors setting out the terms of the Placing, further details of which are set out in Part V of this Document |
| “Placing Price” | £0.025 per Ordinary Share |
| “Placing Shares” | the 70,040,000 new Ordinary Shares to be subscribed for by Placees pursuant to the Placing and allotted and issued by the Company, conditional on Admission |
| “Proposals” | together, the Acquisition, Placing, Subscription and Admission |
| “QCA Code” | the Corporate Governance Code for Small and Mid-sized Quoted Companies 2018, published in May 2018 by the Quoted Companies Alliance, as amended from time to time |
| “Registrars” | Link Market Services (Isle of Man) Limited |
| “Resolutions” | the resolutions to be proposed at the Extraordinary General Meeting, as set out in the Notice of Extraordinary General Meeting |

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|----------------------------------|---|
| “Reverse Takeover” | an acquisition which constitutes a reverse takeover for the purposes of the AQSE Rules |
| “RGC Scheme” | rural gigabit connectivity scheme |
| “Share Capital” | the number of Ordinary Shares in issue |
| “Shareholders” | persons registered as the holders of any part of the share capital of the Company |
| “Subscription” | the conditional subscription for the Subscription Shares pursuant to the Subscription Letters |
| “Subscription Letters” | the conditional subscription letters to be entered into by the Company in connection with the subscription for the Subscription Shares |
| “Subscription Price” | £0.025 per Ordinary Share |
| “Subscription Shares” | the 29,960,000 new Ordinary Shares to be issued pursuant to the Subscription |
| “Subscribers” | the private and institutional investors who have been sourced by the Company and conditionally subscribed for the Subscription Shares at the Subscription Price pursuant to the Subscription |
| “SWS” | Secure Web Services Limited, a company incorporated and registered in England and Wales as a private limited company with registered number 03923463 |
| “UK” or “United Kingdom” | the United Kingdom of Great Britain and Northern Ireland |
| “UK Listing Authority” or “UKLA” | the FCA acting in its capacity as the competent authority for the purposes of Part VI of FSMA |
| “Uncertificated” | a security recorded on the Company’s relevant register as being held in uncertificated form in CREST, and title to which, by virtue of the CREST Regulation, may be transferred by means of CREST |
| “VAT” | value added tax |
| “Vendors” | Christopher Raymond New and New Developments Limited |
| “Warrant Instrument” | the instrument creating warrants to subscribe for up to 100,000,000 Ordinary Shares at a price of £0.04 per share, further details of which are set out in Part V of this Document |
| “Warrants” | the warrants to subscribe for Ordinary Shares constituted by the Warrant Instrument |
| “£” or “Pound” | pounds sterling |

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

| | |
|--|-------------------------------|
| Publication of this Document and Form of Proxy | 23 September 2020 |
| Latest time and date for receipt of Forms of Proxy | 11.00 a.m. on 17 October 2020 |
| Extraordinary General Meeting | 11.00 a.m. on 19 October 2020 |
| Admission and commencement of dealings in the Enlarged Share | 21 October 2020 |
| Capital on the AQSE Growth Market | 21 October 2020 |
| Completion of the Acquisition | |

(1) *All of the above timings refer to London time unless otherwise stated.*

(2) *All future times and/or dates referred to in this Document are subject to change at the discretion of the Company and Alfred Henry. If any of the above times or dates should change, the revised times and/or dates will be notified by an announcement on regulatory information service.*

ADMISSION AND FUNDRAISING STATISTICS

| | |
|--|----------------------|
| Number of Existing Ordinary Shares | 187,292,810 |
| Number of Placing Shares and Subscription Shares to be issued | 100,000,000 |
| Placing Shares and Subscription Shares as a percentage of the Enlarged Share Capital | 32.88 per cent. |
| Number of Warrants to be issued | 100,000,000 |
| Consideration Shares to be issued | 16,000,000 |
| Ordinary Shares issued in consideration for services | 800,000 |
| Consideration Shares as a percentage of the Enlarged Share Capital | 5.26 per cent. |
| Enlarged Share Capital | 304,092,810 |
| Gross proceeds of the Placing and Subscription | £2,500,000 |
| Estimated net proceeds of the Placing and Subscription | £2,233,000 |
| Market capitalisation of the Company on Admission ⁽¹⁾ | £7,602,320 |
| AQSE Growth Market symbol | RBBS |
| ISIN | GB00B16GQJ90 |
| LEI | 213800MCRBNG3UHI1A31 |

(1) Assuming no Ordinary Shares other than the Placing Shares, the Subscription Shares, the Ordinary Shares issued in consideration for services and the Consideration Shares are issued

PART I

LETTER FROM THE EXECUTIVE CHAIRMAN

SAPO PLC

*(Incorporated and registered in the Isle of Man under the Isle of Man Companies Acts
1931 to 2004 with registered number 117001C and subsequently re-registered under the Isle of Man Companies Act 2006
with registered number 006491V)*

Registered Office:

Millennium
House 46 Athol
Street Douglas
Isle of Man IM1
1JB

Directors:

Dr Keith Harris (*Executive Chairman*)
Selwyn Lewis (*Non-Executive Director*)
Michael Langoulant (*Independent Non-Executive Director*)

23 September 2020

Dear Shareholders

Proposed acquisition of Secure Web Services Limited
and
Proposed Placing and Proposed Subscription to raise £2,500,000
and
Proposed issue of Warrants
and
Admission of the Enlarged Share Capital to trading on the AQSE Growth Market
and
Proposed Change of Name to Rural Broadband Solutions PLC
and
Notice of Extraordinary General Meeting

1. Introduction

I am writing to inform you of the Extraordinary General Meeting of the Company to be held at the registered office of the Company at Millennium House, 46 Athol Street, Douglas, Isle of Man, IM1 1JB at 11.00 a.m. on 19 October 2020. The Notice of the Extraordinary General Meeting is set out at the end of this Document.

On 23 September 2020, the Company entered into a binding share purchase agreement to conditionally acquire 100 per cent. of the share capital of Secure Web Services Limited. The Consideration for the Acquisition is approximately £1.6 million and will be satisfied by (i) the payment of the Cash Consideration of approximately £1.2 million to the Vendors and (ii) the issue of the Consideration Shares, which are to be allotted and issued by the Company on Completion to New Developments Limited, one of the Vendors. On Completion, New Developments Limited will use £236,500 of the Cash Consideration to subscribe for further new Ordinary Shares as part of the Subscription.

As the Acquisition is being made by an Investment Vehicle (as defined in the AQSE Rules and set out below), the Acquisition constitutes a Reverse Takeover under the AQSE Rules and is therefore conditional, amongst other things, on the approval of Shareholders at the Extraordinary General Meeting. The Company intends that, subject to Shareholder approval of the Acquisition at the Extraordinary General Meeting, the Enlarged Share Capital will be admitted to trading on the AQSE Growth Market.

Alongside the Acquisition, the Company is also conducting the Placing and the Subscription to raise gross proceeds of £2.5 million to fund the Acquisition and provide working capital for further expansion. The Placing has been undertaken by Hybridan LLP, the Company's lead broker. In order to issue shares pursuant to the Placing, the Subscription and the Warrant Instrument, the Company's authorised share capital needs to be increased and, accordingly, shareholders will be asked to vote on a Resolution to amend the Articles to increase the Company's authorised share capital at the Extraordinary General Meeting. The Board has decided to increase the authorised share capital from £4,000,000 to £8,000,000 in order to provide greater flexibility for future fundraisings which may have a dilutive effect on Shareholders in the future. Under Isle of Man law, the unissued shares in the capital of the Company are at the disposal of the Directors to allot at such times and on such conditions as they think proper.

The purpose of this Document is to explain the background to and reasons for the Proposals and the matters described above and to explain why the Directors consider them to be in the best interests of the Company and Shareholders as a whole, and to seek your approval for the Resolutions being proposed at the Extraordinary General Meeting.

2. Investment Strategy of the Company and Background to the Proposals

The Company was admitted to the NEX Exchange Growth Market on 3 December 2019, having raised net funds of approximately £138,000 pursuant to a conditional placing. The Company was admitted as an investment vehicle for the purpose of identifying investment opportunities and acquisitions in the developing market for rural broadband in the UK. The Company seeks to provide Shareholders with an attractive total return achieved primarily through capital appreciation.

An Investment Vehicle is defined in the AQSE Rules as:

"An issuer whose actual or intended principal activity is to invest in the securities of other businesses (whether publicly traded or not), or to acquire a particular business, in accordance with specific investment criteria."

As an Investment Vehicle, any substantial acquisition or investment by the Company in accordance with its investment strategy is likely to be treated as a Reverse Takeover under Rule 55 of the AQSE Rules and will therefore be subject, *inter alia*, to approval by Shareholders.

The Directors of SAPO believe large broadband players are ignoring rural areas and, for economic factors, remaining focused on cities. As a result of this, it is estimated there are still around 155,000 premises in the UK without access to a decent (10 MEG as defined by Ofcom) fixed-line broadband service. SWS aims to continue to provide this decent level of broadband service to customers (it already offers 30 MEG download speeds), and uplift those in rural areas to receive either ultrafast (100 MEG+) or gigabit capable broadband. This presents an opportunity to develop a significant customer base (with an estimated average revenue of £30 per premises per month).

BT estimates that to reach the final 10 per cent. of UK premises with 1Gbps capable Fibre-to-the-Premises (FTTP) broadband ISP technology is likely to require an "outlay of around £4,000 each per premises" and is therefore not considered to be economical.

As a result of these factors, the Directors believe that the market for products and services which provide good quality broadband and mobile connections in rural areas is significant and therefore, the Directors intend that the Company will be principally focused on making investments in private businesses and projects in this sector.

The Directors' primary objective is to achieve the best possible value over time for Shareholders, primarily through capital growth but potentially, in the future and only when considered prudent by the Directors, dividend income. The Directors also believe that capital growth will best be achieved by growing the number of customers making monthly payments to the Enlarged Group for its broadband services, through both organic means and via targeted acquisitions.

The Directors believe that their collective experience, together with their extensive network of contacts, will assist them in the identification, evaluation, and funding of appropriate investment opportunities. When necessary, other external professionals will be engaged to assist in the due diligence on prospective targets and their management teams. The Directors will also consider appointing additional directors and/or advisors with relevant experience if the need arises.

There will be no limit on the number of projects into which the Company may invest, and the Company may invest in a number of propositions or in just one investment, which may be deemed to be a reverse takeover pursuant to Rule 55 of the AQSE Rules. The Company may need to raise additional funds for these purposes and may use both debt and/or equity.

It is anticipated that returns to Shareholders will be delivered initially through appreciation in the price of the Ordinary Shares rather than via dividends or other forms of capital distribution. In addition, there may be opportunities to spin out businesses privately or via IPO where Shareholders may be able to benefit via distributions of cash and/or shares and/or rights to subscribe in listings. It is anticipated that the Company will hold investments for the medium to long term, although where opportunities exist for shorter term gains the Company may take advantage of such opportunities.

The Directors believe that the Acquisition falls within the Company's stated investment strategy that provides Shareholders with a UK-based operating business, with considerable organic growth potential in the rural broadband area.

3. Summary Information on Secure Web Services Limited

In late 2019, the Company identified the opportunity to build a strong presence in delivering broadband services to rural areas of the UK. The initial step in seeking to fulfil this opportunity is the acquisition of SWS, a rural broadband supplier servicing the Shropshire region. The Directors believe that an investment in this telecommunications services company could potentially lead to capital gains and profitability for the Company and would be an ideal acquisition opportunity in line with the Company's investment strategy. After Completion, the Directors anticipate that SWS will seek to make active investments into the developing market for rural broadband, with a focus on private businesses and projects servicing the sector.

Following Completion, the Company intends to increase the portfolio of clients across poorly-served areas of the UK, through a buy and build strategy, utilising shareholder capital and Government funding. It is estimated that over a three-year term, SWS should be able to increase its monthly recurring customer base from the current 2,300 to in excess of 5,000, as a result of this strategy. The Directors anticipate that the Company's strategy will primarily drive capital growth with the potential for dividend income.

Further information on SWS is set out below and in Part II and Part IV of this Document.

4. Principal terms of the Acquisition Agreement

On 23 September 2020, the Company entered into the Acquisition Agreement with the Vendors to acquire the entire issued share capital of SWS. The Acquisition is conditional, *inter alia*, on the Acquisition being approved by the Shareholders and on Admission becoming effective by 6.00p.m. on 2 November 2020.

The Consideration for the Acquisition is approximately £1.6 million and will be satisfied by (i) the payment of the Cash Consideration of approximately £1.2 million to the Vendors and (ii) the issue of the Consideration Shares by the Company on Completion to New Developments Limited, one of the Vendors. On Completion, New Developments Limited will use £236,500 of the Cash Consideration to subscribe for 9,460,000 further Ordinary Shares at £0.025 per share.

The Acquisition Agreement does not make provision for the Company to appoint a representative from SWS to the Board but, on Completion, a consultancy agreement shall be entered into with New Developments Limited, further details of which are set out in Part V of this Document and it is anticipated that, from Completion, Christopher New will become an integral part of the management team of the Enlarged Group as Chief Strategist and Technical Officer. As at the date of this Document, New Developments Limited is 100 per cent. owned by Christopher New.

5. Future Strategy and Prospects of the Enlarged Group

The Directors believe that the Proposals are in accordance with the investment strategy of the Company referred to in paragraph 2 of Part I of this Document, and the Company intends to continue to seek investments in accordance with its Investment Strategy once the Acquisition has been completed.

6. Historical Financial Information

Part IV of this Document contains:

- the accountant’s report on the Company’s audited financial information for the period from 1 July 2017 to 31 December 2019;
- the accountant’s report on the SWS’s audited financial information for the period from 1 July 2017 to 31 December 2019; and
- an unaudited pro-forma statement of net assets of the Enlarged Group.

7. Directors

Brief biographical details of the Directors are set out below.

Directors

Dr Keith Harris, Executive Chairman (aged 67)

Dr Keith Harris is an investment banker and financier with over 35 years’ experience as a senior corporate finance and takeover advisor, and as chairman and chief executive of private and public companies in a variety of business sectors. He has held senior executive positions at leading financial institutions in the UK and US, including Morgan Grenfell, Drexel Burnham, and was chief executive of HSBC Investment Bank and principal owner and chairman of Seymour Pierce Holdings. He has also held a number of non-executive positions in wide-ranging industries, including Wembley National Stadium and the Football League (as Chairman) and Everton FC (as Deputy Chairman), Benfield Group and Sellar Property (the developer of The Shard). In his various roles, Dr Harris has been an advisor and principal in many high-profile debt and equity issues as well as complex cross-border merger and acquisition transactions.

Since 2013, Dr Harris has concentrated on developing his consultancy business, principally focusing on advising and financing football clubs, as well as becoming chairman of a NASDAQ listed gene therapy company.

Selwyn Lewis, Non-Executive Director (aged 71)

Selwyn Lewis spent 25 years in the world of banking and financial services in London (focussing on emerging markets, and then trading in distressed debt instruments issued by third world countries/banks). During this time, he helped to structure a number of significant debt buy-back programmes, major investments through debt/equity conversions, and many other inventive uses of this distressed debt. He then returned to South Africa and became the Founder and Chairman of Treble Entertainment (Pty) Ltd, a company specialising in Sport Sponsorship, Marketing and Leveraging, dealing with a number of global passion brands and major international companies. He has held a number of direct advisory positions to a number of blue-chip sporting institutions including Manchester United and Springbok Rugby.

Michael Langoulant, Independent Non-Executive Director (aged 62)

Michael Langoulant is a Chartered Accountant, corporate and financial advisor who specialises in providing corporate financial services to public companies. He has over 30 years’ experience in public company M&A, corporate administration and fundraising. He has acted as finance director, CFO, company secretary and non-executive director with a number of publicly listed companies. He was previously Chairman of ASX listed White Cliff Minerals Limited.

8. Management (not on the Board)

Brief biographical details of the members of the Enlarged Group’s management team are set out below.

Christopher New, Chief Strategist and Technical Officer (to be effective from Completion) (aged 50)

Christopher New is a software engineer, big data and network designer with over 30 years’ commercial experience in designing and implementing solutions for the IT and Telecoms sectors. He was responsible for designing and implementing the national data cleansing and pricing model solutions for BT. He was also responsible for designing and implementing international data acquisition and analysis solutions for BAE Systems and the Big Data platform and framework for international E-commerce, SCADA and IoT. He conceived and implemented the SWS network and has instrumented its organically growth over the past 15 years.

Simon Hersh, Chief Financial Officer (aged 57)

Simon Hersh is an experienced Financial Director/CFO and corporate finance specialist with extensive micro accounting experience across the entrepreneurial SME sector. He has broad experience in company restructurings, mergers, acquisitions, and fund raisings spanning over the last three decades. Corporate finance experience also includes business planning, financial modelling and due diligence. His specialist sector knowledge includes IT products and services to schools, Specialist Pharmaceutical Consultancy, Media and Debt management. He benefits from access to a wider team with expertise in financial modelling and forensics.

9. Details of the Placing, the Subscription, the Warrants and Use of Proceeds

The Company is proposing to raise £2.5 million (approximately £2,233,000 net of expenses) by the conditional placing of 70,040,000 Ordinary Shares at the Placing Price pursuant to the Placing, and by the conditional subscription for 29,960,000 Ordinary Shares at the Subscription Price pursuant to the Subscription.

In addition, Placees and Subscribers will be issued with Warrants to subscribe for further Ordinary Shares at a subscription price of 4 pence per share on the basis of one new Ordinary Share for each Placing Share or Subscription Share. The subscription rights under the Warrants must be exercised within two years and are not transferable. Further details of the Warrants are set out in Part V.

The net proceeds of the Placing and the Subscription are intended to be applied to fund the Cash Consideration and the professional fees and expenses relating to the Acquisition and Admission, as well as to provide general working capital for further expansion in line with the Company's strategy as set out in paragraph 2 of this Part I.

The Placing Shares and the Subscription Shares will represent approximately 32.88 per cent. of the Enlarged Share Capital on Admission.

The Placing Shares and the Subscription Shares will, on Admission, rank *pari passu* in all respects with the Existing Ordinary Shares, including the right to receive dividends and other distributions declared, made or paid in respect of the Ordinary Shares.

Each of the Placing and the Subscription, neither of which is underwritten or guaranteed, is conditional, *inter alia*, upon Admission.

Further details of the Placing Agreement are contained in Part V.

10. Change of Name

The Directors believe that a change of name to Rural Broadband Solutions Plc would be most likely to promote the success of the Company as it describes more accurately the Enlarged Group's business operations post-Admission.

11. Long Term Incentive Plan/Option Scheme for Directors/Senior Management

Following Admission and subject to the approval of the Shareholders at a subsequent extraordinary general meeting of the Company, the Company intends to establish a long term incentive plan or option scheme for the executive Directors and the senior management team of the Enlarged Group. Potential participants may be invited to participate in any such plan or scheme but any award shall be subject to the absolute discretion of the Company's remuneration committee (or, if no such committee has been constituted at the relevant time, the Directors) and the terms and conditions of the relevant plan or scheme for the time being.

12. Dissemination of Regulatory News

The Company has arrangements in place to disseminate regulatory information to the market in accordance with the AQSE Rules and applicable laws and regulation. Regulatory information relating to the Company is also available to the general public through the Aquis Stock Exchange website www.aquis.eu/aquis-stock-exchange.

13. Admission and CREST

An application will be made for the Enlarged Share Capital to be admitted to trading on the AQSE Growth Market. It is expected that Admission will become effective and dealings in the Enlarged Share Capital will commence on 21 October 2020.

The Ordinary Shares are eligible for CREST settlement and settlement of transactions in the Ordinary Shares may take place within the CREST system if a Shareholder so wishes. CREST is a voluntary system and Shareholders who wish to receive and retain share certificates in respect of their Ordinary Shares are able to do so. CREST is a paperless settlement system enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by a written instrument in accordance with the CREST Regulations. For more information concerning CREST, Shareholders should contact their brokers or Euroclear at 33 Canon Street, London EC4M 5SB, United Kingdom or by telephone on +44 (0)207 849 0000.

The Ordinary Shares will have the ISIN number GB00B16GQJ90. The Ordinary Shares are not dealt on any other recognised investment exchange and no application has been or is being made for the Ordinary Shares to be admitted to any other such exchange.

14. Corporate Governance

The Directors are committed to maintaining high standards of corporate governance, and propose, so far as is practicable given the Company's size, stage of development and resources, to comply with the QCA Code.

Following Admission, as soon as is practically possible, the Board intends to establish an audit and risk management committee and a remuneration committee and will consider developing further policies and procedures, which reflect the principles of good governance.

The Company has adopted a share dealing code for dealings in securities of the Company by the Directors and Persons Discharging Managerial Responsibility which is appropriate for a company whose shares are traded on the AQSE Growth Market. This will constitute the Company's share dealing policy for the purpose of compliance with UK legislation including the Market Abuse Regulation and Rule 67 of the AQSE Rules. It should be noted that the insider dealing legislation set out in the UK Criminal Justice Act 1993, as well as provisions relating to market abuse, apply to the Company and dealings in Ordinary Shares.

The Directors have established financial controls and reporting procedures, which are considered appropriate given the size of and structure of the Company. These controls have been reviewed in the light of the Acquisition and adjusted accordingly.

15. City Code

The City Code, which is issued and administered by the Takeover Panel, applies to all takeover and merger transactions, however effected, where the offeree company is, *inter alia*, a company resident in the UK, the Channel Islands or the Isle of Man, the securities of which are admitted to trading on a regulated market or a multilateral trading facility (such as the AQSE Growth Market) in the United Kingdom or on any stock exchange in the Channel Islands or the Isle of Man. The City Code applies to the Company.

16. Taxation

Information regarding UK taxation in relation to the Ordinary Shares is set out in paragraph 11 of Part V of this Document. These details are, however, intended only as a general guide to the current tax position under UK taxation law, which may be subject to change in the future.

If you are in any doubt as to your tax position you should consult your own independent financial adviser immediately.

17. Dividend Policy

The Directors recognise the importance of dividends to investors and as the Group's business matures, will keep under review the desirability of paying dividends in accordance with the solvency test set out in the IOM Act alongside the need to maintain a consistent level of earnings cover and the Group's on-going working capital requirements. The Directors do not anticipate paying dividends in the foreseeable future.

18. The Extraordinary General Meeting

The Notice convening the Extraordinary General Meeting at which the Resolutions together with the other Proposals contained therein will be proposed and considered, is set out at the end of this Document.

19. Irrevocable undertakings

The Company has received irrevocable undertakings to vote in favour of the Resolutions from Dr Keith Harris, Barry Hersh and Placifor Investment Corporation, holding, in aggregate, 93,809,262 Existing Ordinary Shares, representing, in aggregate, 50.09 per cent. of the Existing Ordinary Shares.

20. Action to be Taken

Shareholders will find a Form of Proxy enclosed with the Notice of Extraordinary General Meeting for use at the Extraordinary General Meeting. The Form of Proxy should be completed and signed in accordance with the instructions thereon and returned to the Company's registered agents, Mainstream Fund Services (IOM) Limited, Millennium House, 46 Athol Street, Douglas, Isle of Man IM1 1JB, by not later than 11.00 a.m. on 17 October 2020. The completion and return of a Form of Proxy will not preclude Shareholders from attending the Extraordinary General Meeting and voting in person should they so wish (subject to the current restrictions imposed by the Isle of Man Government in response to the global COVID-19 pandemic).

Shareholders are advised that, given current restrictions imposed by the Isle of Man Government in response to the global COVID-19 pandemic, it may not be possible for shareholders or appointed third party proxies to attend the Extraordinary General Meeting in person. Shareholders are therefore strongly encouraged to complete and return the Form of Proxy to appoint the chairman of the meeting as their proxy.

21. Additional Information and Risk Factors

You should read the whole of this Document which provides additional information on the Company and SWS and not rely on summaries or individual parts only. Your attention is drawn to the further information in this Document and particularly to the risk factors set out in Part III of this Document. Potential investors should carefully consider the risks described in Part III before making a decision to invest in the Company.

22. Recommendation

The Directors believe that the Proposals are fair and reasonable and in the best interests of the Company and Shareholders as a whole.

Accordingly, the Directors recommend that Shareholders vote in favour of the Resolutions to be proposed at the General Meeting, as those Directors who are Shareholders have irrevocably undertaken to do in respect of their own beneficial holdings representing, in aggregate, 55,309,262 Existing Ordinary Shares, representing approximately 29.53 per cent. of the Existing Ordinary Shares.

Your sincerely

Dr Keith Harris

Executive Chairman

PART II

INFORMATION ON SECURE WEB SERVICES LIMITED

1. Background Information on SWS

SWS was incorporated and registered in England and Wales as a private limited company on 10 February 2000 with registered number 3923463 under the name, Secure Web Services Limited. Its registered office address and principal place of business is Brook House, Pennerley, Shrewsbury, Shropshire, SY5 0NE. Its telephone number is +44 333 7000 227 and it has the following website address: www.securewebservices.co.uk.

SWS started its life as an e-commerce/secure data hosting company, and in 2005, the rural broadband opportunity became visible, but there were few technologies available to solve the problem. SWS went on to develop and pioneer remedial solutions, and then when commercial technologies started to become available around 2010 at the right price point, SWS's core business moved to rural broadband in 2013.

Traditional infrastructure providers operate using fixed wire technologies and procedures and find it cost prohibitive to adopt the new solutions required to deliver high quality broadband to rural areas. SWS has been built by providing super-fast broadband alternatives (30 MEG +) to customers who have otherwise been reliant on the limited speed and latency of the Openreach (copper) infrastructure. The business of SWS has developed significant expertise in the deployment of mixed fibre/wireless technologies potentially capable of delivering Gigabit services. SWS has insignificant churn across its customer base, which the Directors believe indicates high levels of customer satisfaction. The business has a proven track record in deploying the latest mixed fibre/wireless technologies and Christopher New has developed a profitable and dependable business offering by investing into sustainable and reliable infrastructure.

The Company has conducted independent financial and legal due diligence on SWS and the resulting reports indicate that, in the Directors' opinion, there is not only room for strong organic growth within the immediate catchment area in which SWS operates, which could grow SWS's customer base, but also that there are multiple acquisition opportunities within the surrounding regions as well as the opportunity to take SWS's expertise to other areas of the country, where similar requirements exist.

The Company's initial due diligence also indicates that SWS would be well placed to secure/utilise government subsidies.

There have been no material changes in SWS's borrowing and funding structure since the end of the last financial period (31 December 2019).

2. Overview of the Existing Business of SWS and Objectives

SWS is established and currently serves a portion of the Shropshire county. The business has a strong track record in developing solutions across difficult topography. SWS has been grown organically through word of mouth recommendation and the Directors are confident there is strong growth capability. Neighbouring Wales has similar topography to the area which SWS currently serves and therefore, SWS would be well placed to expand into this territory. In June 2020, the ISP Review indicated there are some 79,000 Welsh premises without super fast broadband. The Company aims to explore expansion into other underserved rural territories, with similar topographies and property density, throughout the UK via further acquisitions.

On average, SWS installs its services into approximately 10 new customers per week. SWS has over 2,300 customers. In 2019 (year to 31 December) the business posted a turnover of circa £730,000 and EBITDA of circa £240,000. The Directors intend to strengthen SWS's infrastructure and marketing functions following Completion, in order to assist in increasing installations to new customers.

Migration in to the SWS network continues as customers are moving away from their existing suppliers who are using the Openreach infrastructure. This technology is not suited to rural broadband as it falls outside normal infrastructure that would be found in most conurbations through BT's Openreach network, resulting in poor broadband speeds.

Openreach infrastructure, as used in SWS's zone of operation, works as follows: fibre links into a cabinet from which each dwelling is linked by old fashioned copper cabling. Copper 'attenuates', that is becomes less efficient as more data is forced through it. BT's "Superfast Fibre", offers a faster broadband connection, increases speed but increases attenuation, reducing the cabinet footprint. The result of this is that the quality of broadband received is poor causing migration to the SWS service which is more efficient because SWS uses specialist wireless technology to connect its customers which removes the copper element of the connection, responsible for the poor quality of broadband.

It is estimated that at least a further 2,000 customers (households) receive less than 10MEG out of SWS's catchment of 40,000 households in its geographical market. The balance of customers (circa 35,000) receive less than 30MEG (and relatively few are able to receive the national headline copper speed of 64MEG) from an alternative supplier and it is SWS's objective to target them with both 100+ MEG services and ultimately a "Gigabit" enabled service utilising the UK Government's £200 million Rural Gigabit Connectivity scheme ("**RGC Scheme**"), which was launched in May 2019 and offered up to £1,500 per installation for residents. This is available (in its present form) to the end of March 2021. The RGC Scheme was established to connect rural areas to gigabit capable broadband services (Rural Gigabit Connectivity). Following this, SWS aims to build a Gigabit network, area by area, over the next few years.

SWS aims to pursue these customers through a program of upgrading its core network to deliver Gigabit enabled services and by offering its customer base free installation utilising the RGC Scheme. This can be approached as a set of sub projects, each containing a number of 'gigabit villages', which can follow on from each other, whilst previously connected customers acquire new connections from SWS as their existing (BT) contracts expire.

The general move towards a more rural focus is also designed to support the UK Government's separate £5 billion programme, which, once ready (a framework is being designed but the Directors anticipate that the first builds seem unlikely to start until late 2021), will fuel the UK Government's ambition for deploying "gigabit-capable" broadband networks to cover every home by the end of 2025; this will also work to tackle the final 20 per cent. of hardest to reach premises. Initial research undertaken by the Company confirms that SWS is well placed to secure/utilise government subsidies from which SWS intends to build its Gigabit network, area by area, over the next few years. Work on building this Gigabit network will start following Completion.

In summary, the Company and SWS have identified four areas of potential growth:

- Accelerated sign up of "non-Gigabit" customers within its territory through additional marketing (organic opportunity number 1 below);
- "Export" of SWS's expertise and technology solutions to other parts of the country that have similar problems with limited broadband quality (organic opportunity number 2 below);
- The building of SWS's Gigabit network using Government money to fund it (RGC Scheme) (organic opportunity number 3 below); and
- Targeted acquisitions where it is possible to capture 60-70 per cent. gross profit margins across a customer base.

3. Principal Activities and Organic opportunities of SWS

Organic opportunity 1

At this time, SWS is a collaborative fixed wireless access (FWA) network provider that specialises in offering flexible and affordable superfast broadband to properties located across the Shropshire area. It intends to grow its customer base by offering 100 MEG speeds to customers within its geographical market.

Organic opportunity 2

It is estimated that by 2025, as a result of the Gigabit push, there are likely to be a number of "notspots" which will require services throughout the country. This will create a growth opportunity although its precise size cannot yet be determined. As with the current digital divide created by traditional technologies, aimed at 'low hanging fruit', the Gigabit push will end up producing even more disparate 'notspots' than were produced from the previous FTTC upgrades. This is potential business for SWS as it transfers its expertise and technology to other geographical areas.

Organic opportunity 3

Openreach and BDUK stopped implementing FTTC solutions at the beginning of 2019. Gigabit can only be achieved via pure fibre and certain wireless technologies. These wireless technologies (in which SWS has considerable expertise) require close cell masts due to attenuation through the air. SWS has already implemented a close cell network of masts throughout its coverage area. It is therefore far quicker and cheaper for SWS to upgrade its coverage area to Gigabit than via a pure fibre solution.

4. Principal Markets

SWS is a niche supplier of broadband services in rural areas where quality of broadband has traditionally been poor. It has developed its own methodology to solve this and following Completion, the Directors believe that it will be in a good position to not only increase its customer base within its existing territory but also look to set up in other rural areas where there are similar issues.

Large broadband players are ignoring rural areas, and remain focused on cities, because it is not economically viable for them to focus on serving rural areas. As a result, circa. 27 million customers across Europe have connections with speeds less than 4MEG (although, for the foreseeable future, SWS will focus its expansion within the United Kingdom).

Fixed and mobile networks can now be considered the most essential of services in the 21st century; they will provide the backbone to drive productivity and economic growth. The Centre for Economics and Business Research (CEBR) has estimated fibre roll out plans could boost the UK economy by £59 billion by 2025.

5G will be essential for the development of smart homes/cities, roll out of autonomous vehicles and many mission critical applications. The Directors firmly believe those in rural areas will not tolerate being excluded from the aforementioned areas of innovation. Whilst it is expected 90 per cent. of the UK will have 5G coverage by 2027, reaching the final 10 per cent. of premises will require innovative solutions utilising multiple technologies. It is likely that the best-case solution will be in providing 10-30MEG connectivity to certain rural areas which again fits into SWS's strategy and technology offering.

5. Advantages of Acquiring SWS

SWS is operating in a niche service space with low competitive pressure from large players. The Directors expect that the Company's acquisition of SWS will provide a foundation with several competitive advantages:

- A firm footing in rural broadband – intelligence, experience and human capital;
- A Chief Strategist and Technical Officer with significant technical knowledge and understanding of the regulatory/funding environments;
- A business that is agile/profitable;
- A proven delivery record in developing bespoke solutions for hard to reach, under-provided areas; and
- Ofcom awarded Electronic Communications Code powers enabling providers, subject to necessary planning requirements, to construct infrastructure on public land (streets) and to take rights over private land, either with the agreement of the landowner or by applying to the County Court (for the building of masts and infrastructure).

SWS will not be using major operators' infrastructure; SWS has and will be implementing further new structures of its own which are within close proximity to the demand area and within reasonable proximity to each other to enable Gigabit capable capacity between them. Neutral hosting (which is single, shared network solution provided on an open access basis to all mobile network operators and is used to resolve poor wireless coverage) will allow SWS to provide 5G ready services enabling SWS to transit mobile connectivity back to the major operators without them having to have a presence on SWS's structures.

The Directors believe that following the building of its Gigabit enabled network, SWS's competitive position within SWS's territory (25,000 premises) will be considerably enhanced and churn should be minimal.

6. Competition

Competition within SWS's existing area

The only competitors within SWS's territory are those companies that choose to register the same properties that SWS has already registered in order to claim through the RGC Scheme but at present it is believed very few may have done so. As SWS intends to build Gigabit enabled infrastructure on a village by village basis, the Directors believe that take up will be strong and competition will be minimal.

Competition outside SWS's existing area

Targets that SWS would be looking to acquire would be established operators within their own rural zone which would have a similar level of "entrenchment" as SWS so again the Directors expect that competition within those areas would be limited. The situation would also be similar where SWS would look to work in partnership with (e.g. providing infrastructure) existing niche operators.

SWS is relatively insulated from competition as its customers use the infrastructure built by SWS (and SWS will continue to build infrastructure). The Directors believe it would be uneconomic for a large operator to build its own infrastructure to compete with SWS's, which is why SWS and companies like it are unique. Whilst there are alternative providers (e.g. BT and Talk Talk), the Directors believe that communities prefer to use locally provided services and the services offered by alternative providers are not as good as those provided by SWS due to these alternative providers providing "Fibre to Cabinet" and not Fibre to User (which means the distance from cabinet to user slows the service as it usually involves copper).

7. Investments

There have been no significant material investments by the Company since the end of the last financial period. However, following Completion, the Enlarged Group will be building its Gigabit network which will give its potential customers access to a 1 Gigabit service. The cost of this work is expected to be circa. £3 million and it is hoped that it will be paid for by the RGC Scheme (or its replacement) funded by the £5 billion made available by the Government for the purpose of upgrading broadband speeds in unviable, mainly rural, areas. However, whilst the RGC Scheme and any other Government subsidies/grants may be an added bonus to SWS, it is by no means reliant on these sources of funding for the further development of its business. Within 36 months, the Directors believe that SWS's portfolio of customers can be doubled organically to circa 5,000 (most paying £30 per calendar month).

8. Trend Information

Lockdown measures enforced as a result of the COVID-19 pandemic have demonstrated much of the UK has been able to continue working remotely through the use of video conferencing and software-as-a-service/cloud-based tools. There is already an exponential increase in demand for high speed connectivity due to lifestyle changes and new recreational services. COVID-19 has only served to accelerate change in habits with a larger portion of society likely to embrace remote working in the years to come. The SWS team have been considered essential workers during UK lockdown. Society, as we knew it, is likely to change over the next 18 months, with continued social distancing, more domestic holidays (including to rural areas of Britain) and such lifestyle changes are likely to place a greater emphasis on high speed internet for communication, entertainment, and work related purposes. The trend is therefore towards the highest levels of speed. As a result, the Directors believe that the Gigabit service can be considered the gold standard for now and for the foreseeable future.

PART III

RISK FACTORS

The attention of the Shareholders and the prospective investors is drawn to the fact that an investment in Ordinary Shares or proceeding with the Acquisition, the Placing and/or the Subscription may not be suitable for all such Shareholders and investors and will involve a variety of risks which, if they occur, may have a materially adverse effect on the Company's business or financial condition, results or future operations. In such case, the market price of the Ordinary Shares could decline, and an investor might lose all or part of his or her investment.

In addition to the information set out in this Document, the following risk factors are those of the Enlarged Group and should be considered carefully in evaluating whether to make an investment in the Company or proceed with the Acquisition, the Placing or the Subscription, if a Shareholder. The following factors do not purport to be an exhaustive list or explanation of all the risk factors involved in investing in the Company and they are not set out in any particular order of priority.

Additionally, there may be further risks of which the Directors are not aware or believe to be immaterial which may, in the future, adversely affect the Enlarged Group's business, *financial condition, results of operations, prospects* or the market price of the Ordinary Shares. In particular, the Company's performance might be affected by changes in market and economic conditions and in legal, regulatory and tax requirements.

Before making a decision on the Proposals or a final investment decision, the Shareholders and prospective investors should consider carefully whether an investment in the Enlarged Group is suitable for them in the light of their personal circumstances and the financial resources available to them. Any Shareholder or prospective investor who is in any doubt as to any action he should take, should consult with an independent financial adviser authorised under the FSMA, if the investor is in the United Kingdom or, if not, another appropriately authorised independent financial adviser, who specialises in advising on the acquisition of shares and other securities.

The risks referred to below are those risks the Enlarged Group and the Directors consider to be the material risks relating to the Enlarged Group.

RISK FACTORS RELATING TO THE BUSINESS OF THE ENLARGED

GROUP *Risks associated with the Company's business strategy*

The Company was admitted onto NEX as an investment vehicle for the purpose of identifying investment opportunities and acquisitions in the developing market for rural broadband. Although the Enlarged Group will be a trading group, it is still at a relatively early stage of its commercial development. There is accordingly no guarantee that the business of the Enlarged Group will be successful, nor can there be any certainty that the Enlarged Group will achieve the projected revenues from its operations.

The Enlarged Group may be required to seek additional equity or debt financing for future expansion of the business and its operations. The Enlarged Group may not receive sufficient support from its existing Shareholders to raise additional equity, and new equity investors may be unwilling to invest on terms that are favourable to the Enlarged Group or at all. Lenders may be unwilling to extend debt financing to the Enlarged Group on attractive terms, or at all. To the extent that additional equity or debt financing is necessary to expand the business and remains unavailable or only available on terms that are unacceptable to the Enlarged Group, the Enlarged Group may be constrained in the development of the business. However, the Directors do not believe that the Enlarged Group will be required to seek additional equity or debt financing within the 12-month working capital period as their financial models indicate that their working capital is sufficient during that period to implement their strategy.

The Enlarged Group may be adversely affected by amendments to laws governing broadband

The Enlarged Group is subject to amendments to laws imposed in the United Kingdom, including laws that govern the availability and installation of rural broadband, that may impair or even prevent the Enlarged Group from conducting its business.

In the event that the Enlarged Group was in violation of such regulations the business, financial condition, results of operations and the prospects of the Enlarged Group could be materially and adversely affected.

Competition for acquisition opportunities

There may be competition from others interested in some or all of the acquisition opportunities that the Enlarged Group may explore. Such competition may for example come from strategic buyers, existing controlling shareholders in potential acquisition targets and public and private investment funds. Although the Directors believe that the Enlarged Group is well placed to compete for opportunities, there can be no certainty that it will be successful against such competition.

Competition

The industries in which the Enlarged Group operates, that is the provision of broadband and rural broadband in particular, are characterised by heavy competition and as a result of this, the Enlarged Group suffers the risk that it may fail to enter into new contracts that are sufficiently profitable to maintain or improve the Enlarged Group's financial condition. Furthermore, the market in which the Enlarged Group operates is competitive and fast moving and may become even more competitive. There can be no guarantee that the Enlarged Group's competitors, some of which may have greater financial resources, will not develop similar or superior services and technologies to the Enlarged Group's services and technologies, which may render the Enlarged Group uncompetitive.

Removal of government grant support/change in policy

The Government subsidies are important in stimulating demand for rural broadband customer connections and covering the cost of SWS's creation of its Gigabit network. There is a risk, particularly as a result of the current adverse economic environment brought about by the COVID-19 pandemic, of the removal of such subsidy support, which may significantly reduce the opportunity for further customer acquisition in this market and for the cost of SWS's expansion plans to be funded in this way.

Early stage company

The Enlarged Group faces risks frequently encountered by early stage companies. In particular, its future growth and prospects will depend on its ability to manage growth and to continue to expand and improve operational, financial and management information and quality control systems on a timely basis, whilst at the same time maintaining effective cost controls. Any failure to expand and improve operational, financial and management information and quality control systems in line with the Enlarged Group's growth could have a material adverse effect on the Enlarged Group's business, financial condition, and results of operations.

RISK FACTORS RELATING TO THE BUSINESS AND OPERATIONS OF THE ENLARGED GROUP

Reliance on key personnel

The Enlarged Group's ability to provide returns to Shareholders and achieve its investment objective is dependent on the performance of the Directors in the identification, technical assessment, acquisition, management and disposal of investments in various target companies and projects. Failure by the Directors and its investment advisers in this regard could have a material adverse effect on the Enlarged Group's business, financial condition and return on investments.

Insurance

There can be no certainty that the Enlarged Group's insurance cover is adequate to protect it against every eventuality. The Enlarged Group's position, financial performance, prospects and business could be materially adversely affected if an event occurred for which the Enlarged Group did not have adequate insurance cover.

Material litigation, claims or arbitration or legal uncertainties

Save as disclosed in paragraph 8.2 of Part V of this Document, the Enlarged Group is not engaged in any material litigation, claim and arbitration, either as claimant or defendant, that has or could have a material effect on its financial position, and the Directors do not know of any proceedings pending or threatened or of any facts likely to give rise to any proceedings which might materially and adversely affect the Enlarged Group's position or business. However, there can be no assurance that there will be no such proceedings in the future that could affect the reputation, business or performance of the Enlarged Group.

Ability to generate revenues and profits

At this stage, there is no certainty that the Enlarged Group will be able to carry out its growth strategy to the extent that it intends to. Failure to do so and slower demand for the Enlarged Group's services may result in revenues growing more slowly than anticipated and a negative impact on profitability.

Financial resources

In the opinion of the Directors, having made due and careful enquiry, taking into account the existing facilities available to the Company, the working capital available to the Enlarged Group will be sufficient for its present requirements, that is for at least the next 12 months from the date of Admission. The Enlarged Group's future capital requirements will, however, depend on many factors, including economic and market conditions and the Enlarged Group's ability to grow sales, control costs and execute its expansion programme. In the future, the Enlarged Group may require additional funds and may attempt to raise additional funds through equity or debt financings or from other sources. Any additional equity financing may be dilutive to Shareholders and any debt financing, if available, may require restrictions to be placed on the Enlarged Group's future financing and operating activities. The Enlarged Group may be unable to obtain additional financing on acceptable terms or at all if, for example, market and economic conditions, the financial condition or operating performance of the Enlarged Group or investor sentiment (whether towards the Enlarged Group in particular or towards the market sector in which the Enlarged Group operates) are unfavourable. The Enlarged Group's inability to raise additional funding may hinder its ability to grow in the future or to maintain its existing levels of operation.

Future uncertainty

This Document contains certain forward-looking statements that are subject to certain risks and uncertainties, in particular statements regarding the Enlarged Group's plans, goals and prospects. These statements and the assumptions that underlie them are based on the current expectations of the Directors and are subject to a number of factors, many of which are beyond their control. As a result, there can be no assurance that actual performance of the Enlarged Group will not differ materially from matters described in this Document.

Suppliers

The Enlarged Group shall rely on certain suppliers, without whom the Enlarged Group's revenue generation, efficiency of operations and cash flow may not be optimised. The Enlarged Group cannot guarantee that service and products delivered from third parties will remain of a high quality in the future and be provided without interruption. In the event of a major disruption to the timely supply of third party products and services, alternative suppliers may only be available at higher prices or at the cost of some delay in supplying customers, which could negatively affect the Enlarged Group's operations, financial results and performance.

Taxation

The attention of potential investors is drawn to paragraph 11 of Part V of this Document headed "Taxation". The tax rules, including stamp duty provisions and their interpretation relating to an investment in the Enlarged Group may change during the life of the Enlarged Group.

The levels of, and reliefs from, taxation may change. The tax reliefs referred to in this Document are those currently available and their value depends upon the individual circumstances of investors. Any change in the Enlarged Group's tax status or the tax applicable to holding Ordinary Shares, or in taxation legislation or its interpretation, could affect the value of investments held by the Enlarged Group, affect the Company's ability to provide returns to Shareholders and/or alter the post-tax returns to Shareholders. Statements in this Document concerning the taxation of the Enlarged Group and its investors are based upon current tax law and practice which is subject to change.

Macroeconomic risk

Any economic downturn, either globally or locally in any areas in which the Enlarged Group operates, may have an adverse effect on the demand for the Enlarged Group's products and services. Despite the necessity to currently work from home, where possible, as a result of COVID-19 and consequent increasing demand for rural broadband services, a more prolonged economic downturn may lead to an overall decline in the volume of the Enlarged Group's sales and customer base, restricting the Enlarged Group's ability to realise a profit and negatively impact the Enlarged Group's financial position and prospects.

Impact of changes in law and governmental regulation

The laws, regulations and guidelines applicable to the rural broadband industry may change in ways currently unforeseen by the Enlarged Group. If there are any changes to such laws, regulations or guidelines occur, which are matters beyond the Enlarged Group's control, the Enlarged Group may incur significant costs in complying with or is unable to comply with such changes. This may have a material adverse effect on the Enlarged Group's business, financial position and results.

EU membership and potential constitutional change

The UK left the European Union on 31 January 2020 (commonly referred to as BREXIT) as set out in the Withdrawal Agreement signed by the UK and the EU. This Agreement set out a period of transition which started at the date the UK left the EU and that will end on 31 December 2020. During this period of transition, a trade agreement between the UK and the EU will be negotiated. The outcome of those negotiations is currently unknown, and this represents significant uncertainty as to the impact that this will have the UK economy. The Enlarged Group faces potential risks associated with the exit by the UK from its membership of the European Union, and the potential uncertainty during this transition period. The UK's exit from the European Union could materially change both the fiscal and legal framework in which the Enlarged Group operates, and it could have a material impact on the UK's economy and its future economic growth. In addition, prolonged uncertainty regarding aspects of the UK economy due to the uncertainty around the EU exit could damage customers' and investors' confidence. The EU exit and these aspects could have a material adverse effect on the Enlarged Group's business, results of operations, financial condition and growth prospects.

Coronavirus outbreak (COVID-19)

Whilst the contrary is true at present, the Enlarged Group's operations and/or its financial condition may be adversely affected by the respiratory illness known as COVID-19.

In December 2019, the 2019 novel coronavirus surfaced in Wuhan, China. The World Health Organization declared a global emergency on 30 January 2020 with respect to the outbreak. The full impacts of the outbreak are unknown and rapidly evolving but COVID-19 has continued to spread ferociously around the world resulting in a global pandemic and many countries going into self-imposed lockdowns in an attempt to control the spread of the virus. This global pandemic is having a noticeable impact on global economic growth and causing disruption to financial markets and business activity in the UK and globally.

The future impact of this outbreak is highly uncertain and cannot be predicted and there is no assurance that the outbreak will not have a material adverse impact on the Enlarged Group's business, financial position and results and its ability to identify further, suitable acquisition targets in line with its investment strategy. At present, the COVID-19 pandemic has significantly increased the demand for rural broadband services due to the increase of working from home. However, the extent of the impact, if any, will depend on future developments, including actions taken to contain the coronavirus and the severity of the impact it has on global economic growth.

The combined effect of COVID-19 and BREXIT

The risks to the Company from COVID-19 and BREXIT are set out above. These risks are the risks relating to these individual events. The current combination of both COVID-19 and BREXIT increases the uncertainty of both the extent and duration of the economic impact on the UK and on UK households.

This may reduce the income of the Company and may result in financial loss.

Force majeure

The Enlarged Group's operations, now or in the future, may be adversely affected by risks outside the control of the Enlarged Group including war, terrorism or threats of terrorism, civil disorder, subversive activities or sabotage, fires, floods, explosions, or other catastrophes, epidemics or quarantine restrictions. Such high-probability, high-impact events, could have a material, negative effect on the market price of the Enlarged Group's business, financial position, and results.

RISKS RELATING TO COMPANIES OPERATING IN THE RURAL BROADBAND

SECTOR Future regulated fibre prices

The prices that companies operating in the rural broadband sector can charge for most of their fibre-based/fibre-related network products and services may be regulated in the foreseeable future. There is a risk that the UK regulator will set prices that do not provide an operating company with an adequate return on its assets. In the event of disagreements with the regulator over pricing, considerable resources and management attention may be diverted to dealing with disputes with the regulator. This could have a negative effect on the operating companies' cash flows, profitability and results of operations, which would in turn have a negative effect on the Enlarged Group's profitability.

Potential customers already on existing contracts

The financial modelling undertaken by the Company with regard to the Gigabit network assumes a uniform uptake for this service by customers as it becomes accessible. The timing of customers switching from their existing contracts may be affected as customers will be obliged to exit their existing contracts before switching to SWS's offering. This may result in slower uptake than forecast by the Company.

Government risk

Companies operating in the UK's rural broadband sector, both fixed and wireless, operate in a highly regulated environment. Such operating companies need to ensure compliance with a variety of legislation and could be subject to future regulatory changes and/or other intervention by the UK's government. If the operating company (or any member of the Enlarged Group) breaches any of its undertakings, the breaching entity could face significant financial penalties. Furthermore, certain regulatory and legislative rules may limit the Enlarged Group's ability to pursue certain business opportunities and activities and consequently, may affect the returns it can generate on its assets. There can be no assurances provided by the Enlarged Group as to future policies, ministerial decisions or regulatory outcomes it, or any operating company, may face which could adversely impact the market share, competitiveness and financial performance or the Enlarged Group and/or any of the operating companies operating in which the Enlarged Group may, from time to time, invest.

In addition to changes in laws and regulations, policies and practices of the UK Government and regulators may change and new political and policy developments may have an unexpected or adverse impact on market conditions which could affect the Enlarged Group's activities, business or practices. The above risks may increase if a new parliament enacts policies likely to have adverse implications for investors in rural broadband and/or for companies that operate in the UK's rural broadband space, although the current government is in place until 2024, and is supportive of the strategies that SWS is pursuing.

Network deployment costs and construction risk

Deploying a network and bringing high-speed wireless capabilities to rural areas represent substantial infrastructure projects. Although the providers of rural broadband often have significant experience deploying fixed and/or wireless communications infrastructure, the rollout to relatively remote areas is likely to represent a significant challenge in terms of scale, complexity, duration and cost. Rural rollouts are likely to be subject to the risks that typically apply to large-scale, long-duration infrastructure and construction projects, including the following:

- underestimated costs;
- underestimated timeframes;
- unanticipated delays in obtaining materials and equipment;
- shortages of labour or materials and equipment;

- increases in the cost of materials or labour that exceed inflation assumptions;
- increases in the cost of materials or equipment resulting from foreign exchange movements;
- engineering problems;
- work stoppages, particularly labour disputes at third-party contractors
- SWS workers no longer being classed as key workers in future lock downs due to changes in government strategies to cope with the COVID-19 pandemic;
- difficulties or delays in obtaining permits and approvals;
- interruptions from adverse weather conditions; and
- the chance of the government withdrawing funding that would have been available through the RGC Scheme and ensuing funding schemes

Any of these factors could result in the rural broadband provider's failure to meet its timetable and budget estimates. Timetable delays may give rise to contractual remedies and delay the revenues that the operating company would otherwise earn from delivering broadband services. Substantial increases in the cost of the project could adversely affect the Enlarged Group's return on investment and future profitability.

Broadband providers' indebtedness

Providers of rural broadband may finance their operations with debt, which takes priority over equity in the event of the broadband provider's insolvency, and accordingly exacerbate the risks associated with the Enlarged Group's equity investment in providers of broadband services.

IT or network system failure

The rural broadband provider's network infrastructure is likely to be vulnerable to damage or interruption from a range of risks, including equipment failure, cable cuts, power failures, weather, earthquake, fire and intentional damage. Each operator's facilities, information systems and network systems is expected to be crucial to supporting the ability to provide reliable, uninterrupted customer service, and a failure of any of these could have widespread effects across the provider's networks. Further, the risk of operational failure may be higher during the early phases of operating the rural broadband networks, due to errors in design or deployment, equipment not performing as expected or other unforeseen operational problems.

Any interruption to the operations of the providers' networks could result in lost revenue, additional capital expenditure requirements, higher operating costs, damage to that provider's reputation and liability to that provider's customers. If failures occur in the new network, it may significantly affect end-user perceptions of the reliability of the network and result in lower uptake for that provider, or among all providers operating in rural areas.

Dependence on third-party contractors and suppliers

The providers of rural broadband services in the UK, both fixed and wireless, are likely to depend on a number of outsourcing and supply relationships with external suppliers to build, operate and maintain their respective infrastructure and access networks. As a result, it is likely that the broadband service provider will not directly control the performance of certain of its core functions and will not directly employ many of the technicians and other personnel on which that provider relies.

Failure by contractors to perform at acceptable levels could result in additional costs and delays in performing vital functions such as service provision, maintenance and construction and could adversely affect the provider's reputation and potentially subject the provider to penalties. While agreements with the third-party contractors generally contain or incorporate binding service levels and provide for remedies in the case of a failure to meet them, there can be no assurance that any remedies would be adequate to compensate the broadband provider in the event of a serious failure.

In addition, the service providers are likely to depend on third-party suppliers for key materials and equipment. Failure by broadband providers' suppliers to supply equipment, services or deliverables within acceptable cost, time and quality requirements could affect that provider's financial position and performance.

RISKS RELATING TO THE ORDINARY SHARES

Investment in AQSE Growth Market securities and liquidity of the Company's Shares

An investment in companies whose shares are traded on the AQSE Growth Market is perceived to involve a higher degree of risk and to be less liquid than an investment in companies whose shares are listed on the Official List. Aquis Exchange Plc acquired NEX Exchange Limited earlier this year and as a result of this change of ownership, an investment may be perceived to involve an even higher degree of risk in this transitional phase. It is anticipated that the AQSE Rules will be changed in the short term and this may have an adverse effect on the Company. The AQSE Growth Market is a market designed primarily for emerging or smaller companies. The rules of this market are less demanding than the Official List. The future success of the AQSE Growth Market and liquidity in the market for Ordinary Shares cannot be guaranteed. In particular, the market for Ordinary Shares may become or may be relatively illiquid and therefore, such Ordinary Shares may be or may become difficult to sell.

The market for the Ordinary Shares following Admission may be highly volatile and subject to wide fluctuations in response to a variety of factors that could lead to losses for Shareholders. These potential factors include amongst others: any additions or departures of key personnel, litigation and press, newspaper and/or other media reports.

Prospective investors should be aware that the value of the Ordinary Shares may go down as well as up, that the market price of the Ordinary Shares may go down as well as up and that the market price of the Ordinary Shares may not reflect the underlying value of the Company. Investors may, therefore, realise less than or lose all of their investment.

Market in the Ordinary Shares

The share price of publicly quoted companies can be highly volatile and shareholdings illiquid. The market price of the Ordinary Shares may be subject to wide fluctuations in response to many factors, some specific to the Enlarged Group and its operations and others to the AQSE Growth Market in general including, but not limited to, variations in the operating results of the Enlarged Group, divergence in financial results from analysts' expectations, changes in earnings estimates by stock market analysts, general economic conditions or legislative changes in the Enlarged Group's sector. In addition, stock markets have from time to time experienced extreme price and volume fluctuations, which, as well as general economic and political conditions, could adversely affect the market price for the Ordinary Shares. The trading of the Ordinary Shares on the AQSE Growth Market should not be taken as implying that there will be a liquid market for the Ordinary Shares and there is no guarantee that an active market will develop or be sustained after Admission. It may be more difficult for an investor to realise his investment in the Enlarged Group than in a company whose shares are quoted on the Official List.

Dilution of Shareholders' interest as a result of additional equity fundraising

The Enlarged Group may need to raise additional funds in the future to finance, amongst other things, working capital, expansion of the business, new developments relating to existing operations or new acquisitions. There are no provisions of Isle of Man law equivalent to Sections 560-568 of the Act which confer pre-emption rights on existing Shareholders in connection with the allotment of equity securities for cash. The Company has not applied the provisions of section 36 of the Isle of Man Companies Act 2006 and the Articles do not confer pre-emption rights on the issue of new shares. Therefore, Shareholders not participating in future offerings may be diluted, having the effect that they will not be granted subscription rights in connection with, or be able to subscribe for new shares in, such offerings.

The Company intends to issue the Consideration Shares and the Share Options and may in the future issue further Ordinary Shares and/or options to subscribe for new Ordinary Shares, including (without limitation) to certain advisers, employees, directors, senior management and consultants. The issue of the Consideration Shares, further Ordinary Shares, or the exercise of such options, would result in dilution of the shareholdings of other investors. Shareholders may also be diluted by the issue of new Ordinary Shares to fund the acquisition of selected acquisition targets in line with the Enlarged Group's investment strategy.

Dividends

There can be no assurance as to the level of future dividends. The declaration, payment and amount of any future dividends of the Enlarged Group are subject to, amongst other things, satisfaction of the solvency test set out in the IOM Act and, in the case of a final dividend, to the approval of the Shareholders and, in the case of an interim dividend, to the decision of the Directors, and will depend upon, among other things, the Company's earnings, financial position, cash requirements, availability of profits, as well as provisions for relevant laws or generally accepted accounting principles from time to time. The Directors do not anticipate paying dividends in the foreseeable future.

The investment detailed in this Document may not be suitable for all of its recipients and involves a high degree of risk. Before making an investment decision, Shareholders and prospective investors are advised to consult a professional adviser authorised under the FSMA if they are in the United Kingdom or, if not, to consult another appropriately authorised and independent financial adviser who specialises in advising on investments of the kind described in this Document. Shareholders and prospective investors should consider carefully whether an investment in the Enlarged Group is suitable for them in the light of their personal circumstances and the financial resources available to them.

PART IV (A)

HISTORICAL FINANCIAL INFORMATION RELATING TO SAPO PLC

SAPO PLC

Annual Report and Financial Statements

Year ended 31 December 2019

CONTENTS

| | Page |
|--|---------|
| Directors and Advisers | 1 |
| Chairman's Statement | 2 |
| Report of the Directors | 3 - 4 |
| Statement of Directors' Responsibilities | 5 |
| Independent auditor's report | 6 - 9 |
| Audited Financial Statements: | |
| - Consolidated Income Statement | 10 |
| - Consolidated Statement of Comprehensive Income | 11 |
| - Consolidated Balance Sheet | 12 |
| - Consolidated Statement of Changes in Equity | 13 |
| - Consolidated Cash Flow Statement | 14 |
| - Notes to the Financial Statements | 15 – 26 |

Directors and Advisers

Directors

Keith Harris (Executive Chairman)
Selwyn Lewis (Non-executive Director)
Michael Langoulant (Non-executive Director)

all of the registered office below

Registered Office

Millennium House
46 Athol Street
Douglas
Isle of Man IM1 1JB

Administrator and Registrar

Mainstream Fund Services (IOM) Limited
Millennium House
46 Athol Street
Douglas
Isle of Man IM1 1JB

Aquis Exchange Corporate Adviser

Alfred Henry Corporate Finance Limited
Finsgate 5-7
Cranwood Street
London
EC1V 9EE

Auditor

Jeffreys Henry LLP
Finsgate 5-7
Cranwood
Street London
EC1V 9EE

Chairman's Statement

I was invited to join the board of our Company in February of this year as Executive Chairman, following the sad and untimely passing of my predecessor, Michael Meyer. I would like to express my sympathies for his family and friends. Michael saw an exciting yet undeveloped business opportunity in the UK and beyond in which SAPO could invest and grow. That opportunity has been made all the more pressing and real by the Covid-19 crisis that in the past few months has enveloped the world. My principal role as Chairman is to ensure that we take full advantage of the promise presented, for the benefit of our shareholders. I have been working with my colleagues and advisors to do just that. I am pleased to report that we have already made good progress in achieving the first of our objectives. In the weeks and months that follow, we will be pushing forward to deliver the implementation of our growth strategy.

Keith Harris
Chairman
25 June 2020

Report of the Directors

The Directors hereby submit their annual report together with the audited consolidated financial statements of SAPO PLC (the "Company") and its subsidiaries (the "Group") for the year ended 31 December 2019.

The Company

The Company is incorporated in the Isle of Man under the Isle of Man Companies Act 2006 and held a portfolio of property interests in South Africa. Over the last couple of years, the Group's objective was the orderly realisation of the real estate assets in South Africa. The realisation has been completed and the Company has no further property interests.

The investment strategy of the Company is now focused towards investing in the developing market for rural broadband. Currency and debt

The Group does not hedge its exposure in its Rand assets and liabilities.

Independent Auditor

Jeffreys Henry LLP were appointed as independent auditor on 10 October 2019 and, being eligible, has indicated its willingness to continue in office.

Results and dividends

The Company has reported a loss for the year of £371,642 (period ended 31 December 2018 £497,553). The results and position of the Group at the year-end are set out on pages 10 to 26 of the financial statements.

Directors

The Directors who served during the year and up to the date of this Report were as follows:

| | Appointed | Resigned |
|----------------------------|----------------|--------------------------|
| Michael Langoulant | 9 May 2018 | |
| Michael Meyer – Chairman | 24 August 2018 | Deceased 23 January 2020 |
| Dr Keith Harris - Chairman | 10 March 2020 | |
| Selwyn Lewis | 10 March 2020 | |

Directors and other interests

At the balance sheet date, Michael Meyer held 72,428,931 Ordinary Shares in the Company. Mr Meyer's holding included 5,000,000 Ordinary shares owned by his wife Livia Meyer. Subsequent to the year-end he purchased a further 51,235 Ordinary Shares on 7 January 2020 and an additional 100,000 Ordinary Shares on 17 January 2020.

20,000,000 shares were allotted to Dr Keith Harris subsequent to the year end on 17 March 2020.

Selwyn Lewis is one of four beneficiaries of a discretionary trust (the other three being his children) whose Trustees are Trident Trust Company (IOM) Limited. Trident Trust Company (IOM) Limited owns Placifor Investment Corporation which holds 35,512,407 Ordinary Shares in the Company.

Save as disclosed above and in note 19, none of the Directors had any interest during the year in any material contract for the provision of services which was significant to the business of the Company.

Report of the Directors (continued)

Principal risk and uncertainties

The Board regularly reviews the risks to which the company is exposed and ensures through its meetings and regular reporting that these risks are minimised as far as possible. Following the subsequent resale of Madison Park Properties 40 (Pty) Limited on 27 September 2019 the directors are actively pursuing a number of business opportunities which will determine the future strategy of the Company.

Principal risks and uncertainties facing the Company include but are not limited to:

- Management of its cash resources to ensure it has the ability to execute its future strategy.
- There is a risk that the new strategy does not add to a sustained increase in shareholder

value. Use of financial instruments

The Company's financial risk management objectives are to minimise its liabilities, to fund its activities through equity financing and to ensure the Company has sufficient working capital to pursue its corporate strategic objectives.

On behalf of the Board

Keith Harris
Chairman
25 June 2020

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

The Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards ("IFRSs") (as adopted by the European Union). In preparing those financial statements it is the Directors' responsibility to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business; and

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

The Directors are responsible for keeping proper accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

On behalf of the Board

Keith Harris
Chairman
25 June 2020

Independent auditor's Report to the Members of SAPO PLC

Opinion

We have audited the financial statements of SAPO Plc for the year ended 31 December 2019 which comprise the consolidated income statement, consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of cash flows, the consolidated statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006 (Isle of Man).

In our opinion:

- the financial statements give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of the Company's loss for the year then ended;
- the financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 (Isle of Man).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standards, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matters (continued)

| Key Audit Matter | How the scope of our audit responded to the key audit matter |
|--|---|
| Valuation of amounts recoverable on disposal of subsidiary | |
| The Company disposed its holding in Madison Park Properties (40) Pty Limited during the year for ZAR 10 million. | We have performed the following audit procedures: <ul style="list-style-type: none"> request confirmation of balance held in Escrow account at the yearend and a list of all transactions to the date proceeds were released to the Company review costs incurred post yearend through the escrow account and compare to costs accrued by the Company at the yearend review post yearend bank statement to confirm amount received and compare this to the final transfer calculations review post yearend expenses and management accounts for any additional costs relating to the recovery of the proceeds |
| We identified a risk that the amount disclosed on the balance sheet may be materially misstated due to costs incurred post year end in realisation of the loan. | |
| We therefore determined this to be a key audit matter. | Based on the audit work performed, we are satisfied that management have appropriately accounted for all costs associated with the recovery of the proceeds from disposal of shares held in Madison Park Properties (40) Limited. We are also satisfied that all necessary disclosures have been made in the consolidated financial statements. |

Our application of materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgment, we determined materiality for the financial statements as a whole as follows:

| | |
|---------------------------------|--|
| | Group financial statements |
| Overall materiality | £33,000 (2018: £17,000) |
| How we determined it | Based on 2.5% of Gross Assets (2018: 2.5% of Gross Assets) |
| Rationale for benchmark applied | We believe that Gross Assets are a primary measure used by shareholders in assessing the financial position of the Group and is a generally accepted auditing benchmark. |

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality.

We agreed with management that we would report to them misstatements identified during our audit above £1,650 (2018: £850) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

An overview of the scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgments, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.

An overview of the scope of our audit (continued)

The Group financial statements are a consolidation of two reporting units (one of these reporting units was disposed of during the year), comprising the Group's operating businesses.

We performed audits of the complete financial information for SAPO Plc which accounted for 100% of the Group's revenue and over 90% of the Group's absolute loss before tax (i.e. the sum of the numerical values without regard to whether they were profits or losses for the relevant reporting units).

The Group engagement team performed all audit procedures, including results from disposal of Madison Park Properties (40) Limited, which were held in Escrow.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006 (Isle of Man)

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 (Isle of Man) requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement set out on page 5, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of this report

This report is made solely to the Company's members, as a body, in accordance with Chapter 2 of Part V of the Companies Act 2006 (Isle of Man). Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Sanjay Parmar (Senior Statutory Auditor)
For and on behalf of
Jeffreys Henry LLP, Statutory Auditor
Finsgate
5-7 Cranwood Street
London EC1V 9EE
25 June 2020

Consolidated Income Statement

| | Note | Year ended 31 December 2019 £'000 | Period from 1 July 2017 to 31 December 2018 £'000 |
|--|------|---|---|
| Revenue – rental income | | - | - |
| Total revenue | | - | - |
| Total cost of sales | 5 | (25) | (23) |
| Gross loss | | (25) | (23) |
| Investment management fees | 6 | - | (166) |
| Other administration fees and expenses | 7 | (352) | (483) |
| Administrative expenses | | (352) | (649) |
| Reversal of impairment of assets held for sale | | - | 117 |
| Impairment of third party loan | 10 | - | (184) |
| Operating loss | | (377) | (739) |
| Finance income | | 10 | 13 |
| Foreign exchange (loss)/gain | 3 | (5) | 14 |
| Net finance income | | 5 | 27 |
| Profit on disposal of subsidiary undertakings | | - | 214 |
| Loss before income tax | | (372) | (498) |
| Income tax expense | 8 | - | - |
| Loss for the year/period | | (372) | (498) |
| Attributable to: | | | |
| - Owners of the Parent | | (372) | (498) |
| | | (372) | (498) |
| Basic and diluted loss per share (pence) attributable to the owners of the Parent during the year/ period | 9 | (0.42) | (0.80) |

The accompanying notes on pages 15 to 26 form an integral part of these financial statements

Consolidated Statement of Comprehensive Income

| | Note | Year ended 31 December 2019 £'000 | Period from 1 July 2017 to 31 December 2018 £'000 |
|--|------|---|---|
| Loss for the year/period | | (372) | (498) |
| Other comprehensive expense | | | |
| Items reclassified to profit or loss | | | |
| Accumulated foreign exchange differences arising on subsidiary operations reclassified from equity to profit or loss | | - | (360) |
| Other comprehensive expense for the year/period | | (372) | (360) |
| Total comprehensive expense for the year/period | | (372) | (858) |
| Total comprehensive expense attributable to: | | | |
| - Owners of the Parent | | (372) | (858) |
| | | (372) | (858) |

The accompanying notes on pages 15 to 26 form an integral part of these financial statements

Consolidated Balance Sheet

| | | As at 31 December 2019 | As at 31 December 2018 |
|--|------|------------------------|------------------------|
| | Note | £'000 | £'000 |
| Assets | | | |
| Non-current assets | | | |
| Subscriptions due | 11 | 750 | - |
| Current assets | | | |
| Third party loan | 10 | - | 415 |
| Trade and other receivables | 12 | 547 | 73 |
| Cash at bank | 13 | 94 | 33 |
| Total current assets | | 641 | 521 |
| Total assets | | 1,391 | 521 |
| Equity | | | |
| Capital and reserves attributable to owners of the Parent: | | | |
| Issued share capital | 14 | 1,663 | 623 |
| Retained earnings | 15 | (556) | (184) |
| Total equity | | 1,107 | 439 |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | 17 | 284 | 82 |
| Total current liabilities | | 284 | 82 |
| Total liabilities | | 284 | 82 |
| Total equity and liabilities | | 1,391 | 521 |

The financial statements on pages 10 to 26 were approved and authorised for issue by the Board of Directors on 25 June 2020 and signed on its behalf by:

Keith Harris
Director

Selwyn Lewis
Director

The accompanying notes on pages 15 to 26 form an integral part of these financial statements

Consolidated Statement of Changes in Equity

| | Attributable to owners of the parent | | | | Non-controlling interests | Total |
|---|--------------------------------------|--------------------------------------|------------------------------|-------|---------------------------|-------|
| | Share capital | Foreign currency translation reserve | Retained earnings/ (deficit) | Total | | |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Balance at 1 July 2017 | 623 | 360 | 314 | 1,297 | (940) | 357 |
| Comprehensive expense | | | | | | |
| Loss for the period | - | - | (498) | (498) | - | (498) |
| Other comprehensive expense | | | | | | |
| Accumulated foreign exchange differences arising on subsidiary operations reclassified from equity to profit and loss | - | (360) | - | (360) | - | (360) |
| Total comprehensive expense for the period | - | (360) | (498) | (858) | - | (858) |
| Transactions with owners | | | | | | |
| Sale of subsidiary | - | - | - | - | 940 | 940 |
| Total transactions with owners | - | - | - | - | 940 | 940 |
| Balance at 31 December 2018 | 623 | - | (184) | 439 | - | 439 |
| Balance at 1 January 2019 | 623 | - | (184) | 439 | - | 439 |
| Comprehensive expense | | | | | | |
| Loss for the year | - | - | (372) | (372) | - | (372) |
| Total comprehensive expense for the year | - | - | (372) | (372) | - | (372) |
| Transactions with owners | | | | | | |
| Issue of shares | 1,040 | - | - | 1,040 | - | 1,040 |
| Total transactions with owners | 1,040 | - | - | 1,040 | - | 1,040 |
| Balance at 31 December 2019 | 1,663 | - | (556) | 1,107 | - | 1,107 |

The accompanying notes on pages 15 to 26 form an integral part of these financial statements

Consolidated Cash Flow Statement

| | | Year ended 31 December 2019 | Period 1 July 2017 to 31 December 2018 |
|---|------|--------------------------------|---|
| | Note | £'000 | £'000 |
| Cash flows from operating activities | | | |
| Loss for the year/period before tax | | (372) | (498) |
| Adjustments for: | | | |
| Finance income | | (10) | (13) |
| Impairment of third party loan | 10 | - | 184 |
| Profit on disposal of subsidiary undertakings | | - | (214) |
| Foreign exchange loss/(gain) | 3 | 5 | (14) |
| Operating loss before changes in working capital | | (377) | (555) |
| Decrease in trade and other receivables | | 11 | 155 |
| Increase/(Decrease) in trade and other payables | | 137 | (118) |
| Cash used in operations | | (229) | (518) |
| Interest received | | - | - |
| Net cash used in operating activities | | (229) | - |
| Cash flows from investing activities | | | |
| Net cash on disposal of subsidiaries | | - | (1) |
| Net cash used in from investing activities | | - | (1) |
| Cash flows from financing activities | | | |
| Issue of shares | | 290 | - |
| Net cash generated from financing activities | | 290 | - |
| Net increase/(decrease) in cash and cash equivalents | | 61 | (519) |
| Cash and cash equivalents at beginning of the year/period | | 33 | 548 |
| Foreign exchange losses on cash and cash equivalents | | - | 4 |
| Cash and cash equivalents at end of the year/ period | 13 | 94 | 33 |

The accompanying notes on pages 15 to 26 form an integral part of these financial statements

Notes to the Financial Statements

1 General information

SAPO PLC (formerly known as South African Property Opportunities Plc) (the "Company") was incorporated and registered in the Isle of Man under the Isle of Man Companies Acts 1931 to 2004 on 27 June 2006 as a public limited company with registered number 117001 C. On 7 January 2011 with the approval of Shareholders in general meeting, the Company was re-registered as a company under the Isle of Man Companies Act 2006 with registered number 006491v. SAPO PLC and its subsidiaries' (the "Group") investment objective over the last couple of years was the orderly realisation of a portfolio of real estate assets in South Africa and the subsequent return of capital to the shareholders. The realisation has been completed and the Company has no further property interests. The investment strategy of the Company is now focused towards investing in the developing market for rural broadband.

The Company's property activities were managed by Group Five Property Developments (Pty) Limited ("Group Five"). Bridgehead Real Estate Fund (Pty) Ltd ("Bridgehead") was appointed as the replacement investment manager with effect from 1 July 2014 until 2 May 2019. The Company's administration is delegated to Galileo Fund Services Limited (the "Administrator"). The registered office of the Company is Millennium House, 46 Athol Street, Douglas, Isle of Man, IM1 1JB.

Pursuant to a prospectus dated 20 October 2006 there was an authorisation to place up to 50 million shares. Following the close of the placing on 26 October 2006, 30 million shares were issued at a price of 100p per share.

The shares of the Company were admitted to trading on the AIM Market of the London Stock Exchange ("AIM") on 26 October 2006 when dealings also commenced. On the same date the shares of the Company were admitted to the Official List of the Channel Islands Stock Exchange (the "CISX").

As a result of a further fundraising in May 2007, 32,292,810 shares were issued at a price of 106p per share, which were admitted to trading on AIM on 22 May 2007.

On 4 June 2018 the listing of the Company's shares on the AIM market of the London Stock Exchange and on TISE was cancelled.

Pursuant to a prospectus dated 2 December 2019 there was a placing of 29,000,000 shares on 2 December 2019. On the same date the shares of the Company were admitted to trading on the Aquis Stock Exchange (formerly the NEX Exchange Growth Market).

The Company's agents perform all functions, other than those carried out by the Board.

The financial statements were authorised for issue by the directors on 25 June 2020.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented unless otherwise stated.

2.1 Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union. The financial statements have been prepared on a going concern basis, with assets stated at realisable amounts and provisions of the estimated liquidation costs.

Adoption of new and revised International Financial Reporting Standards (IFRSs)

A number of new standards, amendments to standards and interpretation are effective for annual periods beginning after 1 January 2020 and have not been applied in preparing these consolidated financial statements. None of these are expected to have a significant effect on the consolidated financial statements of the Group. The relevant standards are as follows.

Notes to the Financial Statements (continued)

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

Adoption of new and revised International Financial Reporting Standards (IFRSs)

| Reference | Title | Summary | Application date of standard (Periods commencing on or after) |
|---|--|---|---|
| IFRS17 | Insurance contracts | Principles for the recognition, measurement, presentation and disclosure of insurance | 1 January 2021 |
| Amendments to IAS1 and IAS 8 | Presentation of Financial Statements: Classification of Liabilities as Current or Non-current; and Accounting Policies | These amendments use a consistent definition of materiality and clarify the explanation of the definition of material | 1 January 2020 |
| Amendments to IFRS 3 | Business Combinations | This amendment revises the definition of a business. | 1 January 2020 |
| Amendments to IFRS 9, IAS 39 and IFRS17: Interest Rate Benchmark Reform | Financial Instruments; Financial Instruments: Recognition and Measurement; and Insurance Contracts | These amendments provide certain reliefs in connection with interest rate benchmark reform | 1 January 2020 |
| Amendments to References to the Conceptual Framework in IFRS Standards | | This amendment revises references to the Conceptual Framework in IFRS Standards | 1 January 2020 |

2.2 Significant accounting estimates and judgements

The Group makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. 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.

(a) Trade receivables and Loans and receivables

The Group assesses its trade receivables and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in profit or loss, the Group makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

2.3 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Pound Sterling, which is the Company's functional and the Group's presentation currency.

Notes to the Financial Statements (continued)

2 Summary of significant accounting policies (continued)

2.3 Foreign currency translation (continued)

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the company income statement.

(c) Group companies

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (ii) income and expenses for each income statement are translated at average exchange rates; and
- (iii) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to other comprehensive income. When a foreign operation is disposed of, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale. On the partial disposal of a subsidiary that includes a foreign operation, the proportionate share of the cumulative amount of exchange differences recognised in other comprehensive income is re-attributed to the non-controlling interests. In any other partial disposal of a foreign operation, the proportionate share of the cumulative exchange differences recognised in other comprehensive income is reclassified to profit and loss.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2.4 Revenue and expense recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of inventory in the ordinary course of the Group's activities and rental income received or receivable in relation to operating leases. Revenue is shown net of value added tax.

Interest income is recognised in the financial statements on a time-proportionate basis using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating the interest income or interest expense over the period.

Expenses are accounted for on an accruals basis.

2.5 Basis of consolidation

Subsidiaries

Where the company has control over an investee, it is classified as a subsidiary. The company controls an investee if all three of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control. De-facto control exists in situations where the company has the practical ability to direct the relevant activities of the investee without holding the majority of the voting rights. In determining whether de-facto control exists, the company considers all relevant facts and circumstances including the size of the company's voting rights relative to both the size and dispersion of other parties who hold voting rights, substantive potential voting rights held by the company and by other parties, other contractual arrangements and historic patterns in voting attendance.

Notes to the Financial Statements (continued)

2 Summary of significant accounting policies (continued)

2.5 Basis of consolidation (continued)

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and continue to be included until control is lost or ceases. During the year the Company exchanged its holding in Madison Park Properties (40) Pty Limited on 29 September 2019. Costs incurred by Madison Park Properties (40) Pty Limited up to the date of exchange are included in the consolidated accounts.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

Transactions and non-controlling interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised gains/losses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

2.6 Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is the person or group that allocates resources to and assesses the performance of the operating segments of an entity. The Group has determined that its chief operating decision-maker is the Board of the Company.

The Board reviews the Group's internal reporting in order to assess performance and allocate resources. Based on this internal reporting to the Board, it has been determined that there is only one operating segment, property development in the Republic of South Africa.

2.7 Financial assets and financial liabilities

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. The Board determine the classification of its financial assets at initial recognition. At 31 December 2018 the Group did not have any financial assets at fair value through profit or loss or available for sale.

Trade and other receivables

Trade and other receivables and loans to third parties are stated at their cost, less any impairment losses

Cash at bank

Cash at bank are stated at fair value.

Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently at amortised cost using the effective interest method.

Notes to the Financial Statements (continued)

2 Summary of significant accounting policies (continued)

2.8 Assets and Liabilities Held for Sale and Disposal Groups

Assets and disposal groups are classified as held for sale when it is established that management have a committed plan to sell which is unlikely to be significantly changed or withdrawn, the assets are available for immediate sale with an active programme initiated to locate a buyer and are being marketed at a reasonable price in relation to fair value with a sale being highly probable within 12 months of classification.

Assets or disposal groups classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. Any resulting impairment loss is recognised in profit or loss. Once classified as held for sale, these assets are not depreciated and are disclosed separately on the face of the balance sheet within current assets.

2.9 Taxation

The Company is resident for taxation purposes in the Isle of Man and is subject to income tax at a rate of zero per cent. The Group is liable for tax in the Republic of South Africa on the activities of its subsidiaries.

The tax expense represents the sum of the tax currently payable, which is based on taxable profits for the period. The Group's liability is calculated using tax rates enacted or substantively enacted at the balance sheet date.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

2.10 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

2.11 Distributions

Distributions are recognised as a liability in the period in which they are declared and approved.

3 Risk management in respect of financial instruments

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk. The financial risks relate to the following financial instruments: loans and receivables and other liabilities as detailed in note 2.7.

Foreign currency risk

Foreign currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Group's operations are conducted in jurisdictions which generate revenue, expenses, assets and liabilities in currencies other than Pound Sterling ("the functional currency of the Company"). As a result the Group is subject to the effects of exchange rate fluctuations with respect to these currencies. The currency giving rise to this risk is the South African Rand.

Notes to the Financial Statements (continued)

3 Risk management in respect of financial instruments (continued)

The Group's policy is not to enter into any currency hedging transactions. The table below summarises the Group's exposure to foreign currency risk in respect of its financial instruments:

| 31 December 2019 | Monetary Assets £'000 | Monetary Liabilities £'000 | Total £'000 |
|-------------------------|--------------------------|-------------------------------|----------------|
| South African Rand | 543 | (112) | 431 |
| | 543 | (112) | 431 |
| 31 December 2018 | Monetary Assets £'000 | Monetary Liabilities £'000 | Total £'000 |
| South African Rand | 488 | - | 488 |
| | 488 | - | 488 |

Foreign currency risk (continued)

At 31 December 2019, had the Pound strengthened/weakened by 25 per cent. against the South African Rand, with all other variables held constant, the impact on equity of the above financial instruments would be a decrease of £86,000 or an increase of £144,000 (31 December 2018: 5 per cent. currency movement, decrease of £23,000 or an increase of £26,000).

For the year ended 31 December 2019 the income statement included a foreign exchange loss of £4,952 arising on assets denominated in South African Rand. For the period ended 31 December 2018 the income statement included a foreign exchange gain of £14,757 arising on assets denominated in South African Rand.

Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Group.

The carrying amounts of financial assets best represent the maximum credit risk exposure at the balance sheet date. This relates also to financial assets carried at amortised cost.

At the reporting date, the Group's financial assets exposed to credit risk amounted to the following:

| | 31 December 2019 £'000 | 31 December 2018 £'000 |
|-----------------------------|---------------------------|---------------------------|
| Third party loan | - | 415 |
| Subscriptions due | 750 | - |
| Trade and other receivables | 547 | 73 |
| Cash at bank | 94 | 33 |
| | 1,391 | 521 |

The Group manages its credit risk by monitoring the creditworthiness of counterparties regularly. Cash transactions and balances are limited to high-credit-quality financial institutions. Trade and other receivables balance at 31 December 2019 principally comprise escrow accounts relating to the disposal of the Group's subsidiary.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its obligations as they fall due. The Group currently manages its liquidity risk by maintaining sufficient cash and banking facilities as indicated by its cashflow forecasts. The Group's liquidity position is monitored by the Board of Directors.

Notes to the Financial Statements (continued)

3 Risk management in respect of financial instruments (continued)

The residual undiscounted contractual maturities of financial liabilities are as follows:

| 31 December 2019 | Less than 1 month £'000 | 1-3 months £'000 | 3 months to 1 year £'000 | 1-5 years £'000 | Over 5 years £'000 | No stated maturity £'000 |
|---------------------------------|-------------------------------|---------------------|--------------------------------|--------------------|--------------------------|--------------------------------|
| Financial liabilities | | | | | | |
| <u>Trade and other payables</u> | 284 | - | - | - | - | - |
| | 284 | - | - | - | - | - |
| 31 December 2018 | Less than 1 month £'000 | 1-3 months £'000 | 3 months to 1 year £'000 | 1-5 years £'000 | Over 5 years £'000 | No stated maturity £'000 |
| Financial liabilities | | | | | | |
| <u>Trade and other payables</u> | 82 | - | - | - | - | - |
| | 82 | - | - | - | - | - |

Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. The Group is exposed to interest rate risk from the cash held in interest bearing accounts at floating rates or short term deposits of one month or less and on loans from third parties. The Company's Board of Directors monitor and review the interest rate fluctuations on a continuous basis and act accordingly.

During the year ended 31 December 2019 should interest rates have decreased by 100 basis points, with all other variables held constant, the shareholders' equity and profit for the period would have been £4,000 lower (2018: 100 basis points, £3,000 lower).

Capital risk management

The Company's primary objective when managing its capital base is to safeguard its ability to continue as a going concern whilst disposing of the Group's portfolio where acceptable returns can be generated and returning excess capital to shareholders.

Capital comprises share capital (see note 14) and reserves.

No changes were made in respect of the objectives, policies or processes in respect of capital management during the periods ended 31 December 2018 and December 2019.

4 Segment Information

The entity is domiciled in the Isle of Man. All of the reported revenue, £nil (2018: £nil) arises in South Africa.

5 Cost of sales

| | Year ended 31 December 2019 £'000 | Period 1 July 2017 to 31 December 2018 £'000 |
|----------------------------|---|--|
| Property expenses | 25 | 23 |
| | 25 | 23 |
| <u>Total cost of sales</u> | 25 | 23 |

Property expenses comprise utilities, rates and related expenses incurred in respect of Brakpan.

Notes to the Financial Statements (continued)

6 Investment Manager's fees

Annual fees

Bridgehead was appointed as the replacement investment manager with effect from 1 July 2014 and was entitled to an annual management fee of £175,000 per annum (excluding VAT) up to the date of termination on 2 May 2018. Management fees for the year ended 31 December 2019 paid to Bridgehead amounted to £nil (31 December 2018: £166,250) including VAT.

Performance fees

Bridgehead is entitled to a performance fee of 1.5% of the net proceeds received by the Group following the sale of an asset under the investment management agreement dated 1 July 2014. Performance fees for the year ended 31 December 2019 amounted to £nil (ZAR nil) (31 December 2018: £nil (ZAR nil)).

The Group entered into a termination deed on 1 July 2014 with Group Five under which the Group has agreed to pay Group Five a fee of 0.5% of the net proceeds received by the Group following the sale of an asset until 1 January 2016. This is settled by Bridgehead out its 1.5% performance fee.

7 Other administration fees and expenses

| | Year ended 31 December 2019 £'000 | Period 1 July 2017 to 31 December 2018 £'000 |
|----------------------------------|---|--|
| Audit | 14 | 41 |
| Directors' remuneration and fees | 94 | 158 |
| Directors' insurance cover | - | 16 |
| Professional fees | 2 | 64 |
| Listing costs | 152 | - |
| Other expenses | 90 | 204 |
| Administration fees and expenses | 352 | 483 |

Included within other administration fees and expenses are the following:

Directors' remuneration

The maximum amount of basic remuneration payable by the Company by way of fees to the Non-executive Directors permitted under the Articles of Association is £200,000 per annum. All Directors are each entitled to receive reimbursement of any expenses incurred in relation to their appointment. The former Chairman, David Hunter, was entitled to receive an annual fee of £40,000, Stephen Coe was entitled to an annual fee of £35,000 and David Saville was entitled to an annual fee of £15,000. Mr Meyer was entitled to receive an annual fee of £82,200 pre listing on NEX and thereafter an annual fee of £87,000. Mr Langoulant is entitled to receive an annual fee of £6,000.

Executive Directors' fees

John Chapman was entitled to an annual basic salary of £30,000 and Craig McMurray was entitled to an annual basic salary of £20,000. Pursuant to the terms of their service agreements, Craig McMurray and John Chapman were entitled to incentive payments of, respectively, 1.5 per cent. and 0.5 per cent. of all sums distributed to shareholders. Their services agreements also provide for payments of the same percentages, following termination of their employment, for distributions paid or payable from cash generated during their employment. Total incentive fees for the year ended 31 December 2019 amounted to £nil (31 December 2018: £nil).

All directors' remuneration and fees

Total fees and basic remuneration (including VAT where applicable) paid to the Directors for the year ended 31 December 2019 amounted to £93,550 (31 December 2018: £157,658) and was split as below. Directors' insurance cover amounted to £nil (31 December 2018: £15,701).

Notes to the Financial Statements (continued)

7 Other administration fees and expenses
(continued)

| | Year ended 31 December 2019 | | | Period 1 July 2017 to 31 December 2018 | | |
|--------------------|-----------------------------|--------------------|----------------|--|----------------------------|----------------|
| | Basic £'000 | Incentive £'000 | Total £'000 | Basic fee/salary £'000 | Incentive fees £'000 | Total £'000 |
| David Hunter | - | - | - | 40 | - | 40 |
| David Saville | - | - | - | 14 | - | 14 |
| Stephen Coe | - | - | - | 29 | - | 29 |
| Michael Meyer | 84 | - | 84 | 29 | - | 29 |
| Michael Langoulant | 10 | - | 10 | - | - | - |
| | 94 | - | 94 | 112 | - | 112 |
| John Chapman | - | - | - | 28 | - | 28 |
| Craig McMurray | - | - | - | 18 | - | 18 |
| | - | - | - | 46 | - | 46 |
| | 94 | - | 94 | 158 | - | 158 |

8 Income tax expense

| | Year ended 31 December 2019 £'000 | Period 1 July to 31 December 2018 £'000 |
|-------------|---|---|
| Current tax | - | - |

The tax on the Group's loss before tax is higher than the standard rate of income tax in the Isle of Man of zero per cent. The differences are explained below:

| | Year ended 31 December 2019 £'000 | Period 1 July to 31 December 2018 £'000 |
|---|---|---|
| Loss before tax | (372) | (498) |
| Tax calculated at domestic tax rates applicable in the Isle of Man (0%) | - | - |
| Effect of higher tax rates in South Africa (28%) | - | - |
| Tax expense | - | - |

9 Basic and diluted loss per share

Basic loss per share is calculated by dividing the loss attributable to equity holders of the Group by the weighted average number of shares in issue during the year.

| | Year ended 31 December 2019 | Period 1 July to 31 December 2018 |
|--|--------------------------------|--------------------------------------|
| Loss attributable to equity holders of the Company (£'000) | (372) | (498) |
| Weighted average number of shares in issue (thousands) | 87,896 | 62,293 |
| Basic loss per share (pence per share) | (0.42) | (0.80) |

The Company has no dilutive potential ordinary shares; the diluted loss per share is the same as the basic loss per share.

Notes to the Financial Statements (continued)

10 Third party loan

| | 31 December 2019 £'000 | 31 December 2018 £'000 |
|----------------------------------|---------------------------|---------------------------|
| Start of the year/period | 415 | - |
| Exchanged for shares on sale | - | 646 |
| Transfer to assets held for sale | (407) | - |
| Impairment | - | (184) |
| Exchange differences | (8) | (47) |
| End of the year/ period | - | 415 |

During the prior period the Group exchanged its holding in and intercompany loan with its subsidiary Madison Park Properties 40 (Pty) Limited for a loan of ZAR 11,000,000 due from SAPSPV Holdings RSA (Pty) Limited, a former subsidiary of the Group.

During the year the Company exchanged its third party loan with SAPSPV Holdings RSA (Pty) Limited (note 10) for a direct holding of the underlying shares (50% holding) in Madison Park Properties 40 (Pty) Limited for consideration of ZAR 11 million (£578,363). Madison Park Properties 40 (Pty) Limited was sold subsequent to the reacquisition. The sale was finalised on 29 September 2019 for total consideration of ZAR 10 million (£537,785). The net consideration after costs of the disposal was ZAR 7,822,058 (£435,777) (note 12).

11 Subscriptions due

On 10 September 2019 75 million Ordinary Shares were allotted, 37.5 million to Michael Meyer (Chairman of the Company) and 37.5 million to Barry Hersh. The Ordinary Shares were issued at a price of 1 pence per share. The consideration for the Ordinary Shares is to be left outstanding on terms that it shall be paid to the Company in full by 31 December 2024.

12 Trade and other receivables

| | 31 December 2019 £'000 | 31 December 2018 £'000 |
|--|---------------------------|---------------------------|
| Prepayments | 4 | - |
| Proceeds due from sale of inventory and sale of subsidiary (note 10) | 543 | 73 |
| Trade and other receivables | 547 | 73 |

* proceeds held in escrow by the South African administrator (ZAR 10,080,143 (£543,477)).

The fair value of trade and other receivables approximates their carrying value.

13 Cash and cash equivalents

| | 31 December 2019 £'000 | 31 December 2018 £'000 |
|---------------|---------------------------|---------------------------|
| Bank balances | 94 | 33 |
| Cash at bank | 94 | 33 |

Notes to the Financial Statements (continued)

14 Share capital

| Ordinary Shares of 1p each | As at 31 December 2019 Number | As at 31 December 2019 £'000 |
|----------------------------|-------------------------------------|------------------------------------|
| Authorised | 200,000,000 | 2,000 |
| Issued and fully paid up | 166,292,810 | 1,663 |

| Ordinary Shares of 1p each | As at 31 December 2018 Number | As at 31 December 2018 £'000 |
|----------------------------|-------------------------------------|------------------------------------|
| Authorised | 150,000,000 | 1,500 |
| Issued and fully paid up | 62,292,810 | 623 |

The holders of Ordinary Shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

No distributions were paid during the year (period ended 31 December 2018: none).

On 10 September 2019 75 million Ordinary Shares were allotted, 37.5 million to Michael Meyer (Chairman of the Company) and 37.5 million to Barry Hersh.

On 2 October 2019 at the EGM the resolution was passed to increase the authorised share capital to 200,000,000 shares at 1 pence per Ordinary Share.

On 2 December 2019, on the successful listing of the Company on NEX, shares were allotted per the proposed placing of 29,000,000 Ordinary Shares.

15 Reserves

The following describes the nature and purpose of each reserve within equity:

| Reserve | Description and purpose |
|-------------------|---|
| Retained earnings | All other net gains and losses and transactions with owners (e.g. dividends) not recognised elsewhere |

16 Net asset value ("NAV") per share

| | 31 December 2019 | 31 December 2018 |
|--|------------------|------------------|
| Net assets attributable to equity holders of the Company (£'000) | 1,107 | 439 |
| Shares in issue (in thousands) | 166,293 | 62,293 |
| NAV per share (£) | 0.01 | 0.01 |

| 17 Trade and other payables | 31 December 2019 £'000 | 31 December 2018 £'000 |
|-----------------------------|---------------------------|---------------------------|
| Directors fees payable | 76 | 4 |
| Other payables | 208 | 78 |
| Trade and other payables | 284 | 82 |

The fair value of trade and other payables approximates their carrying value.

Notes to the Financial Statements (continued)

18 Contingent liabilities and commitments

As at 31 December 2019 the Group had no contingent liabilities or commitments.

19 Related party transactions

Parties are considered to be related if one party has the ability to control the other party or to exercise significant influence over the other party in making financial or operational decisions. Key management is made up of the Board of Directors who are therefore considered to be related parties and the transactions were made at arm's length. Fees in relation to the Directors are disclosed in note 7. Shares allotted to related parties are disclosed in notes 11 and 14.

The investment manager, Bridgehead Real Estate Fund (Pty) Ltd, is a company managed by Craig McMurray, who was an Executive Director of the Company. Fees in relation to Bridgehead are disclosed in note 6 and fees in relation to the Executive Directors are disclosed in note 7. Craig McMurray was entitled to a success fee of ZAR 1,932,171 (£104,174) on the sale of Madison Park Properties 40 (Pty) Limited.

Barry Hersh, who is a significant shareholder in the Company, received a success fee of £14,500 for the completion of the fundraising in November 2019. Simon Hersh, Barry's son, received £8,009 during the year for professional services.

20 Post Balance Sheet Event

On 17 January 2020 the Company issued 1,000,000 Ordinary Shares at 2.75 pence per Ordinary Share, increasing the Company's issued share capital to 167,292,810.

On 23 January 2020 the Executive Chairman of the Company, Michael Meyer, passed away.

On 10 March 2020 Dr Keith Harris and Selwyn Lewis were appointed as directors of the Company. Subsequently on 17 March 2020, Dr Keith Harris was allotted 20,000,000 shares in the Company.

On 20 March 2020 at the EGM the resolution was passed to increase the authorised share capital to 400,000,000 Ordinary Shares at 1 pence per share.

SAPO PLC

(FORMERLY KNOWN AS SOUTH AFRICAN PROPERTY OPPORTUNITIES PLC)

Period ended 31 December 2018

CONTENTS

| | Page |
|--|---------|
| Directors and Advisers | 1 |
| Chairman's Statement | 2 |
| Report of the Directors | 3-4 |
| Statement of Directors' Responsibilities | 5 |
| Independent auditor's report | 6-7 |
| Audited Financial Statements: | |
| - Consolidated Income Statement | 8 |
| - Consolidated Statement of Comprehensive Income | 9 |
| - Consolidated Balance Sheet | 10 |
| - Consolidated Statement of Changes in Equity | 11 |
| - Consolidated Cash Flow Statement | 12 |
| - Notes to the Financial Statements | 13 – 27 |

Directors and Advisers

Directors

Michael Meyer (Non-executive Chairman)
Michael Langoulant (Non-executive Director)

all of the registered office below

Registered Office

Millennium House
46 Athol Street
Douglas
Isle of Man IM1 1JB

Administrator and Registrar

Mainstream Fund Services (IOM) Limited
Millennium House
46 Athol Street
Douglas
Isle of Man IM1 1JB

Auditor

Jeffreys Henry LLP
Finsgate 5-7
Cranwood Street
London
EC1V 9EE

Chairman's Statement

Dear Shareholder

OBJECTIVES ACHIEVED

I am delighted to write to you again that the three objectives we set out to achieve this year have been fulfilled. Namely that we have sold the last remaining South African property interest for R10m (£537,785), have identified a sector that will provide superior returns for shareholders & lastly raised funds to cover the costs in re listing our shares on a recognised stock exchange.

I hope that we will be able to re list during November 2019.



Michael Meyer

Chairman

8 November 2019

Report of the Directors

The Directors hereby submit their annual report together with the audited consolidated financial statements of SAPO PLC (formerly known as South African Property Opportunities plc) (the "Company") and its subsidiaries (the "Group") for the period from 1 July 2017 to 31 December 2018.

The Company

The Company is incorporated in the Isle of Man under the Isle of Man Companies Act 2006 and held a portfolio of property interests in South Africa.

Currency and debt

The Group does not hedge its exposure in its Rand assets and liabilities.

Divestment strategy

Following a strategic review the Company disposed of the Group's portfolio where acceptable returns were generated.

Independent Auditor

Jeffreys Henry LLP were appointed as independent auditor on 10 October 2019 and, being eligible, has indicated its willingness to continue in office.

Results and dividends

The Company has reported a loss for the period of £498,000 (profit for year ended 30 June 2017 (restated) £4,691,000). The results and position of the Group at the period end are set out on pages 8 to 27 of the financial statements.

Directors

The Directors who served during the period and up to the date of this Report were as follows:

| | Appointed | Resigned |
|--------------------------------|----------------|------------------|
| David Hunter - former Chairman | | 9 May 2018 |
| John Chapman | | 9 May 2018 |
| Craig McMurray | | 9 May 2018 |
| David Saville | | 9 May 2018 |
| Stephen Coe | | 27 April 2018 |
| John Treacy – former Chairman | 9 May 2018 | 16 November 2018 |
| Michael Langoulant | 9 May 2018 | |
| Michael Meyer – Chairman | 24 August 2018 | |

Directors and other interests

At the balance sheet date, Michael Meyer held 18,480,166 Ordinary Shares in the Company. A further 37,500,000 shares were allotted to Mr Meyer subsequent to the year end on 10 September 2019.

Save as disclosed above and in note 23, none of the Directors had any interest during the period in any material contract for the provision of services which was significant to the business of the Company.

Report of the Directors (continued)

Principal risk and uncertainties

The Board regularly reviews the risks to which the company is exposed and ensures through its meetings and regular reporting that these risks are minimised as far as possible. Following the subsequent resale of Madison Park Properties 40 (Pty) Limited on 27 September 2019 the directors are actively pursuing a number of business opportunities which will determine the future strategy of the Company.

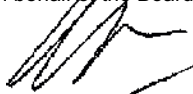
Principal risks and uncertainties facing the Company include but are not limited to:

- Management of its cash resources to ensure it has the ability to execute its future strategy.
- There is a risk that the new strategy does not add to a sustained increase in shareholder value.

Use of financial instruments

The Company's financial risk management objectives are to minimise its liabilities, to fund its activities through equity financing and to ensure the Company has sufficient working capital to pursue its corporate strategic objectives.

On behalf of the Board



Michael Meyer

Director

8 November 2019

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

The Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards ("IFRSs") (as adopted by the European Union). In preparing those financial statements it is the Directors' responsibility to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business; and

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

The Directors are responsible for keeping proper accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

On behalf of the Board



Michael Meyer

Director

8 November 2019

Independent auditor's Report to the Members of SAPO PLC

Opinion

We have audited the financial statements of SAPO Plc ('the parent') and its subsidiaries ('the group') for the period ended 31 December 2018 which comprise the consolidated income statement, consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of cash flows, the consolidated statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion:

- the financial statements give a true and fair view of the state of the Company's affairs as at 31 December 2018 and of the Company's loss for the period then ended;
- the financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 (Isle of Man).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to SME listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006 (Isle of Man)

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the Directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 (Isle of Man) requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Company; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement set out on page 5, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities

This description forms part of our auditor's report.

Use of this report

This report is made solely to the Company's members, as a body, in accordance with Chapter 2 of Part V of the Companies Act 2006 (Isle of Man). Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Sanjay Parmar (Senior Statutory Auditor)
For and on behalf of
Jeffreys Henry LLP, Statutory Auditor
Finsgate
5-7 Cranwood Street
London EC1V 9EE
8 November 2019

Consolidated Income Statement

| | | Period from 1 July 2017 to 31 December 2018 | Year ended 30 June 2017 As restated |
|---|------|--|---|
| | Note | £'000 | £'000 |
| Revenue – rental income | | - | 9 |
| Total revenue | | - | 9 |
| Total cost of sales | 5 | (23) | (31) |
| Gross loss | | (23) | (22) |
| Investment management fees | 6 | (166) | (200) |
| Performance fees | 6 | - | (44) |
| Other administration fees and expenses | 7 | (483) | (475) |
| Directors incentive payments | 7 | - | (115) |
| Administrative expenses | | (649) | (834) |
| Reversal of impairment/(impairment) of assets held for sale | 15 | 117 | (120) |
| Impairment of third party loan | 11 | (184) | - |
| Operating loss | | (739) | (976) |
| Finance income | | 13 | 4 |
| Foreign exchange gain | 3 | 14 | 3,456 |
| Net finance income | | 27 | 3,460 |
| Profit on disposal of subsidiary undertakings | 24 | 214 | 2,207 |
| Profit before income tax | | (498) | 4,691 |
| Income tax expense | 9 | - | - |
| Profit for the period/year | | (498) | 4,691 |
| Attributable to: | | | |
| - Owners of the Parent | | (498) | 4,437 |
| - Non-controlling interests | 19 | - | 254 |
| | | (498) | 4,691 |
| Basic and diluted profit per share (pence) attributable to the owners of the Parent during the period/year | 10 | (0.80) | 7.12 |

The accompanying notes on pages 13 to 27 form an integral part of these financial statements

Consolidated Statement of Comprehensive Income

| | | Period from 1 July 2017 to 31 December 2018 | Year ended 30 June 2017 As restated |
|--|------|--|---|
| | Note | £'000 | £'000 |
| Profit for the period/year | | (498) | 4,691 |
| Other comprehensive expense | | | |
| Items reclassified to profit or loss | | | |
| Accumulated foreign exchange differences arising on subsidiary operations reclassified from equity to profit or loss | 24 | (360) | (1,812) |
| Items that may subsequently be reclassified to profit or loss | | | |
| Currency translation differences | | - | (2,734) |
| Other comprehensive expense for the period/year | | (360) | (4,546) |
| Total comprehensive expense for the period/year | | (858) | 145 |
| Total comprehensive expense attributable to: | | | |
| - Owners of the Parent | | (858) | 50 |
| - Non-controlling interests | | - | 95 |
| | | (858) | 145 |

The accompanying notes on pages 13 to 27 form an integral part of these financial statements

Consolidated Balance Sheet

| | | As at 31 December 2018 | As at 30 June 2017 As restated |
|--|------|------------------------|-----------------------------------|
| | Note | £'000 | £'000 |
| Assets | | | |
| Current assets | | | |
| Third party loan | 11 | 415 | - |
| Inventories | 12 | - | - |
| Trade and other receivables | 13 | 73 | 266 |
| Cash at bank | 14 | 33 | 548 |
| | | 521 | 814 |
| Assets of disposal group classified as held for sale | 15.1 | - | 1,284 |
| Total current assets | | 521 | 2,098 |
| Total assets | | 521 | 2,098 |
| Equity | | | |
| Capital and reserves attributable to owners of the Parent: | | | |
| Issued share capital | 16 | 623 | 623 |
| Foreign currency translation reserve | 17 | - | 360 |
| Retained earnings | 17 | (184) | 314 |
| | | 439 | 1,297 |
| Non-controlling interests | 19 | - | (940) |
| Total equity | | 439 | 357 |
| Liabilities | | | |
| Current liabilities | | | |
| Loans from third parties | 20 | - | - |
| Trade and other payables | 21 | 82 | 137 |
| | | 82 | 137 |
| Liabilities of disposal group classified as held for sale | 15.2 | - | 1,604 |
| Total current liabilities | | 82 | 1,741 |
| Total liabilities | | 82 | 1,741 |
| Total equity and liabilities | | 521 | 2,098 |

The financial statements on pages 8 to 27 were approved and authorised for issue by the Board of Directors on 8 November 2019 and signed on its behalf by:

Michael Meyer
Director

Michael Langoulant
Director

The accompanying notes on pages 13 to 27 form an integral part of these financial statements

10
71

Consolidated Statement of Changes in Equity

| | Attributable to owners of the parent | | | Total | Non-controlling interests | Total |
|---|--------------------------------------|--------------------------------------|------------------------------|--------------|---------------------------|------------|
| | Share capital | Foreign currency translation reserve | Retained earnings/ (deficit) | | | |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Balance at 1 July 2016 | 623 | 4,747 | 1,639 | 7,009 | (1,035) | 5,974 |
| Comprehensive income/(expense) | | | | | | |
| Loss for the year | - | - | 4,437 | 4,437 | 254 | 4,691 |
| Other comprehensive income | | | | | | |
| Accumulated foreign exchange differences arising on subsidiary operations reclassified from equity to profit and loss | - | (1,812) | - | (1,812) | - | (1,812) |
| Foreign exchange translation differences | - | (2,575) | - | (2,575) | (159) | (2,734) |
| Total comprehensive expense for the year | - | (4,387) | 4,437 | 50 | 95 | 145 |
| Transactions with owners | | | | | | |
| Distributions paid | - | - | (5,762) | (5,762) | - | (5,762) |
| Total transactions with owners | - | - | (5,762) | (5,762) | - | (5,762) |
| Balance at 30 June 2017 | 623 | 360 | 314 | 1,297 | (940) | 357 |
| Balance at 1 July 2017 | 623 | 360 | 314 | 1,297 | (940) | 357 |
| Comprehensive expense | | | | | | |
| Profit for the period | - | - | (498) | (498) | - | (498) |
| Other comprehensive expense | | | | | | |
| Accumulated foreign exchange differences arising on subsidiary operations reclassified from equity to profit and loss | - | (360) | - | (360) | - | (360) |
| Foreign exchange translation differences | - | - | - | - | - | - |
| Total comprehensive expense for the period | - | (360) | (498) | (858) | - | (858) |
| Transactions with owners | | | | | | |
| Sale of subsidiary (note 24) | - | - | - | - | 940 | 940 |
| Total transactions with owners | - | - | - | - | 940 | 940 |
| Balance at 31 December 2018 | 623 | - | (184) | 439 | - | 439 |

Profit and retained earnings for the year ended 30 June 2017 have been amended to reflect the reversal of the provision made in the financial statements for the year then ended.

The accompanying notes on pages 13 to 27 form an integral part of these financial statements

Consolidated Cash Flow Statement

| | | Period 1 July 2017 to 31 December 2018 | Year ended 30 June 2017 As restated |
|---|--------|---|---|
| | Note | £'000 | £'000 |
| Cash flows from operating activities | | | |
| Profit for the period/year before tax | | (498) | 4,691 |
| Adjustments for: | | | |
| Finance income | | (13) | (4) |
| Impairment of third party loan | 11 | 184 | - |
| Profit on disposal of subsidiary undertakings | 24 | (214) | (2,207) |
| Foreign exchange gain | 3 | (14) | (3,456) |
| Operating loss before changes in working capital | | (555) | (976) |
| Decrease in trade and other receivables | | 155 | 1 |
| (Decrease)/increase in trade and other payables | | (118) | 115 |
| Cash used in operations | | (518) | (860) |
| Interest received | | - | 4 |
| Net cash used in operating activities | | - | (856) |
| Cash flows from investing activities | | | |
| Net cash on disposal of subsidiaries | 13, 24 | (1) | 5,318 |
| Net cash (used in)/generated from investing activities | | (1) | 5,318 |
| Cash flows from financing activities | | | |
| Distributions paid | 16 | - | (5,762) |
| Net cash used in financing activities | | - | (5,762) |
| Net decrease in cash and cash equivalents | | (519) | (1,300) |
| Cash and cash equivalents at beginning of the period/year | | 548 | 1,788 |
| Foreign exchange losses on cash and cash equivalents | | 4 | 60 |
| Cash and cash equivalents at end of the period/year | 14 | 33 | 548 |

The accompanying notes on pages 13 to 27 form an integral part of these financial statements

Notes to the Financial Statements

1 General information

SAPO PLC (formerly known as South African Property Opportunities Plc) (the "Company") was incorporated and registered in the Isle of Man under the Isle of Man Companies Acts 1931 to 2004 on 27 June 2006 as a public limited company with registered number 117001C. On 7 January 2011 with the approval of Shareholders in general meeting, the Company was re-registered as a company under the Isle of Man Companies Act 2006 with registered number 006491v. South African Property Opportunities plc and its subsidiaries' (the "Group") investment objective is the orderly realisation of a portfolio of real estate assets in South Africa and the subsequent return of capital to the shareholders.

The Company's property activities were managed by Group Five Property Developments (Pty) Limited ("Group Five"). Bridgehead Real Estate Fund (Pty) Ltd ("Bridgehead") was appointed as the replacement investment manager with effect from 1 July 2014 until 2 May 2019. The Company's administration is delegated to Galileo Fund Services Limited (the "Administrator"). The registered office of the Company is Millennium House, 46 Athol Street, Douglas, Isle of Man, IM1 1JB.

Pursuant to a prospectus dated 20 October 2006 there was an authorisation to place up to 50 million shares. Following the close of the placing on 26 October 2006, 30 million shares were issued at a price of 100p per share.

The shares of the Company were admitted to trading on the AIM Market of the London Stock Exchange ("AIM") on 26 October 2006 when dealings also commenced. On the same date the shares of the Company were admitted to the Official List of the Channel Islands Stock Exchange (the "CISX").

As a result of a further fundraising in May 2007, 32,292,810 shares were issued at a price of 106p per share, which were admitted to trading on AIM on 22 May 2007.

On 4 June 2018 the listing of the Company's shares on the AIM market of the London Stock Exchange and on TISE was cancelled.

The Company's agents perform all functions, other than those carried out by the Board's non-executive directors.

The financial statements were authorised for issue by the directors onxx November 2019.

Financial year end

The financial period end of the Company has been changed from 30 June to 31 December.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented unless otherwise stated.

2.1 Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union. The financial statements have been prepared on a going concern basis, with assets stated at realisable amounts and provisions of the estimated liquidation costs.

Adoption of new and revised International Financial Reporting Standards (IFRSs)

A number of new standards, amendments to standards and interpretation are effective for annual periods beginning after 1 January 2018, and have not been applied in preparing these consolidated financial statements. None of these are expected to have a significant effect on the consolidated financial statements of the Group. The relevant standards are as follows.

Notes to the Financial Statements (continued)

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

Adoption of new and revised International Financial Reporting Standards (IFRSs)

| Reference | Title | Summary | Application date of standard (Periods commencing on or after) |
|-----------|---------------------------------------|---|---|
| IFRS 2 | Share-based payments | Amendments to classification and measurement of share-based payment transactions | 1 January 2018 |
| IFRS 9 | Financial instruments | Revised standard for accounting for financial instruments | 1 January 2018 |
| IFRS 15 | Revenue from contracts with customers | Specifies how and when to recognise revenue from contracts as well as requiring more information and relevant disclosures | 1 January 2018 |
| IFRS 16 | Leases | Principles for the recognition, measurement, presentation and disclosure of leases | 1 January 2019 |
| IFRS 17 | Insurance contracts | Principles for the recognition, measurement, presentation and disclosure of insurance | 1 January 2021 |

2.2 Significant accounting estimates and judgements

The Group makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. 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.

(a) Impairment

As described in note 15 and note 24, the Group presented the assets and liabilities of Madison Park Properties 40 (Pty) Limited as held for sale. To determine the impairment of asset held for sale, the Group estimated the consideration on the sale as the fair value of the assets and liabilities of Madison Park Properties 40 (Pty) Limited. The assets of the disposal group had been valued based on the contractual disposal proceeds. Liabilities were recorded at amortised cost. The payments and completion of the disposal were delayed and the Investment Manager experienced difficulties in enforcing the contract. The impairment for the year ended 30 June 2017 was released during the period ended 31 December 2018 as it related to a settlement agreement which never completed.

Subsequent to the year end the Company exchanged its third party loan with SAPSPV Holdings RSA (Pty) Limited (notes 11 and 24) for a direct holding of the underlying shares (50% holding) in Madison Park Properties 40 (Pty) Limited for consideration of ZAR 11,000,000 (£646,416).

Madison Park Properties 40 (Pty) Limited was sold subsequent to its reacquisition post period end (Note 25). The loan has been impaired by £183,673 to reflect the net proceeds achieved on disposal.

(b) Trade receivables and Loans and receivables

The Group assesses its trade receivables and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in profit or loss, the Group makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

Notes to the Financial Statements (continued)

2 Summary of significant accounting policies (continued)

2.2 Significant accounting estimates and judgements

(c) Provision for ongoing costs and liquidation costs

As described in note 8, the company has made a prior year adjustment to reverse the provision made in the financial statements for the year ended 30 June 2017.

2.3 Foreign currency translation

(a) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Pound Sterling, which is the Company's functional and the Group's presentation currency.

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the company income statement.

(c) *Group companies*

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (ii) income and expenses for each income statement are translated at average exchange rates; and
- (iii) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to other comprehensive income. When a foreign operation is disposed of, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale. On the partial disposal of a subsidiary that includes a foreign operation, the proportionate share of the cumulative amount of exchange differences recognised in other comprehensive income is re-attributed to the non-controlling interests. In any other partial disposal of a foreign operation, the proportionate share of the cumulative exchange differences recognised in other comprehensive income is reclassified to profit and loss.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2.4 Revenue and expense recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of inventory in the ordinary course of the Group's activities and rental income received or receivable in relation to operating leases. Revenue is shown net of value added tax.

The Group recognises revenue from the sale of inventory on the transfer of the risks and rewards of ownership, which is when all the contractual conditions of sale have been met.

Operating lease income in respect of rents is recognised in the income statement on a straight-line basis over the period of the lease and relates to leases in which a significant portion of the risks and rewards of ownership are retained by the Group, as lessor, and are classified as operating leases.

Notes to the Financial Statements (continued)

2 Summary of significant accounting policies (continued)

2.4 Revenue and expense recognition (continued)

Interest income is recognised in the financial statements on a time-proportionate basis using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating the interest income or interest expense over the period.

Expenses are accounted for on an accruals basis.

2.5 Basis of consolidation

Subsidiaries

Where the company has control over an investee, it is classified as a subsidiary. The company controls an investee if all three of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control. De-facto control exists in situations where the company has the practical ability to direct the relevant activities of the investee without holding the majority of the voting rights. In determining whether de-facto control exists, the company considers all relevant facts and circumstances including the size of the company's voting rights relative to both the size and dispersion of other parties who hold voting rights, substantive potential voting rights held by the company and by other parties, other contractual arrangements and historic patterns in voting attendance.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and continue to be included until control is lost or ceases.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

Transactions and non-controlling interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised gains/losses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

2.6 Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is the person or group that allocates resources to and assesses the performance of the operating segments of an entity. The Group has determined that its chief operating decision-maker is the Board of the Company.

The Board reviews the Group's internal reporting in order to assess performance and allocate resources. Based on this internal reporting to the Board, it has been determined that there is only one operating segment, property development in the Republic of South Africa.

2.7 Financial assets and financial liabilities

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. The Board determine the classification of its financial assets at initial recognition. At 31 December 2018 the Group did not have any financial assets at fair value through profit or loss or available for sale.

Notes to the Financial Statements (continued)

2 Summary of significant accounting policies (continued)

2.7 Financial assets and financial liabilities (continued)

Trade and other receivables

Trade and other receivables and loans to third parties are stated at their cost, less any impairment losses

Cash at bank

Cash at bank are stated at fair value.

Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently at amortised cost using the effective interest method.

Third party loan

Third part loans are valued at fair value through profit or loss.

2.8 Inventories

Land and buildings that are being developed for future sale are classified as inventory and recorded at cost on initial recognition. Building costs and borrowing costs in relation to inventory are capitalised. Land and building for development is subsequently carried at the lower of cost and net realisable [value. Net](#) realisable value is the estimated selling price in the ordinary course of business less selling expenses.

2.9 Assets and Liabilities Held for Sale and Disposal Groups

Assets and disposal groups are classified as held for sale when it is established that management have a committed plan to sell which is unlikely to be significantly changed or withdrawn, the assets are available for immediate sale with an active programme initiated to locate a buyer and are being marketed at a reasonable price in relation to fair value with a sale being highly probable within 12 months of classification.

Assets or disposal groups classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. Any resulting impairment loss is recognised in profit or loss. Once classified as held for sale, these assets are not depreciated and are disclosed separately on the face of the balance sheet within current assets.

2.10 Taxation

The Company is resident for taxation purposes in the Isle of Man and is subject to income tax at a rate of zero per cent. The Group is liable for tax in the Republic of South Africa on the activities of its subsidiaries.

The tax expense represents the sum of the tax currently payable, which is based on taxable profits for the period. The Group's liability is calculated using tax rates enacted or substantively enacted at the balance sheet date.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Notes to the Financial Statements (continued)

2 Summary of significant accounting policies (continued)

2.10 Taxation (continued)

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

2.11 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

2.12 Distributions

Distributions are recognised as a liability in the period in which they are declared and approved.

3 Risk management in respect of financial instruments

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk. The financial risks relate to the following financial instruments: loans and receivables and other liabilities as detailed in note 2.7.

Foreign currency risk

Foreign currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Group's operations are conducted in jurisdictions which generate revenue, expenses, assets and liabilities in currencies other than Pound Sterling ("the functional currency of the Company"). As a result the Group is subject to the effects of exchange rate fluctuations with respect to these currencies. The currency giving rise to this risk is the South African Rand.

The Group's policy is not to enter into any currency hedging transactions. The table below summarises the Group's exposure to foreign currency risk in respect of its financial instruments:

| 31 December 2018 | Monetary Assets £'000 | Monetary Liabilities £'000 | Total £'000 |
|-------------------------|--------------------------|-------------------------------|----------------|
| South African Rand | 488 | - | - |
| | 488 | - | - |
| 30 June 2017 | Monetary Assets £'000 | Monetary Liabilities £'000 | Total £'000 |
| South African Rand | 260 | (1,643) | (1,383) |
| | 260 | (1,643) | (1,383) |

At 31 December 2018, had the Pound strengthened/weakened by 5 per cent. against the South African Rand, with all other variables held constant, the impact on equity of the above financial instruments would be a decrease of £23,000 or an increase of £26,000 (30 June 2017: 10 per cent. currency movement, increase of £126,000 or a decrease of £154,000).

For the period ended 31 December 2018 the income statement included a foreign exchange gain of £14,757 arising on assets denominated in South African Rand. For the year ended 30 June 2017 the income statement included a foreign exchange gain of £3,456,408 which included a gain of £3,438,467 arising on the translation of the loan from the Company to its direct subsidiary, SAPSPV Holdings RSA (Pty) Limited; a loan which was denominated in South African Rand. On consolidation, the corresponding foreign exchange loss arising on translation of this loan in SAPSPV Holdings RSA (Pty) Limited from the functional currency of South African Rand to the presentation currency of Pound Sterling was included in the foreign currency translation reserve within equity.

Notes to the Financial Statements (continued)

3 Risk management in respect of financial instruments (continued)

Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Group.

The carrying amounts of financial assets best represent the maximum credit risk exposure at the balance sheet date. This relates also to financial assets carried at amortised cost.

At the reporting date, the Group's financial assets exposed to credit risk amounted to the following:

| | 31 December 2018 £'000 | 30 June 2017 £'000 |
|--|---------------------------|-----------------------|
| Third party loan | 415 | - |
| Trade and other receivables | 73 | 258 |
| Cash at bank | 33 | 548 |
| Assets of disposal group held for sale | - | 1 |
| | 521 | 807 |

The Group manages its credit risk by monitoring the creditworthiness of counterparties regularly. Cash transactions and balances are limited to high-credit-quality financial institutions. Trade and other receivables balance at 31 December 2018 principally comprise escrow accounts relating to the disposal of the Group's subsidiary.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its obligations as they fall due. The Group currently manages its liquidity risk by maintaining sufficient cash and banking facilities as indicated by its cashflow forecasts. The Group's liquidity position is monitored by the Board of Directors.

The residual undiscounted contractual maturities of financial liabilities are as follows:

| 31 December 2018 | Less than 1 month £'000 | 1-3 months £'000 | 3 months to 1 year £'000 | 1-5 years £'000 | Over 5 years £'000 | No stated maturity £'000 |
|--|-------------------------------|---------------------|--------------------------------|--------------------|--------------------------|--------------------------------|
| Financial liabilities | | | | | | |
| Trade and other payables | 82 | - | - | - | - | - |
| | 82 | - | - | - | - | - |
| 30 June 2017 (as restated) | Less than 1 month £'000 | 1-3 months £'000 | 3 months to 1 year £'000 | 1-5 years £'000 | Over 5 years £'000 | No stated maturity £'000 |
| Financial liabilities | | | | | | |
| Trade and other payables | 67 | 17 | 53 | - | - | - |
| Liabilities of disposal group classified as held for sale | - | 2 | 4 | - | - | 1,598 |
| | 6 | 19 | 57 | - | - | 1,598 |
| | 7 | 19 | 57 | - | - | 1,598 |

Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. The Group is exposed to interest rate risk from the cash held in interest bearing accounts at floating rates or short term deposits of one month or less and on loans from third parties. The Company's Board of Directors monitor and review the interest rate fluctuations on a continuous basis and act accordingly.

Notes to the Financial Statements (continued)

3 Risk management in respect of financial instruments (continued)

Interest rate risk

During the period ended 31 December 2018 should interest rates have decreased by 100 basis points, with all other variables held constant, the shareholders' equity and profit for the period would have been £3,000 lower (2017: 100 basis points, £4,000 lower).

Capital risk management

The Company's primary objective when managing its capital base is to safeguard its ability to continue as a going concern whilst disposing of the Group's portfolio where acceptable returns can be generated and returning excess capital to shareholders.

Capital comprises share capital (see note 16) and reserves.

No changes were made in respect of the objectives, policies or processes in respect of capital management during the periods ended 30 June 2017 and December 2018.

4 Segment Information

The entity is domiciled in the Isle of Man. All of the reported revenue, £nil (2017: £9,093) arises in South Africa.

5 Cost of sales

| | Period 1 July 2017 to 31 December 2018 £'000 | Year ended 30 June 2017 £'000 |
|-------------------------------------|--|-------------------------------------|
| Property expenses | 23 | 30 |
| | 23 | 30 |
| Impairment of inventories (note 12) | - | 1 |
| Total cost of sales | 23 | 31 |

Property expenses comprise utilities, rates and related expenses incurred in respect of Brakpan.

6 Investment Manager's fees

Annual fees

Bridgehead was appointed as the replacement investment manager with effect from 1 July 2014 and was entitled to an annual management fee of £175,000 per annum (excluding VAT) up to the date of termination on 2 May 2018. Management fees for the period ended 31 December 2018 paid to Bridgehead amounted to £166,250 (30 June 2017: £199,500) including VAT.

Performance fees

Bridgehead is entitled to a performance fee of 1.5% of the net proceeds received by the Group following the sale of an asset under the investment management agreement dated 1 July 2014. Performance fees for the period ended 31 December 2018 amounted to £nil (ZAR nil) (30 June 2017: £43,543 (ZAR 735,000)).

The Group entered into a termination deed on 1 July 2014 with Group Five under which the Group has agreed to pay Group Five a fee of 0.5% of the net proceeds received by the Group following the sale of an asset until 1 January 2016. This is settled by Bridgehead out its 1.5% performance fee.

Notes to the Financial Statements (continued)

7 Other administration fees and expenses

| | Period 1 July 2017 to 31 December 2018 £'000 | Year ended 30 June 2017 £'000 |
|---|--|-------------------------------------|
| Audit | 41 | 46 |
| Directors' remuneration and fees | 158 | 151 |
| Directors' insurance cover | 16 | 14 |
| Professional fees | 64 | 82 |
| Other expenses | 204 | 182 |
| Administration fees and expenses | 483 | 475 |

Included within other administration fees and expenses are the following:

Directors' remuneration

The maximum amount of basic remuneration payable by the Company by way of fees to the Non-executive Directors permitted under the Articles of Association is £200,000 per annum. All Directors are each entitled to receive reimbursement of any expenses incurred in relation to their appointment. The former Chairman, David Hunter, was entitled to receive an annual fee of £40,000, Stephen Coe was entitled to an annual fee of £35,000 and David Saville was entitled to an annual fee of £15,000. Mr Meyer is entitled to receive an annual fee of £82,200.

Executive Directors' fees

John Chapman was entitled to an annual basic salary of £30,000 and Craig McMurray was entitled to an annual basic salary of £20,000. Pursuant to the terms of their service agreements, Craig McMurray and John Chapman were entitled to incentive payments of, respectively, 1.5 per cent. and 0.5 per cent. of all sums distributed to shareholders. Their services agreements also provide for payments of the same percentages, following termination of their employment, for distributions paid or payable from cash generated during their employment. Total incentive fees for the period ended 31 December 2018 amounted to £nil (30 June 2017: £115,242).

All directors' remuneration and fees

Total fees and basic remuneration (including VAT where applicable) paid to the Directors for the period ended 31 December 2018 amounted to £157,658 (30 June 2017: £151,000) and was split as below. Directors' insurance cover amounted to £15,701 (30 June 2017: £13,890).

| | Period 1 July 2017 to 31 December 2018 | | | Year ended 30 June 2017 | | |
|----------------|--|----------------------------|----------------|------------------------------|----------------------------|----------------|
| | Basic fee/salary £'000 | Incentive fees £'000 | Total £'000 | Basic fee/salary £'000 | Incentive fees £'000 | Total £'000 |
| David Hunter | 40 | - | 40 | 48 | - | 48 |
| David Saville | 14 | - | 14 | 18 | - | 18 |
| Stephen Coe | 29 | - | 29 | 35 | - | 35 |
| Michael Meyer | 29 | - | 29 | - | - | - |
| | 112 | - | 112 | 101 | - | 101 |
| John Chapman | 28 | - | 28 | 30 | 29 | 59 |
| Craig McMurray | 18 | - | 18 | 20 | 86 | 106 |
| | 46 | - | 46 | 50 | 115 | 165 |
| | 158 | - | 158 | 151 | 115 | 266 |

Notes to the Financial Statements (continued)

8 Prior year adjustment

During the year ended 30 June 2017, the directors of the company made a provision for fees and expenses expected to be incurred in liquidating the company and realising its assets, amounting to £511,643. As the resolution to appoint the liquidators was not passed at the year end, the provision is not permitted by International Accounting Standard 39.

The line items of the financial statements affected and value of correction are as follows:

| | As at 1 July 2016 | As at 30 June 2017 |
|---|-------------------|--------------------|
| | £'000 | £'000 |
| Profit for the period/year | - | 4,179 |
| Adjustment to prior period | - | 512 |
| As restated | - | 4,691 |
| Total comprehensive expense for the period/year | - | 367 |
| Adjustment to prior period | - | 512 |
| As restated | - | 879 |
| Retained earnings | 1,639 | (198) |
| Adjustment to prior period | - | 512 |
| As restated | 1,639 | 314 |
| Total Equity | 5,974 | (155) |
| Adjustment to prior period | - | 512 |
| As restated | 5,974 | 357 |
| Total liabilities and current liabilities | 1,553 | 2,253 |
| Adjustment to prior period | - | 512 |
| As restated | 1,553 | 1,741 |

9 Income tax expense

| | Period 1 July to 31 December 2018 £'000 | Year ended 30 June 2017 £'000 |
|--------------------|---|-------------------------------------|
| Current tax | - | - |

The tax on the Group's (loss)/profit before tax is higher than the standard rate of income tax in the Isle of Man of zero per cent. The differences are explained below:

| | Period 1 July to 31 December 2018 £'000 | Year ended 30 June 2017 As restated £'000 |
|---|---|--|
| Profit before tax | (498) | 4,691 |
| Tax calculated at domestic tax rates applicable in the Isle of Man (0%) | - | - |
| Effect of higher tax rates in South Africa (28%) | - | - |
| Tax expense | - | - |

Notes to the Financial Statements (continued)

10 Basic and diluted (loss)/profit per share

Basic profit per share is calculated by dividing the profit attributable to equity holders of the Group by the weighted average number of shares in issue during the period.

| | Period 1 July 2017 to 31 December 2018 | Year ended 30 June 2017 |
|--|---|----------------------------|
| Profit attributable to equity holders of the Company (£'000) | (498) | 4,691 |
| Weighted average number of shares in issue (thousands) | 62,293 | 62,293 |
| Basic profit per share (pence per share) | (0.80) | 7.12 |

The Company has no dilutive potential ordinary shares; the diluted earnings per share is the same as the basic earnings per share.

11 Third party loan

| | 31 December 2018 £'000 | 30 June 2017 £'000 |
|--|---------------------------|-----------------------|
| Start of the period/year | - | - |
| Exchanged for shares on sale (note 24) | 646 | - |
| Impairment | (184) | - |
| Exchange differences | (47) | - |
| End of the period/year | 415 | - |

During the period the Group exchanged its holding in and intercompany loan with its subsidiary Madison Park Properties 40 (Pty) Limited for a loan of ZAR 11,000,000 due from SAPSPV Holdings RSA (Pty) Limited, a former subsidiary of the Group.

Subsequent to the year end the Company exchanged its third party loan with SAPSPV Holdings RSA (Pty) Limited (notes 11 and 24) for a direct holding of the underlying shares (50% holding) in Madison Park Properties 40 (Pty) Limited for consideration of ZAR 11,000,000 (£646,416).

Madison Park Properties 40 (Pty) Limited was sold subsequent to the reacquisition post period end (Note 25). The loan has been impaired to reflect the net proceeds achieved on disposal.

12 Inventories

| <i>Current assets</i> | 31 December 2018 £'000 | 30 June 2017 £'000 |
|--|---------------------------|-----------------------|
| Start of the period/year | - | 3,187 |
| Costs capitalised | - | 1 |
| Impairment | - | (1) |
| Transfer to assets held for sale (note 15) | - | (1,283) |
| Disposal via sale of subsidiary | - | (2,423) |
| Exchange differences | - | 519 |
| End of the period/year | - | - |

At 31 December 2018 all developments had been sold. At 30 June 2017 all developments had been sold or reclassified as assets held for sale.

Notes to the Financial Statements (continued)

13 Trade and other receivables

| | 31 December 2018 £'000 | 30 June 2017 £'000 |
|---|---------------------------|-----------------------|
| Prepayments | - | 8 |
| VAT receivable | - | 4 |
| Proceeds due from sale of inventory and sale of subsidiary (note 24) * | 73 | 254 |
| Trade and other receivables | 73 | 266 |

* proceeds held in escrow by the South African administrator (ZAR 936,880 (£51,019) and by the Chairman Michael Meyer (ZAR 400,000 (£21,782))

The fair value of trade and other receivables approximates their carrying value.

14 Cash and cash equivalents

| | 31 December 2018 £'000 | 30 June 2017 £'000 |
|---------------------|---------------------------|-----------------------|
| Bank balances | 33 | 548 |
| Cash at bank | 33 | 548 |

15 Disposal Group Classified as Held for Sale**15.1 Assets of Disposal Group**

The assets and liabilities of Madison Park Properties 40 (Pty) Limited (owning the assets of the Brakpan Project) were presented as held for sale as at 30 June 2017.

| | 31 December 2018 £'000 | 30 June 2017 £'000 |
|--|---------------------------|-----------------------|
| Inventories | - | 1,283 |
| Trade and other receivables | - | 1 |
| Total | - | 1,284 |
| Of which fair value measurements use: | | |
| - Quoted prices in active markets for identical assets (Level 1) | - | - |
| - Significant other observable inputs (Level 2) | - | - |
| - Significant unobservable inputs (Level 3) | - | 1,284 |

15.2 Liabilities of Disposal Group

| | 31 December 2018 £'000 | 30 June 2017 £'000 |
|--|---------------------------|-----------------------|
| Loans from third parties | - | 1,480 |
| Trade and other payables | - | 124 |
| Total | - | 1,604 |
| Of which fair value measurements use: | | |
| - Quoted prices in active markets for identical assets (Level 1) | - | - |
| - Significant other observable inputs (Level 2) | - | - |
| - Significant unobservable inputs (Level 3) | - | 1,604 |

Notes to the Financial Statements (continued)

15 Disposal Group Classified as Held for Sale (continued)

The assets of the disposal group were valued based on the contractual disposal proceeds. Liabilities were recorded at amortised cost. The payments and completion of the disposal were delayed and the Investment Manager experienced difficulties in enforcing the contract. On 1 July 2017 the shares were exchanged for a loan (note 24).

16 Share capital

| Ordinary Shares of 1p each | As at 30 June 2017 & 31 December 2018 Number | As at 30 June 2017 & 31 December 2018 £'000 |
|----------------------------|--|---|
| Authorised | 150,000,000 | 1,500 |
| Issued and fully paid up | 62,292,810 | 623 |

The holders of Ordinary Shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

No distributions were paid during the period (year ended 30 June 2017: 7.25 pence per Ordinary Share on 27 January 2017 and 2 pence per Ordinary Share on 23 June 2017).

17 Reserves

The following describes the nature and purpose of each reserve within equity:

| Reserve | Description and purpose |
|--------------------------------------|---|
| Foreign currency translation reserve | Gains/losses arising on retranslating the net assets of overseas operations into the presentation currency. |
| Retained earnings | All other net gains and losses and transactions with owners (e.g.dividends) not recognised elsewhere |

18 Net asset value ("NAV") per share

| | 31 December 2018 | 30 June 2017 As restated |
|--|------------------|-----------------------------|
| Net assets attributable to equity holders of the Company | (£'000) | |
| Shares in issue (in thousands) | 62,293 | 62,293 |
| NAV per share (£) | 0.01 | 0.02 |

19 Non-controlling interests

| Subsidiary | Country of incorporation | Percentage of shares held | Assets | Liabilities | Profit/(loss) allocated to NCI period ended 31 December 2018 | Accumulated NCI 31 December 2018 |
|--|-----------------------------|---------------------------------|--------|-------------|---|---|
| | | | £'000 | | | |
| Madison Park Properties 40 (Pty) Limited | South Africa | 50% | - | - | - | - |

On 1 July 2017 the shares were exchanged for a loan (note 24).

Notes to the Financial Statements (continued)

20 Loans from third parties

| | 31 December 2018 £'000 | 30 June 2017 £'000 |
|---|---------------------------|-----------------------|
| Start of the period/year | - | 1,280 |
| Transfer to liabilities held for sale (note 15.2) | - | (1,480) |
| Exchange differences | - | 200 |
| End of the period/year | - | - |

21 Trade and other payables

| | 31 December 2018 £'000 | 30 June 2017 £'000 |
|---------------------------------|---------------------------|-----------------------|
| Trade payables | - | 1 |
| Directors fees payable | 4 | - |
| Management fees payable | - | 17 |
| Performance fees payable | - | 3 |
| Other payables | 78 | 116 |
| Trade and other payables | 82 | 137 |

The fair value of trade and other payables approximates their carrying value.

22 Contingent liabilities and commitments

As at 31 December 2018 the Group had no contingent liabilities or commitments.

23 Related party transactions

Parties are considered to be related if one party has the ability to control the other party or to exercise significant influence over the other party in making financial or operational decisions. Key management is made up of the Board of Directors who are therefore considered to be related parties and the transactions were made at arm's length. Fees in relation to the Directors are disclosed in note 7.

The investment manager, Bridgehead Real Estate Fund (Pty) Ltd, is a company managed by Craig McMurray, who was an Executive Director of the Company. Fees in relation to Bridgehead are disclosed in note 6 and fees in relation to the Executive Directors are disclosed in note 7.

During the period a liquidator was appointed for both Crimson King Properties 378 (Pty) Limited and Business Venture Investments No 1187 (Pty) Limited.

Notes to the Financial Statements (continued)

24 Loss on disposal of subsidiary and third party loan

During the period the Group exchanged its holding in and intercompany loan with its subsidiary Madison Park Properties 40 (Pty) Limited for a loan with a total consideration of ZAR 11,000,000 (£646,416) with a former subsidiary of the Company (SAPSPV Holdings RSA (Pty) Limited) resulting in a net profit on disposal of £186,639 as follows:

| | £'000 |
|---|----------------|
| Inventory (note 15.1) | 1,283 |
| Trade and other receivables | - |
| Cash and cash equivalents | 1 |
| Trade and other payables | (5) |
| Intercompany loan | (1,689) |
| Loans from third parties (note 15.2) | (1,480) |
| Total identifiable net liabilities | (1,890) |
| Non-controlling interest | 940 |
| Intercompany loan | 1,689 |
| Total interest | 739 |
| Consideration | (646) |
| Loss on disposal | 93 |
| Accumulated foreign exchange differences arising on subsidiary operations reclassified from equity to profit and loss | (280) |
| Net profit on disposal | (187) |

During the period, additional surplus cash balances were deemed receivable in relation to the sale of the principal South African subsidiary, SAPSPV Holdings RSA (Pty) Limited, of ZAR 456,892 (£27,473).

25 Post Balance Sheet Event

On 10 June 2019 the Company exchanged its third party loan with SAPSPV Holdings RSA (Pty) Limited (notes 11 and 24) for a direct holding of the underlying shares (50% holding) in Madison Park Properties 40 (Pty) Limited for consideration of ZAR 11,000,000 (£646,416) recognising additional exchange loss of £20,651.

On 19 August 2019 ZAR 1 million (£53,445) was received into the escrow account as a deposit on account for the sale of Madison Park Properties 40 (Pty) Limited. The sale was finalised on 29 September 2019 for total consideration of ZAR 10 million (£537,785) and net consideration after expenses of £415,341. ZAR 10 million was received in escrow on 29 September 2019.

On 10 September 2019 75 million Ordinary Shares were allotted, 37,500,000 to Mr Michael Meyer (Chairman of the Company) and 37,500,000 to Mr Barry Hersh, increasing the Company's issued share capital to 137,292,810.

On 2 October 2019 at the EGM the resolution was passed to increase the authorised share capital to 200,000,000 shares at 1 pence per share.

PART IV (B)

**HISTORICAL FINANCIAL INFORMATION RELATING
TO SECURE WEB SERVICES LIMITED**

SECURE WEB SERVICES LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2019

SECURE WEB SERVICES LIMITED

COMPANY INFORMATION

| | |
|--------------------------|---|
| Directors | C R New M C Hall V Sturrock |
| Company number | 03923463 |
| Registered office | Brook House Pennerley Shrewsbury Shropshire SY5 ONE |
| Auditors | Jeffreys Henry LLP 5-7 Cranwood Street Old Street London EC1V 9EE |

SECURE WEB SERVICES LIMITED

CONTENTS

| | Page |
|-------------------------------------|-------------|
| Strategic report | 1 – 2 |
| Directors' report | 3 – 4 |
| Directors' responsibility statement | 5 |
| Auditors report | 6 – 7 |
| Statement of comprehensive income | 8 |
| Statement of financial position | 9 |
| Statement of changes in equity | 10 |
| Statement of cash flows | 11 |
| Notes to the financial statements | 12 – 21 |

SECURE WEB SERVICES LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

The directors have pleasure in submitting their Strategic Report for Secure Web Services Limited for the year ended 31 December 2019.

Review of the business

Turnover for the company was £730,396 for the year ended 31 December 2019 compared to £660,992 from continuing activities for the year ended 31 December 2018. Sales continue to grow strongly.

Gross profit has increased to £452,965 from £395,628 from 2018 which has increased Gross Profit % from 60% to 62%.

Despite a small increase in administrative expenses of £26,224 compared with the previous year, Profit before tax has increased by 24% from £86,189 to £117,203.

The company complies with all necessary legislation.

Future developments

SWS is an established presence and currently serves a portion of Shropshire, with strong growth capability. Neighbouring Cheshire and the heavily rural Powys and Herefordshire are logical expansion territories and some acquisition opportunities have been identified within Shropshire and its surrounding areas.

On average, SWS installs its services into approximately 10 new customers per week although this number has dropped over February to April of this year, as a result of the COVID-19 pandemic. The Directors intend to strengthen SWS's infrastructure and marketing functions in the coming year, in order to assist in increasing new customer base.

Migration in to the SWS network continues as customers are moving away from their existing suppliers who are using the Openreach infrastructure. This technology is not suited to rural broadband as it falls outside normal infrastructure that would be found in most conurbations through BT's Openreach network, resulting in poor broadband speeds.

Whilst BT is focusing on upgrading infrastructure in cities, it is neglecting the rural community. The original Universal Service Obligation ("USO") applies only to phone lines, so there is no obligation to upgrade copper lines. The cost of maintenance of copper is also discouraging BT from spending time and resource on doing this.

From March 2020, the new USO requires that every household is entitled to at least a 10MEG service. If a customer does not receive this, they are entitled to request it from BT/Ofcom. If there is no provider possible, the main operator, Universal Services Provider ("USP") must provide this service and that provider will get a government subsidy of up to £3,400 per household (by way of an incentive to Openreach or KCOM to ensure that all users get a minimum standard of service). However, if there is a 10MEG provider registered with Ofcom, BT must direct the customer to that provider; SWS is registered as a 10MEG provider throughout its service area. This, therefore provides a significant opportunity for SWS.

It is estimated that at least a further 2,000 customers (households) receive less than 10MEG out of SWS's catchment of 40,000 households in its geographical market. The balance of customers (circa 35,000) receive more than 10MEG from an alternative supplier and it is SWS's objective to target them with both 30 + MEG services and ultimately a "Gigabit" enabled service utilising "the Rural Gigabit Voucher (RGV) scheme of up to £1,500 per installation which is available (in its present form) to end March 2021.

SWS aims to pursue these customers through a program of upgrading its core network to deliver Gigabit enabled services and by offering its customer base free installation utilising the Gigabit and RGV scheme (see above). This can be approached as a set of sub projects, each containing a number of 'gigabit villages', which can follow on from each other, whilst previously connected customers acquire new connections from SWS as their existing (BT) contracts expire.

SECURE WEB SERVICES LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

In May 2019, the UK Government pledged £200million to connect rural areas to superfast broadband (Rural Gigabit Connectivity). As part of their election manifesto, they have also earmarked a further £5 billion of public funding to provide Gigabit-capable broadband to premises deemed commercially unviable by key network providers. Initial research undertaken by the Company confirms that SWS is well placed to secure /utilise government subsidies from which SWS intends to build its Gigabit network.

Work on building this network will start following Completion and it is envisaged that the first connections will be made in December of this year.

In Summary, and following Completion, SWS has identified 4 areas of growth:

- Accelerated sign up of "non-Gigabit" customers within its territory through additional marketing (organic opportunity number 1);
- "Export" of its expertise and technology solutions to other parts of the country that have similar problems with broadband quality (organic opportunity number 2);
- The building of its Gigabit network using Government money to fund it (Rural Gigabit Connectivity Scheme) (organic opportunity number 3); and
- Targeted acquisitions.

Principal risks and uncertainties

Business model – the risk that the Company's business model is not sustainable due to poor execution of the Company's strategic plan or inability to adapt to changing market conditions.

Financial – any risks that could impact the Company's financial profile, in particular cash flow risk arising from failure to maintain an adequate working capital position.

Compliance – the risk of not meeting relevant legislations, rules and regulations which could cause customers harm, financial losses or reputational damage to the Company.

Operational – the risk that failures of people, processes or internal and third-party systems could lead to a service disruption or financial losses.

Key performance indicators

The company monitors its performance through the key indicators set out in the table below:

| | 31-Dec-19 £ | 31-Dec-18 £ |
|--|----------------|----------------|
| Turnover | 730,396 | 624,530 |
| Profit before interest, tax, depreciation and amortisation | 240,954 | 198,222 |
| Cash at bank and in hand | 50,623 | 64,563 |

On behalf of the board

.....
C R New
Director
31 July 2020

SECURE WEB SERVICES LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

The directors present their annual report and financial statements for the year ended 31 December 2019.

Principal activities

The principal activity of the business continued to be the provision of high-speed rural broadband.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

C R New
M C Hall
V Sturrock

Results and dividends

The results for the year are set out on page 8.

Ordinary dividends for the year of £22,128 were paid (2018: £6,225)

Going concern

The directors have reviewed the forecasted cash flows and profits of the company and believe that there are adequate resources available to enable the company to meet its liabilities for at least one year from the date the financial statements are signed.

Liquidity risk

The company policy is to have sufficient internally generated cash deposits to satisfy working capital requirements in the near to medium term.

Cash flow risk

Cash flow forecasts are prepared and facilities are reviewed to ensure suitable cover for any foreseeable funding requirements with an allowance for unforeseen events. The company does not have any foreign currency dealings and no hedge arrangements.

Credit risk

The company does not have any significant credit risks with cash being received from customers via direct debit contractual entitlements arises as disclosed in the accounting policies, resulting in only small trade debtor balances existing at any one time.

Post reporting date events

There are no post Balance Sheet events to report.

Matters of strategic importance

The company has chosen in accordance with Companies Act 2006, s. 414C(11) to set out in the company's strategic report information required by Large and Medium-sized Companies (Accounts and Reports) Regulations 2008, Sch. 7 to be contained in the directors' report. It has done so in respect of a review of the business including key performance indicators, going concern and principal risks.

Auditor

Jeffreys Henry LLP were appointed as auditor to the Company and in accordance with section 485 of the Companies Act 2006, a resolution proposing that they be re-appointed will be put at a General Meeting.

SECURE WEB SERVICES LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the board

.....
C R New

Director

31 July 2020

SECURE WEB SERVICES LIMITED
DIRECTORS STATEMENT OF RESPONSIBILITIES
FOR THE YEAR ENDED 31 DECEMBER 2019

The directors are responsible for preparing the Strategic Report and the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company, and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

On behalf of the board

.....
C R New
Director
31 July 2020

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SECURE WEB SERVICES LTD FOR THE YEAR ENDED 31 DECEMBER 2019

Opinion

We have audited the financial statements of Secure Web Services Ltd (the 'Company') for the year ended 31 December 2019 which comprise the statement of comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of the profit for the year then ended;
- the Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report have been prepared in accordance with applicable legal requirements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SECURE WEB SERVICES LTD FOR THE YEAR ENDED 31 DECEMBER 2019

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Sanjay Parnar

Senior Statutory Auditor
For and on behalf of
Jeffreys Henry LLP (Statutory Auditors)
Finsgate 5-7 Cranwood Street
London EC1V 9EE
31 July 2020

SECURE WEB SERVICES LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019

| | Notes | 2019 £ | 2018 £ |
|--|-----------|-----------|-----------|
| Turnover | 3 | 730,396 | 660,992 |
| Cost of sales | | (277,431) | (265,364) |
| Gross profit | | 452,965 | 395,628 |
| Administrative expenses | | (325,422) | (299,198) |
| Other operating income | | 900 | - |
| Operating profit | 6 | 128,443 | 96,430 |
| Interest receivable and similar income | | 14 | 10 |
| Interest payable and similar expenses | 8 | (11,254) | (20,905) |
| Profit/(loss) before taxation | | 117,203 | 75,535 |
| Taxation | 7 | (22,607) | (17,515) |
| Profit for the financial year | 16 | 94,596 | 58,020 |
| Earnings per share | 20 | 47,298 | 29,010 |

Profit for the financial year is all attributable to the owners of the company.

Total comprehensive income for the year is all attributable to the owners of the company.

The income statement has been prepared on the basis that all operations are continuing operations.

SECURE WEB SERVICES LIMITED**STATEMENT OF FINANCIAL POSITION****AS AT 31 DECEMBER 2019**

| | Notes | 2019 £ | £ | 2018 £ | £ |
|--|-------|-----------|----------|-----------|-----------|
| Fixed assets | | | | | |
| Tangible assets | 10 | | 401,231 | | 352,539 |
| | | | 401,231 | | 352,539 |
| Current assets | | | | | |
| Debtors | 11 | 28,015 | | 20,469 | |
| Cash at bank and in hand | | 50,623 | | 64,563 | |
| | | 78,638 | | 85,032 | |
| Creditors: amounts falling due within one year | 12 | (139,258) | | (112,954) | |
| Net current (liabilities)assets | | | (60,620) | | (27,922) |
| Creditors: amounts falling due after more than one year | 13 | | (76,551) | | (155,632) |
| Provisions for liabilities | | | | | |
| Deferred tax | 14 | | (69,713) | | (47,106) |
| Total assets less current liabilities | | | 194,347 | | 121,879 |
| Capital and reserves | | | | | |
| Called up share capital | 15 | | 2 | | 2 |
| Profit and loss reserves | 16 | | 194,345 | | 121,877 |
| Total equity | | | 194,347 | | 121,879 |

The directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of financial statements.

The financial statements were approved by the board of directors and authorised for issue on 31 July 2020 and are signed on its behalf by:

.....
C R New
Director

SECURE WEB SERVICES LIMITED**STATEMENT OF CHANGES IN EQUITY****AS AT 31 DECEMBER 2019**

| | Share capital | Profit and loss reserves | Total |
|--|--------------------------|---|--------------|
| | £ | £ | £ |
| Balance at 1 January 2018 | 2 | 70,082 | 70,084 |
| Year ended 31 December 2018: | | | |
| Profit and total comprehensive income for the year | - | 58,020 | 58,020 |
| Dividends paid | - | (6,225) | (6,225) |
| Balance at 31 December 2018 | 2 | 121,877 | 121,879 |
| Year ended 31 December 2019: | | | |
| Profit and total comprehensive income for the year | - | 94,596 | 94,596 |
| Dividends paid | - | (22,128) | (22,128) |
| Balance at 31 December 2019 | 2 | 194,345 | 194,347 |

SECURE WEB SERVICES LIMITED**STATEMENT OF CASH FLOWS****AS AT 31 DECEMBER 2019**

| | Notes | £ | 2019 | £ | 2018 | £ |
|---|-------|-----------|-----------|-----------|-----------|---|
| Cash flows from operating activities | | | | | | |
| Cash generated from/(absorbed by) operations | 17 | | 221,252 | | 292,337 | |
| Interest paid/received | | | (11,240) | | (20,895) | |
| Net cash inflow/(outflow) from operating activities | | | 210,012 | | 271,442 | |
| Investing activities | | | | | | |
| Purchase of tangible fixed assets | | (161,203) | | (205,858) | | |
| Net cash used in investing activities | | | (161,203) | | (205,858) | |
| Financing activities | | | | | | |
| Dividends paid | | | (22,128) | | (6,225) | |
| Proceeds from / (payments of) loans | | | (40,621) | | 87,283 | |
| Net cash (used in) / generated from financing activities | | | (62,749) | | 81,058 | |
| Net increase/(decrease) in cash and cash equivalents | | | (13,940) | | 59,359 | |
| Cash and cash equivalents at beginning of | | | 64,563 | | 5,204 | |
| Cash and cash equivalents at end of year | | | 50,623 | | 64,563 | |

SECURE WEB SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

Company information

Secure Web Services Limited ("the company") is a private company limited by shares, and is registered, domiciled and incorporated in England and Wales. The registered office is Brook House, Pennerley, Shrewsbury, Shropshire, SY5 0NE.

The company's principal activities and nature of its operations are disclosed in the Directors' Report.

Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

Going concern

The directors have reviewed the forecasted cash flows and profits of the company and believe that there are adequate resources available to enable the company to meet its liabilities for at least one year from the date the financial statements are signed.

Turnover

Turnover from the provision of broadband services is recognised by reference to the month it is provided in and is shown net of VAT.

SECURE WEB SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies (Continued)

Tangible fixed assets

Tangible fixed assets are measured at cost, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives on the following bases:

| | |
|---------------------|---|
| Plant & Machinery | Written off over 1, 3, 4, 6 or 10 years |
| Motor vehicles | 25% straight line |
| Fixtures & fittings | 25% straight line |
| Computer equipment | 25% straight line |

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

Cash and cash equivalents

Cash and cash equivalents are basic financial instruments and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

SECURE WEB SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies (Continued)

Basic financial assets

Basic financial assets, trade and other debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the financial asset is measured at the present value of the future receipts discounted at a market rate of interest.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including trade and other creditors, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the company's contractual obligations are discharged, cancelled, or they expire.

Equity instruments

Equity instruments issued by the company are recorded at the fair value of the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

SECURE WEB SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies (Continued)

Taxation

The tax expense represents the sum of the current tax expense and deferred tax expense. Current tax assets are recognised when tax paid exceeds the tax payable.

Current and deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited to other comprehensive income or equity, when the tax follows the transaction or event it relates to and is also charged or credited to other comprehensive income, or equity.

Current tax assets and current tax liabilities and deferred tax assets and deferred tax liabilities are offset, if and only if, there is a legally enforceable right to set off the amounts and the entity intends either to settle on the net basis or to realise the asset and settle the liability simultaneously.

Current tax is based on taxable profit for the year. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax liabilities are recognised in respect of all timing differences that exist at the reporting date. Timing differences are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in different periods from their recognition in the financial statements. Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is recognised on differences between the value of assets (other than goodwill) and liabilities recognised in a business combination and the amounts that can be deducted or assessed for tax. The deferred tax recognised is adjusted against goodwill.

Deferred tax assets are recognised to the extent that they are expected to be recovered in the foreseeable future.

Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

Retirement benefits

For defined contribution schemes the amount charged to profit or loss is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

SECURE WEB SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of the various elements of the infrastructure that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

3 Turnover

The turnover for the year is derived from the single trading activity, provision of broadband services. All turnover of the company for the current and prior year has been generated in the UK.

4 Employees

The average monthly number of persons (including directors) employed during the year was:

| | 2019 Number | 2018 Number |
|---|----------------|----------------|
| Management | 3 | 3 |
| Administration, sales and customer services | 3 | 3 |
| | 6 | 6 |

Their aggregate remuneration comprised:

| | 2019 £ | 2018 £ |
|-----------------------|-----------|-----------|
| Wages and salaries | 59,618 | 45,699 |
| Social security costs | 7,219 | 7,808 |
| Pension costs | 3,605 | 2,889 |
| | 70,442 | 56,396 |

5 Directors' remuneration

| | 2019 £ | 2018 £ |
|--------------------------------------|-----------|-----------|
| Remuneration for qualifying services | 77,323 | 74,412 |

No pension benefits were paid to or were accruing to any directors.

SECURE WEB SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

6 Operating profit

| | 2019 £ | 2018 £ |
|---|-----------|-----------|
| Operating profit for the year is stated after charging/(crediting): | | |
| Depreciation of owned tangible fixed assets | 112,511 | 101,792 |

7 Audit fees paid

| | 2019 £ | 2018 £ |
|--|-----------|-----------|
| Fees payable: | | |
| For audit services | | |
| Audit of the statutory financial statements of the company | 7,500 | 7,500 |

8 Interest payable and similar expenses

| | 2019 £ | 2018 £ |
|-----------------------------|-----------|-----------|
| Other finance costs: | | |
| Other interest | 11,254 | 17,564 |
| Hire purchase charges | | -3,341 |

9 Taxation

| | 2019 £ | 2018 £ |
|--|-----------|-----------|
| Current tax | | |
| UK corporation tax on profits for the current period | - | - |
| Total UK current tax | - | - |
| Deferred tax | | |
| Origination and reversal of timing differences | 22,607 | 17,515 |
| Total deferred tax | 22,607 | 17,515 |
| Total tax charge | 22,607 | 17,515 |

SECURE WEB SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

9 Taxation (Continued)

The total tax charge for the year included in the income statement can be reconciled to the profit/(loss) before tax multiplied by the standard rate of tax as follows:

| | 2019 £ | 2018 £ |
|--|-----------|-----------|
| Profit before taxation | 117,203 | 75,535 |
| Expected tax charge based on the standard rate of corporation tax in the UK of 19% (2018: 19%) | 22,269 | 14,352 |
| Tax effect of expenses that are not deductible in determining taxable profit | 21,716 | 19,566 |
| Tax effect of capital allowances claimed | (30,628) | (38,200) |
| Effect of losses (utilised)/carried forward | 9,250 | 21,797 |
| Taxation for the year | 22,607 | 17,515 |

At the balance sheet date, the Company had losses available for tax relief of £34,321 (2018: £104,615). These losses arise due to accelerated capital allowance.

Deferred tax of £69,713 (2018: £47,106) has been recognised in connection with the accelerated capital allowances received.

10 Tangible fixed assets

| | Plant & machinery £ | Motor vehicles £ | Fixtures & fittings £ | Computer equipment £ | Total £ |
|--------------------------|---------------------------|------------------------|--------------------------------|----------------------------|------------|
| Cost or valuation | | | | | |
| At 1 January 2019 | 565,910 | 67,005 | 54,384 | 143,643 | 830,942 |
| Additions | 147,945 | 7,912 | 2,669 | 2,677 | 161,203 |
| At 31 December 2019 | 713,855 | 74,917 | 57,053 | 146,320 | 992,145 |
| Depreciation | | | | | |
| At 1 January 2019 | 252,618 | 39,682 | 47,842 | 138,261 | 478,403 |
| Charge for the year | 98,195 | 8,809 | 2,303 | 3,204 | 112,511 |
| At 31 December 2019 | 350,813 | 48,491 | 50,145 | 141,465 | 590,914 |
| Net book value | | | | | |
| At 31 December 2019 | 363,042 | 26,426 | 6,908 | 4,855 | 401,231 |
| At 31 December 2018 | 313,292 | 27,323 | 6,542 | 5,382 | 352,539 |

SECURE WEB SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

11 Debtors

| | 2019 £ | 2018 £ |
|---|---------------|---------------|
| Amounts falling due within one year: | | |
| Trade debtors | 11,911 | 11,781 |
| Prepayments and accrued income | 16,104 | 8,688 |
| | <u>28,015</u> | <u>20,469</u> |

12 Creditors: amounts falling due within one year

| | 2019 £ | 2018 £ |
|------------------------------------|----------------|----------------|
| Trade creditors | 16,310 | 10,338 |
| Other taxation and social security | 24,927 | 31,267 |
| Other creditors | 5,036 | 5,376 |
| Loans from directors | 86 | 32,074 |
| Bank loans | 92,899 | 33,105 |
| Accruals and deferred income | - | 794 |
| | <u>128,604</u> | <u>112,954</u> |

13 Creditors: amounts falling due after one year

| | 2019 £ | 2018 £ |
|------------|---------------|----------------|
| Bank loans | 76,551 | 155,632 |
| | <u>76,551</u> | <u>155,632</u> |

The above loan is secured by a fixed charge over the assets of the Company and repayment terms indicate an interest rate of 10%.

14 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the

| | Liabilities 2019 £ | Liabilities 2018 £ |
|--------------------------------|--------------------------|--------------------------|
| Balances: | | |
| Accelerated capital allowances | 76,234 | 66,983 |
| Tax losses | (6,521) | (19,877) |
| | <u>69,713</u> | <u>47,106</u> |

SECURE WEB SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

14 Deferred taxation (continued)

| | |
|-------------------------------|---------------|
| | 2020 |
| Movements in the year: | £ |
| Liability at 1 January 2018 | 47,106 |
| Charge to profit or loss | 22,607 |
| Liability at 31 December 2018 | <u>69,713</u> |

15 Share capital

| | | |
|--------------------------------|-------------|-------------|
| | 2019 | 2018 |
| | £ | £ |
| Ordinary share capital | | |
| Issued and fully paid | | |
| 100 Ordinary shares of £1 each | <u>2</u> | <u>2</u> |

All shares carry no fixed right to income, and rank pari passu in respect of dividend rights, voting rights and rights on distribution of capital.

16 Reserves

Profit and loss reserves

Cumulative profit and loss net of distributions to owners.

| | |
|--|---------------------------------|
| | Profit and loss reserves |
| | £ |
| Balance at 31 December 2018 | 121,877 |
| Year ended 31 December 2019: | |
| Profit and total comprehensive income for the year | 94,596 |
| Dividends paid | (22,128) |
| Balance at 31 December 2019 | <u>194,345</u> |

17 Cash generated from operations

| | | |
|--|-----------------------|-----------------------|
| | 2019 | 2018 |
| | £ | £ |
| Profit for the year after tax | 117,203 | 75,535 |
| Adjustments for: | | |
| Finance costs | 11,240 | 20,895 |
| Depreciation and impairment of tangible fixed assets | 112,511 | 101,792 |
| Movements in working capital: | | |
| (Increase)/decrease in debtors | (7,546) | 23,392 |
| (Decrease)/increase in creditors | (12,156) | 70,723 |
| Cash generated from operations | <u>221,252</u> | <u>292,337</u> |

SECURE WEB SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

18 Related party transactions

Remuneration of key management personnel

The remuneration of key management personnel of the company, who are also directors, is as follows.

| | 2019 £ | 2018 £ |
|------------------------|-----------|-----------|
| Aggregate compensation | 77,323 | 74,412 |

Other transactions

During the year dividends were paid to Christopher Raymond New of £22,128 (2018: £6,225).

At the balance sheet date there was a loan outstanding to Christopher Raymond New of £86 (2018: £32,074). This is an interest free loan repayable on demand.

At the balance sheet date there was a loan outstanding to New Developments Ltd of £68,122 (2018: £64,958). This is an interest free loan repayable on demand.

19 Ultimate controlling party

The company is controlled by C R New by virtue of his controlling interest in the issued share capital of the company.

20 Earnings per share

| | 2019 £ | 2018 £ |
|------------------|-----------|-----------|
| Profit per share | 47,298 | 29,010 |

Earnings per shares has been calculated on the net basis on the profit after tax of £94,596 (2018: £58,020) using the total number of 2 shares.

There were no potentially dilutive shares at the period end.

SECURE WEB SERVICES LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2018

SECURE WEB SERVICES LIMITED

COMPANY INFORMATION

| | |
|--------------------------|---|
| Directors | C R New M C Hall V Sturrock |
| Company number | 03923463 |
| Registered office | Brook House Pennerley Shrewsbury Shropshire SY5 ONE |
| Auditors | Jeffreys Henry LLP 5-7 Cranwood Street Old Street London EC1V 9EE |

SECURE WEB SERVICES LIMITED

CONTENTS

| | Page |
|-------------------------------------|-------------|
| Strategic report | 1-2 |
| Directors' report | 3-4 |
| Directors' responsibility statement | 5 |
| Auditors report | 6-7 |
| Statement of comprehensive income | 8 |
| Statement of financial position | 9 |
| Statement of changes in equity | 10 |
| Statement of cash flows | 11 |
| Notes to the financial statements | 12-21 |

SECURE WEB SERVICES LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2018

The directors have pleasure in submitting their Strategic Report for Secure Web Services Limited for the year ended 31 December 2018.

Review of the business

Turnover for the company was £660,992 for the year ended 31 December 2018 compared to £515,804 from continuing activities for the year ended 31 December 2017. Sales continue to grow strongly.

Gross profit has increased to £395,628 from £290,876 from 2017 which has increased Gross Profit margin from 44% to 60%.

There has been a marginal increase in Net Profit by £4,852 despite the £100k increase in gross profit. This is mainly due to the increased depreciation charge associated with the investment in the infrastructure to enable future growth of the business.

The company complies with all necessary legislation.

Future developments

SWS is an established presence and currently serves a portion of Shropshire, with strong growth capability. Neighbouring Cheshire and the heavily rural Powys and Herefordshire are logical expansion territories and some acquisition opportunities have been identified within Shropshire and its surrounding areas.

On average, SWS installs its services into approximately 10 new customers per week although this number has dropped over February to April of this year as a result of the COVID-19 pandemic. The Directors intend to strengthen SWS's infrastructure and marketing functions in the coming year, in order to assist with increasing new customer base.

Migration into the SWS network continues as customers are moving away from their existing suppliers who are using the Openreach infrastructure. This technology is not suited to rural broadband as it falls outside normal infrastructure that would be found in most conurbations through BT's Openreach network, resulting in poor broadband speeds.

Whilst BT is focusing on upgrading infrastructure in cities, it is neglecting the rural community. The original Universal Service Obligation ("USO") applies only to phone lines, so there is no obligation to upgrade copper lines. The cost of maintenance of copper is also discouraging BT from spending time and resource on doing this.

From March 2020, the new USO requires that every household is entitled to at least a 10MEG service. If a customer does not receive this, they are entitled to request it from BT/Ofcom. If there is no provider possible, the main operator, Universal Services Provider ("USP") must provide this service and that provider will get a government subsidy of up to £3,400 per household (by way of an incentive to Openreach or KCOM to ensure that all users get a minimum standard of service). However, if there is a 10MEG provider registered with Ofcom, BT must direct the customer to that provider; SWS is registered as a 10MEG provider throughout its service area. This, therefore provides a significant opportunity for SWS.

It is estimated that at least a further 2,000 customers (households) receive less than 10MEG out of SWS's catchment of 40,000 households in its geographical market. The balance of customers (circa 35,000) receive more than 10MEG from an alternative supplier and it is SWS's objective to target them with both 30 + MEG services and ultimately a "Gigabit" enabled service utilising "the Rural Gigabit Voucher (RGV) scheme of up to £1,500 per installation which is available (in its present form) to end March 2021.

SWS aims to pursue these customers through a program of upgrading its core network to deliver Gigabit enabled services and by offering its customer base free installation utilising the Gigabit and RGV scheme (see above). This can be approached as a set of sub projects, each containing a number of 'gigabit villages', which can follow on from each other, whilst previously connected customers acquire new connections from SWS as their existing (BT) contracts expire.

SECURE WEB SERVICES LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

In May 2019, the UK Government pledged £200million to connect rural areas to superfast broadband (Rural Gigabit Connectivity). As part of their election manifesto, they have also earmarked a further £5 billion of public funding to provide Gigabit-capable broadband to premises deemed commercially unviable by key network providers. Initial research undertaken by the Company confirms that SWS is well placed to secure /utilise government subsidies from which SWS intends to build its Gigabit network.

Work on building this network will start following Completion and it is envisaged that the first connections will be made in December of this year.

In Summary, and following Completion, SWS has identified 4 areas of growth:

- Accelerated sign up of "non-Gigabit" customers within its territory through additional marketing (organic opportunity number 1);
- "Export" of its expertise and technology solutions to other parts of the country that have similar problems with broadband quality (organic opportunity number 2);
- The building of its Gigabit network using Government money to fund it (Rural Gigabit Connectivity Scheme) (organic opportunity number 3); and
- Targeted acquisitions.

Principal risks and uncertainties

Business model – the risk that the Company's business model is not sustainable due to poor execution of the Company's strategic plan or inability to adapt to changing market conditions.

Financial – any risks that could impact the Company's financial profile, in particular cash flow risk arising from failure to maintain an adequate working capital position.

Compliance – the risk of not meeting relevant legislations, rules and regulations which could cause customers harm, financial losses or reputational damage to the Company.

Operational – the risk that failures of people, processes or internal and third-party systems could lead to a service disruption or financial losses.

Key performance indicators

The company monitors its performance through the key indicators set out in the table below:

| | 31-Dec-18 £ | 31-Dec-17 £ |
|--|----------------|----------------|
| Turnover | 660,992 | 515,804 |
| Profit before interest, tax, depreciation and amortisation | 198,222 | 108,765 |
| Cash at bank and in hand | 64,563 | 5,204 |

On behalf of the board

.....
C R New
Director
31 July 2020

SECURE WEB SERVICES LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2018

The directors present their annual report and financial statements for the year ended 31 December 2018.

Principal activities

The principal activity of the business continued to be the provision of high-speed rural broadband.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

C R New
M C Hall
V Sturrock

Results and dividends

The results for the year are set out on page 8.

Ordinary dividends for the year of £6,225 were paid (2017: £nil)

Going concern

The directors have reviewed the forecasted cash flows and profits of the company and believe that there are adequate resources available to enable the company to meet its liabilities for at least one year from the date the financial statements are signed.

Liquidity risk

The company policy is to have sufficient internally generated cash deposits to satisfy working capital requirements in the near to medium term.

Cash flow risk

Cash flow forecasts are prepared and facilities are reviewed to ensure suitable cover for any foreseeable funding requirements with an allowance for unforeseen events. The company does not have any foreign currency dealings and no hedge arrangements.

Credit risk

The company does not have any significant credit risks with cash being received from customers via direct debit contractual entitlements arises as disclosed in the accounting policies, resulting in only small trade debtor balances existing at any one time.

Post reporting date events

There are no post Balance Sheet events to report.

Matters of strategic importance

The company has chosen in accordance with Companies Act 2006, s. 414C(11) to set out in the company's strategic report information required by Large and Medium-sized Companies (Accounts and Reports) Regulations 2008, Sch. 7 to be contained in the directors' report. It has done so in respect of a review of the business including key performance indicators, going concern and principal risks.

SECURE WEB SERVICES LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

Auditor

Jeffreys Henry LLP were appointed as auditor to the Company and in accordance with section 485 of the Companies Act 2006, a resolution proposing that they be re-appointed will be put at a General Meeting.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the board

.....
C R New

Director

31 July 2020

SECURE WEB SERVICES LIMITED
DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2018

The directors are responsible for preparing the Strategic Report and the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company, and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

On behalf of the board

.....
C R New
Director
31 July 2020

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SECURE WEB SERVICES LTD FOR THE YEAR ENDED 31 DECEMBER 2018

Opinion

We have audited the financial statements of Secure Web Services Ltd (the 'Company') for the year ended 31 December 2018 which comprise the statement of comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the Company's affairs as at 31 December 2018 and of the profit for the year then ended;
- the Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The financial statements of the Company for the year ended 31 December 2017 were not subject to an audit.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SECURE WEB SERVICES LTD FOR THE YEAR ENDED 31 DECEMBER 2018

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Sanjay Parnar

Senior Statutory Auditor

For and on behalf of

Jeffreys Henry LLP (Statutory Auditors)

Finsgate 5-7 Cranwood Street

London EC1V 9EE

31 July 2020

SECURE WEB SERVICES LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

| | Notes | 2018 £ | 2017 £ |
|--|-----------|---------------|---------------|
| Turnover | 3 | 660,992 | 515,804 |
| Cost of sales | | (265,364) | (224,928) |
| Gross profit | | 395,628 | 290,876 |
| Administrative expenses | | (299,198) | (203,641) |
| Operating profit | 6 | 96,430 | 87,235 |
| Interest receivable and similar income | | 10 | - |
| Interest payable and similar expenses | 8 | (20,905) | (4,912) |
| Profit/(loss) before taxation | | 75,535 | 82,323 |
| Taxation | 9 | (17,515) | (29,155) |
| Profit for the financial year | 16 | 58,020 | 53,168 |
| Earnings per share | 20 | <u>29,010</u> | <u>26,584</u> |

Profit for the financial year is all attributable to the owners of the company.

Total comprehensive income for the year is all attributable to the owners of the company.

The income statement has been prepared on the basis that all operations are continuing operations.

SECURE WEB SERVICES LIMITED**STATEMENT OF FINANCIAL POSITION****AS AT 31 DECEMBER 2018**

| | Notes | 2018 £ | £ | 2017 £ | £ |
|--|-------|-----------|-----------|-----------|-----------|
| Fixed assets | | | | | |
| Tangible assets | 10 | | 352,539 | | 248,473 |
| | | | 352,539 | | 248,473 |
| Current assets | | | | | |
| Debtors | 11 | 20,469 | | 43,861 | |
| Cash at bank and in hand | | 64,563 | | 5,204 | |
| | | 85,032 | | 49,065 | |
| Creditors: amounts falling due within one year | 12 | (112,954) | | (79,948) | |
| Net current (liabilities)assets | | | (27,922) | | (30,883) |
| Creditors: amounts falling due after more than one year | 13 | | (155,632) | | (117,915) |
| Provisions for liabilities | | | | | |
| Deferred tax | 14 | | (47,106) | | (29,591) |
| Total assets less current liabilities | | | 121,879 | | 70,084 |
| Capital and reserves | | | | | |
| Called up share capital | 15 | | 2 | | 2 |
| Profit and loss reserves | 16 | | 121,877 | | 70,082 |
| Total equity | | | 121,879 | | 70,084 |

The directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of financial statements.

The financial statements were approved by the board of directors and authorised for issue on 31 July 2020 and are signed on its behalf by:

.....
C R New
Director

SECURE WEB SERVICES LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

| | Share capital | Profit and loss reserves | Total |
|--|--------------------------|---|--------------|
| | £ | £ | £ |
| Balance at 1 January 2017 | 2 | 16,914 | 16,916 |
| Year ended 31 December 2017: | | | |
| Profit and total comprehensive income for the year | - | 53,168 | 53,168 |
| Balance at 31 December 2017 | 2 | 70,082 | 70,084 |
| Year ended 31 December 2018: | | | |
| Profit and total comprehensive income for the year | - | 58,020 | 58,020 |
| Dividends paid | - | (6,225) | (6,225) |
| Balance at 31 December 2018 | 2 | 121,877 | 121,879 |

SECURE WEB SERVICES LIMITED

CASHFLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2018

| | Notes | 2018 £ | 2017 £ |
|---|-------|-----------|-----------|
| Cash flows from operating activities | | | |
| Cash generated from/(absorbed by) operations | 17 | 205,054 | 113,368 |
| Interest paid/received | | (20,895) | (4,912) |
| Income taxes paid | | - | 436 |
| Net cash inflow/(outflow) from operating activities | | 184,159 | 108,982 |
| Investing activities | | | |
| Purchase of tangible fixed assets | | (205,858) | (109,171) |
| Net cash used in investing activities | | (205,858) | (109,171) |
| Financing activities | | | |
| Dividends paid | | (6,225) | - |
| Proceeds from / (payments of) loans | | 87,283 | - |
| Net cash generated from financing activities | | 81,058 | - |
| Net increase/(decrease) in cash and cash equivalents | | 59,359 | (189) |
| Cash and cash equivalents at beginning of year | | 5,204 | 5,393 |
| Cash and cash equivalents at end of year | | 64,563 | 5,204 |

SECURE WEB SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies

Company information

Secure Web Services Limited ("the company") is a private company limited by shares, and is registered, domiciled and incorporated in England and Wales. The registered office is Brook House, Pennerley, Shrewsbury, Shropshire, SY5 0NE.

The company's principal activities and nature of its operations are disclosed in the Directors' Report.

Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

These financial statements for the year ended 31 December 2018 are the first financial statements of Secure Web Services Limited prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (FRS 102).

Going concern

The directors have reviewed the forecasted cash flows and profits of the company and believe that there are adequate resources available to enable the company to meet its liabilities for at least one year from the date the financial statements are signed.

Turnover

Turnover from the provision of broadband services is recognised by reference to the month it is provided in and is shown net of VAT.

SECURE WEB SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies (Continued)

Tangible fixed assets

Tangible fixed assets are measured at cost, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives on the following bases:

| | |
|---------------------|---|
| Plant & Machinery | Written off over 1, 3, 4, 6 or 10 years |
| Motor vehicles | 25% straight line |
| Fixtures & fittings | 25% straight line |
| Computer equipment | 25% straight line |

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

Cash and cash equivalents

Cash and cash equivalents are basic financial instruments and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

SECURE WEB SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies (Continued)

Basic financial assets

Basic financial assets, trade and other debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the financial asset is measured at the present value of the future receipts discounted at a market rate of interest.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including trade and other creditors, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the company's contractual obligations are discharged, cancelled, or they expire.

Equity instruments

Equity instruments issued by the company are recorded at the fair value of the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

SECURE WEB SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies (Continued)

Taxation

The tax expense represents the sum of the current tax expense and deferred tax expense. Current tax assets are recognised when tax paid exceeds the tax payable.

Current and deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited to other comprehensive income or equity, when the tax follows the transaction or event it relates to and is also charged or credited to other comprehensive income, or equity.

Current tax assets and current tax liabilities and deferred tax assets and deferred tax liabilities are offset, if and only if, there is a legally enforceable right to set off the amounts and the entity intends either to settle on the net basis or to realise the asset and settle the liability simultaneously.

Current tax is based on taxable profit for the year. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax liabilities are recognised in respect of all timing differences that exist at the reporting date. Timing differences are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in different periods from their recognition in the financial statements. Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is recognised on differences between the value of assets (other than goodwill) and liabilities recognised in a business combination and the amounts that can be deducted or assessed for tax. The deferred tax recognised is adjusted against goodwill.

Deferred tax assets are recognised to the extent that they are expected to be recovered in the foreseeable future.

Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

Retirement benefits

For defined contribution schemes the amount charged to profit or loss is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

SECURE WEB SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of the various elements of the infrastructure that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

3 Turnover

The turnover for the year is derived from the single trading activity, provision of broadband services. All turnover of the company for the current and prior year has been generated in the UK.

4 Employees

The average monthly number of persons (including directors) employed during the year was:

| | 2018 Number | 2017 Number |
|---|----------------|----------------|
| Management | 3 | 3 |
| Administration, sales and customer services | 3 | 3 |
| | 6 | 6 |

Their aggregate remuneration comprised:

| | 2018 £ | 2017 £ |
|-----------------------|-----------|-----------|
| Wages and salaries | 45,699 | 40,277 |
| Social security costs | 7,808 | 6,273 |
| Pension costs | 2,889 | 2,297 |
| | 56,396 | 48,847 |

5 Directors' remuneration

| | 2018 £ | 2017 £ |
|--------------------------------------|-----------|-----------|
| Remuneration for qualifying services | 74,412 | 69,897 |

No pension benefits were paid to or were accruing to any directors.

SECURE WEB SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

6 Operating profit

| | 2018 £ | 2017 £ |
|---|-----------|-----------|
| Operating profit for the year is stated after charging/(crediting): | | |
| Depreciation of owned tangible fixed assets | 101,792 | 21,530 |

7 Audit fees paid

| | 2018 £ | 2017 £ |
|--|-----------|-----------|
| Fees payable: | | |
| For audit services | | |
| Audit of the statutory financial statements of the company | 7,500 | - |

8 Interest payable and similar expenses

| | 2018 £ | 2017 £ |
|-----------------------------|-----------|-----------|
| Other finance costs: | | |
| Other interest | 17,564 | 2,834 |
| Hire purchase charges | 3,341 | 2,078 |

9 Taxation

| | 2018 £ | 2017 £ |
|--|-----------|-----------|
| Current tax | | |
| UK corporation tax on profits for the current period | | -(436) |
| Total UK current tax | | -(436) |
| Deferred tax | | |
| Origination and reversal of timing differences | 17,515 | 29,591 |
| Total deferred tax | 17,515 | 29,591 |
| Total tax charge | 17,515 | 29,155 |

SECURE WEB SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

9 Taxation (Continued)

The total tax charge for the year included in the income statement can be reconciled to the profit/(loss) before tax multiplied by the standard rate of tax as follows:

| | 2018 £ | 2017 £ |
|--|-----------|-----------|
| Profit before taxation | 75,535 | 82,323 |
| Expected tax charge based on the standard rate of corporation tax in the UK of 19% (2017: 19%) | 14,352 | 15,641 |
| Tax effect of expenses that are not deductible in determining taxable profit | 19,566 | 4,308 |
| Tax effect of capital allowances claimed | (38,200) | (20,742) |
| Effect of losses (utilised)/carried forward | 21,797 | 30,384 |
| Prior year adjustment | | -(436) |
| Taxation for the year | 17,515 | 29,155 |

At the balance sheet date, the Company had losses available for tax relief of £104,615 (2017: £92,730). These losses arise due to accelerated capital allowance.

Deferred tax of £47,106 (2017: £29,591) has been recognised in connection with the accelerated capital allowances received.

10 Tangible fixed assets

| | Plant & machinery £ | Motor vehicles £ | Fixtures & fittings £ | Computer equipment £ | Total £ |
|--------------------------|---------------------------|------------------------|--------------------------------|----------------------------|------------|
| Cost or valuation | | | | | |
| At 1 January 2018 | 365,870 | 67,005 | 52,437 | 139,772 | 625,084 |
| Additions | 200,040 | | -1,947 | 3,871 | 205,858 |
| At 31 December 2018 | 565,910 | 67,005 | 54,384 | 143,643 | 830,942 |
| Depreciation | | | | | |
| At 1 January 2018 | 164,648 | 30,575 | 45,662 | 135,726 | 376,611 |
| Charge for the year | 87,970 | 9,107 | 2,180 | 2,535 | 101,792 |
| At 31 December 2018 | 252,618 | 39,682 | 47,842 | 138,261 | 478,403 |
| Net book value | | | | | |
| At 31 December 2018 | 313,292 | 27,323 | 6,542 | 5,382 | 352,539 |
| At 31 December 2017 | 201,222 | 36,430 | 6,775 | 4,046 | 248,473 |

SECURE WEB SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

11 Debtors

| | 2018 £ | 2017 £ |
|---|-----------|-----------|
| Amounts falling due within one year: | | |
| Trade debtors | 11,781 | 35,024 |
| Prepayments and accrued income | 8,688 | 8,837 |
| | 20,469 | 43,861 |

12 Creditors: amounts falling due within one year

| | 2018 £ | 2017 £ |
|------------------------------------|-----------|-----------|
| Trade creditors | 10,338 | 27,857 |
| Other taxation and social security | 31,267 | 21,855 |
| Other creditors | 5,376 | - |
| Loans from directors | 32,074 | - |
| Bank loans and overdrafts | 33,105 | 13,335 |
| Hire purchase | - | 13,349 |
| Accruals and deferred income | 794 | 1,402 |
| Provision for charges | - | 2,150 |
| | 112,954 | 79,948 |

13 Creditors: amounts falling due after one year

| | 2018 £ | 2017 £ |
|---------------------------|-----------|-----------|
| Bank loans and overdrafts | 155,632 | 52,892 |
| Loans from directors | - | 56,648 |
| Hire purchase | - | 8,375 |
| | 155,632 | 117,915 |

The above loan is secured by a fixed charge over the assets of the Company and repayment terms indicate an interest rate of 10%.

14 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon:

| | Liabilities 2018 £ | Liabilities 2017 £ |
|--------------------------------|--------------------------|--------------------------|
| Balances: | | |
| Accelerated capital allowances | 66,983 | 47,210 |
| Tax losses | (19,877) | (17,619) |
| | 47,106 | 29,591 |

SECURE WEB SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018

14 Deferred taxation (continued)

| | 2020 |
|-------------------------------|---------------|
| | £ |
| Movements in the year: | |
| Liability at 1 January 2018 | 29,591 |
| Charge to profit or loss | 17,515 |
| Liability at 31 December 2018 | 47,106 |

15 Share capital

| | 2018 | 2017 |
|--------------------------------|-------------|-------------|
| | £ | £ |
| Ordinary share capital | | |
| Issued and fully paid | | |
| 100 Ordinary shares of £1 each | 2 | 2 |

All shares carry no fixed right to income, and rank pari passu in respect of dividend rights, voting rights and rights on distribution of capital.

16 Reserves

Profit and loss reserves

Cumulative profit and loss net of distributions to owners. The table below shows the movements in the profit and loss reserves

| | Profit and loss reserves |
|--|---------------------------------|
| | £ |
| Balance at 31 December 2017 | 70,082 |
| Year ended 31 December 2018: | |
| Profit and total comprehensive income for the year | 58,020 |
| Dividends paid | (6,225) |
| Balance at 31 December 2018 | 121,877 |

17 Cash generated from operations

| | 2018 | 2017 |
|--|----------------|----------------|
| | £ | £ |
| Profit for the year after tax | 75,535 | 82,323 |
| Adjustments for: | | |
| Taxation charged | | -(436) |
| Finance costs | 20,895 | 4,912 |
| Depreciation and impairment of tangible fixed assets | 101,792 | 21,530 |
| Movements in working capital: | | |
| (Increase)/decrease in debtors | 23,392 | 33,237 |
| (Decrease)/increase in creditors | (16,560) | (28,198) |
| Cash generated from operations | 205,054 | 113,368 |

SECURE WEB SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018

18 Related party transactions

Remuneration of key management personnel

The remuneration of key management personnel of the company, who are also directors, is as follows.

| | 2018 | 2017 |
|------------------------|---------------|---------------|
| | £ | £ |
| Aggregate compensation | <u>74,412</u> | <u>69,897</u> |

Other transactions

During the year dividends were paid to Christopher Raymond New of £6,225 (2017: £nil).

At the balance sheet date there was a loan outstanding to Christopher Raymond New of £32,074 (2017: £56,648). This loan is interest free and repayable on demand.

At the balance sheet date there was a loan outstanding to New Developments Ltd, a company controlled by Christopher New, of £64,958 (2017: £40,669). This loan is interest free and repayable on demand.

19 Ultimate controlling party

The company is controlled by C R New by virtue of his controlling interest in the issued share capital of the company.

20 Earnings per share

| | 2018 | 2017 |
|------------------|---------------|---------------|
| | £ | £ |
| Profit per share | <u>29,010</u> | <u>26,584</u> |

Earnings per shares has been calculated on the net basis on the profit after tax of £29,010 (2018: £26,584) using the total number of 2 shares.

There were no potentially dilutive shares at the period end.

PART IV (C)

UNAUDITED PRO-FORMA STATEMENT OF NET ASSETS OF THE ENLARGED GROUP

Set out below is an unaudited pro forma statement of net assets. This unaudited pro forma statement of net assets is provided for illustrative purposes only to show the effect of the Acquisition and Placing and Subscription as if it had occurred on 31 December 2019.

Because of the nature of pro forma information, this information addresses a hypothetical situation and does not therefore represent the actual financial position or results of the Enlarged Group.

The statement of pro forma net assets set out below is based on the audited balance sheets of the Company and SWS as at 31 December 2019 (as extracted without material adjustment from the Company's financial information in Part IV A and B of this document and adjustments on the basis described in the notes below.

| | <i>SAPO Note 1</i> <i>31 December 2019</i> <i>£'000</i> | <i>SWS Note 1</i> <i>31 December 2019</i> <i>£'000</i> | <i>Acquisition</i> <i>Note 2</i> <i>£'000</i> | <i>Consolidation</i> <i>Adjustments</i> <i>Note 3</i> <i>£'000</i> | <i>Placing</i> <i>net Note 4</i> <i>of expenses</i> <i>£'000</i> | <i>Total</i> <i>£'000</i> |
|-----------------------------------|---|--|---|---|---|------------------------------|
| Intangible assets | | | | | | |
| Goodwill | – | – | – | 1,407 | – | 1,407 |
| Non-current assets | | | | | | |
| Fixed assets | – | 401 | – | – | – | 401 |
| Investments | – | – | 1,600 | (1,600) | – | – |
| Subscriptions due | 750 | – | – | – | – | 750 |
| | <u>750</u> | <u>401</u> | <u>1,600</u> | <u>(193)</u> | <u>–</u> | <u>2,558</u> |
| Current assets | | | | | | |
| Trade debtors | – | 12 | – | – | – | 12 |
| Prepayments | 4 | 16 | – | – | – | 20 |
| Other Receivable - escrow | 543 | – | – | – | – | 543 |
| Cash at bank | 94 | 51 | (1,200) | – | 2,233 | 1,178 |
| | <u>641</u> | <u>79</u> | <u>(1,000)</u> | <u>–</u> | <u>2,233</u> | <u>1,953</u> |
| Current liabilities | | | | | | |
| Borrowing | – | (97) | – | – | – | (97) |
| Trade creditors | (258) | (16) | – | – | – | (274) |
| VAT & PAYE | – | (26) | – | – | – | (26) |
| Accruals | (26) | – | – | – | – | (26) |
| | <u>(284)</u> | <u>(140)</u> | <u>–</u> | <u>–</u> | <u>–</u> | <u>(424)</u> |
| Non-current liabilities | | | | | | |
| Borrowing | – | (77) | – | – | – | (77) |
| Provisions for liabilities | | | | | | |
| Deferred tax | – | (70) | – | – | – | (70) |
| Net assets | <u>1,107</u> | <u>193</u> | <u>600</u> | <u>(193)</u> | <u>2,233</u> | <u>3,940</u> |

Notes:

1. The financial information in respect of the Company and SWS as at 31 December 2019 has been extracted, without material adjustment, from the unaudited report, set out in Part IV A and B of this document.
2. The consideration for the Acquisition of SWS is £1,600,000, satisfied by cash payment of £1,200,000 and issue of Ordinary Shares of £400,000.
3. The acquisition gives rise to goodwill of £1,407,000 being consideration less net assets acquired.
4. The Placing and Subscription receipts are £2,500,000. The cash expenses of the transaction payable by the Company are expected to total approximately £267,000.
5. The pro forma financial information does not constitute statutory accounts within the meaning of section 434 of Companies Act 2006.
6. Apart from the above, no other adjustments have been made to reflect any trading, changes in working capital or other movements since 31 December 2019 for the Company.

PART V

ADDITIONAL INFORMATION

1. RESPONSIBILITY

The Directors of the Company, whose names are set out on page 5 of this Document, accept full responsibility, collectively and individually, for the information contained in this Document including the Company's compliance with the AQSE Rules. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this Document is in accordance with the facts and there is no other material information the omission of which is likely to affect the import of such information.

2. THE COMPANY

- 2.1 The Company was incorporated as South African Property Opportunities plc as a public limited company in the Isle of Man under the Isle of Man Companies Acts 1931-2004, with registered number 117001C on 27 June 2006.
- 2.2 On 7 January 2011, with the approval of shareholders in general meeting, the Company was re-registered as a company limited by shares under the IOM Act with registered number 006491V.
- 2.3 On 6 December 2018, the Company changed its name to SAPO plc.
- 2.4 The Company's registered office and its principal place of business are in the Isle of Man and are located at Millennium House, 46 Athol Street, Douglas, Isle of Man IM1 1JB. Its telephone number is +44 (0)1624 692600.
- 2.5 The principal legislation under which the Company operates is the Isle of Man Act and the regulations made thereunder.
- 2.6 The Company's website address is www.sapoinvest.com but the information on the website does not form part of this Document unless that information is incorporated by reference into this Document.

3. SHARE CAPITAL OF THE COMPANY

- 3.1 Under the IOM Act, the Company is not required to have an authorised share capital. However, the Articles provide that, unless otherwise directed by a resolution of the Shareholders, the share capital of the Company available for issue is £4,000,000 divided into 400,000,000 Ordinary Shares of £0.01 each. This was pursuant to a special resolution of the Company dated 14 April 2020, where the authorised share capital of the Company was increased from £2,000,000 to £4,000,000. A further special resolution is included in the attached Notice of the Extraordinary General Meeting whereby shareholders will be asked to vote to increase the authorised share capital of the Company from £4,000,000 to £8,000,000, divided into 800,000,000 Ordinary Shares of £0.01 each.
- 3.2 The liability of Shareholders is limited to the amount payable in respect of Ordinary Shares held.
- 3.3 There are no provisions of Isle of Man law which confer pre-emption rights on existing Shareholders in connection with the allotment of equity securities for cash by the Company. The Company has not applied the provisions of section 36 of the IOM Act and the Articles do not confer pre-emption rights on the issue of new shares.
- 3.4 Pursuant to a written resolution of the directors dated 6 September 2019, the Company allotted, on 10 September 2019, 75,000,000 Ordinary Shares at par. The resolution provided for the consideration to be left outstanding on terms that it shall be paid to the Company in full by 31 December 2024. These shares were issued to each of Michael Meyer and Barry Hersh in equal proportions comprising 37,500,000 Ordinary Shares each and the consideration for those Ordinary Shares remains outstanding.

- 3.5 29,000,000 Ordinary Shares were issued pursuant to a placing, at a price of £0.01 per placing share, in connection with the NEX Admission. No expenses were charged to any placee.
- 3.6 In accordance with the power granted to the Directors by the Articles, the Ordinary Shares issued under the placing referred to in paragraph 3.4 were allotted (conditional upon the NEX Admission) pursuant to a resolution of the Board passed shortly before the NEX Admission. All other placings referred to above were affected in the same manner and in accordance with the power granted to the Directors by the Articles.
- 3.7 The issued share capital of the Company immediately following the NEX Admission, taking into account the shares referred to in paragraphs 3.3 and 3.4 above, was as follows:

| <i>Class of shares</i> | <i>Nominal Value (£)</i> | <i>Issued (£)</i> | <i>Issued (Number)</i> |
|------------------------|------------------------------|-------------------|----------------------------|
| Ordinary Shares | 0.01 | 1,662,928.10 | 166,292,810 |

- 3.8 Pursuant to a written resolution of the directors dated 15 January 2020, the Company allotted and issued 1,000,000 Ordinary Shares at an issue price of £0.0275 per Ordinary Share. Following this allotment, the total number of issued shares in the Company was 167,292,810.
- 3.9 There were two dealings in shares on 7 January 2020 by Michael Meyer in respect of 51,235 shares at £0.025 per share and a further purchase on 17 January 2020 by Michael Meyer in respect of 100,000 shares at £0.025 per share.
- 3.10 Pursuant to a written resolution of the directors dated 12 March 2020, the Company issued, on 17 March 2020, 20,000,000 Ordinary Shares to Dr Keith Harris. The consideration for these shares was £200,000 to be left outstanding on terms that it shall be paid to the Company by Dr Harris in full by 31 December 2024 and remains outstanding. Following this allotment, the total number of issued shares in the Company was 187,292,810.
- 3.11 The issued share capital of the Company immediately following Admission, taking into account the Placing Shares, the Subscription Shares, the Ordinary Shares issued in consideration for services and the Consideration Shares (and assuming all such Shares are issued), will be as follows:
- | <i>Class of shares</i> | <i>Nominal
Value (£)</i> | <i>Issued (£)</i> | <i>Issued
(Number)</i> |
|------------------------|------------------------------|-------------------|----------------------------|
| Ordinary Shares | 0.01 | 3,040,928 | 304,092,810 |
- 3.12 The Company's share capital consists of one class of Ordinary Shares, which carry the right to vote at general meetings, to dividends as declared from time to time, and to the surplus assets of the Company on a winding-up
- 3.13 Save as disclosed in this Document, during the 12 months preceding the date of this Document, no share or loan capital of the Company has been issued or agreed to be issued, or is now proposed to be issued, for cash or any other consideration and no commission, discounts, brokerages or other special terms have been granted by the Company in connection with the issue of any such capital.
- 3.14 On Completion, the Company will issue the Consideration Shares to New Developments Limited in partial satisfaction of the Consideration.
- 3.15 Save for the Warrants and the Hybrid Warrant, no share or loan capital of the Company is under option or has been agreed, conditionally or unconditionally, to be put under option.
- 3.16 As of the date of this Document, the Company has no listed or unlisted securities not representing share capital.

4. MAJOR SHAREHOLDERS

- 4.1 So far as the Company is aware, the only persons who are directly or indirectly interested (within in the meaning of Chapter 5 of the FCA's 'Disclosure Rules and Transparency Rules sourcebook') in 3 per cent. or more of the share capital or total voting rights of the Company, and are expected (based on the information available as at the date of this Document) immediately following Admission (as appropriate) are as follows:

| Name | As at the date of this Document | | Upon Admission | | |
|-------------------------------------|--|--------------------------------------|--|--------------------------------------|------------|
| | Existing Ordinary Shares held, directly or indirectly, legally or beneficially | % of Existing Share Capital | Ordinary Shares held, directly or indirectly, legally or beneficially | % of Enlarged Share Capital | Warrants |
| Michael Meyer | 44,100,000 | 23.55 | 44,100,000 | 14.50 | Nil |
| Barry Hersh | 38,500,000 | 20.56 | 38,500,000 | 12.66 | Nil |
| Placifor Investment Corporation* | 35,309,262 | 18.85 | 35,309,262 | 11.61 | Nil |
| Livia Meyer** | 28,600,000 | 15.27 | 28,600,000 | 9.41 | Nil |
| Dr Keith Harris | 20,000,000 | 10.68 | 29,460,000*** | 9.69 | 9,460,000 |
| New Developments Limited | Nil | Nil | 25,460,000 | 8.37 | 9,460,000 |
| New Star Investment Trust PLC | Nil | Nil | 16,600,000 | 5.46 | 16,600,000 |
| Chris Akers | Nil | Nil | 10,000,000 | 3.29 | 10,000,000 |

*Selwyn Lewis is one of four beneficiaries of a discretionary trust (the other three being his children) whose Trustees are Trident Trust Company (IOM) Limited. Trident Trust Company (IOM) Limited owns Placifor Investment Corporation.

** Livia Meyer is the wife of the late Michael Meyer.

*** The shareholding of Dr Keith Harris upon Admission, includes that of his wife.

- 4.2 Placifor Investment Corporation's interest in the share capital of the Company will decrease upon the exercise of two separate share option agreements signed on 30 June 2020 with Placifor Investment Corporation and each of Kyle Nel and Rhea Lily White. These options over part of Placifor Investment Corporation's shareholding in SAPO were each granted in recognition of the option holders' work for and on behalf of SAPO in order to improve its overall position in the market and improve its market value. Kyle Nel has an option to buy 2.5 million of Placifor Investment Corporation's Ordinary Shares at an exercise price of 0.1p per Ordinary Share, with the period during which this option can be exercised commencing on 30 June 2020 and expiring on 31 December 2024. Rhea Lily White has an option to buy 1 million of Placifor Investment Corporation's Ordinary Shares at an exercise price of 0.1p per share, with the period during which this option can be exercised commencing on 30 June 2020 and expiring on 31 December 2024.
- 4.3 The Company's major shareholders listed above do not have, and on Admission will not have, different voting rights to the Company's other shareholders.

5. INFORMATION ON THE DIRECTORS

5.1 Directors' Shareholdings and Other Interests

5.1.1 The interests of the Directors in the issued share capital of the Company and (so far as is known to the Directors, or could with reasonable diligence be ascertained by them) the interests of persons connected with the Directors, as at the date of this Document and as at Admission, will be as follows:

| <i>Director</i> | <i>As at the date of this Document</i> | | <i>Upon Admission</i> | | |
|--------------------|--|------------------------------------|---|------------------------------------|-------------------------|
| | <i>Existing Ordinary Shares held, directly or indirectly, legally or</i> | <i>% of Existing Share</i> | <i>Ordinary Shares held, directly or indirectly, legally or</i> | <i>% of Enlarged Share</i> | <i>Capital Warrants</i> |
| Selwyn Lewis* | 35,309,262 | 18.85 | 35,309,262 | 11.61 | Nil |
| Dr Keith Harris** | 20,000,000 | 10.68 | 29,460,000 | 9.69 | 9,460,000 |
| Michael Langoulant | Nil | Nil | Nil | Nil | Nil |

*Selwyn Lewis is one of four beneficiaries of a discretionary trust (the other three being his children) whose Trustees are Trident Trust Company (IOM) Limited. Trident Trust Company (IOM) Limited owns Placifor Investment Corporation.

**The shareholding of Dr Keith Harris upon Admission, includes that of his wife.

Save as disclosed at paragraph 4.1 above, the Directors are not aware of any interests of any persons connected with them.

5.1.2 The Directors are not required to hold any Ordinary Shares under the Articles.

5.1.3 Save as disclosed in this Document, none of the Directors has any interest, beneficial or non-beneficial, in the share or loan capital of the Company.

5.1.4 Save as disclosed in this Document, no Director has any interest, direct or indirect, in any assets which have been or are proposed to be acquired or disposed of by, or leased to, the Company and no contract or arrangement exists in which any Director is materially interested and which is significant in relation to the business of the Company.

There are no outstanding loans granted by the Company to any Director, nor are there any guarantees provided by the Company for their benefit. The consideration for the 20,000,000 shares issued to Dr Keith Harris was left outstanding on terms that it shall be paid to the Company by Dr Keith Harris in full by 31 December 2024 and such consideration remains outstanding.

5.1.5 Save as disclosed in this Document, no Director has or has had any interest, whether direct or indirect, in any transaction which is or was unusual in its nature or conditions significant to the business of the Company and which was effected by the Company during the current or immediate preceding financial year, or during any earlier financial year and which remains in any respect outstanding or unperformed.

5.1.6 In respect of the Directors, save as set out in this Document, there are no conflicts of interest between any duties they have to the Company and their private interests and/or other duties they may have or owe.

5.1.7 Save as set out in this Document, there are no arrangements or undertakings between the Directors or the senior managers and any major shareholder, customer or supplier of the Group pursuant to which any Director or senior manager was selected or will be selected as a member of the administrative, management or supervisory body or member of senior management of the Company.

5.1.8 As at 23 September 2020 (being the latest practicable date prior to publication of this Document) and save as disclosed in this paragraph 5, the Directors are not aware of any person or persons who, directly or indirectly, jointly or severally, following Admission will own or exercise or could own or exercise control over the Company.

5.1.9 Save as disclosed in this Document, the Company is not aware of any arrangements which may at a subsequent date result in a change of control in the Company.

5.2 Additional Information on the Directors

5.2.1 The directorships and partnerships of the Directors currently held and held over the three years preceding the date of this Document (other than the Company) are as follows:

| <i>Name</i> | <i>Current directorships/ partnerships</i> | <i>Past directorships</i> |
|--------------------|---|--|
| Dr Keith Harris | Semper Fortis Esports Limited Yesod Bio-Sciences Limited As Sports Management Ltd Sustainable Housing Solutions Holdings PTE. Ltd Meiragtx Holdings Plc Keith Harris & Associates Limited Cherwell Films LLP | Phoenix Opportunities Limited Everton FC Finance Ltd Meiragtx Limited Everton Football Club Company Limited ABSARB Securities Ltd (formerly C-Tech Financial UK Limited) Creditech Plc Everton Stadium Development Limited The Invicta Film Partnership No.14, LLP |
| Selwyn Lewis | Springbok Supporters Club (Pty) Ltd (South Africa) Treble Entertainment (Pty) Ltd (South Africa) | |
| Michael Langoulant | LB-Shell plc (in liquidation) Paradise Holdings Limited OTR International Limited Corsecan Ltd Lanza Holdings Pty Limited (Aus) Domo Pty Ltd (Aus) Tigerbite Pty Ltd (Aus) Dampier Resources Pty Ltd (Aus) Mospey Pty Ltd (Aus) Imperial Minerals (UK) Limited | Resolute Amansie Ltd (Ghana) Imperial X plc OTR Tyres Group Limited Tyre Brokers Group Limited Haulover Investments Limited Nyota Minerals Limited (Aus) Property Connect Holdings Limited (Aus) White Cliff Mining Ltd (Aus) PBP Malaysia Ltd (Malaysia) Northern Drilling Pty Ltd (Aus) Venture Exploration Pry Ltd (Aus) Charge Cobalt Pty Ltd (Aus) KEC Investments Pty Ltd (Aus) Petrus Resources Pty Ltd (Aus) Auminco Coal Pty Ltd (Aus) Auminco Mines Ltd (Aus) Bold Resources Pty Ltd (Aus) Lyndhouse Pty Ltd (Aus) |

5.2.2 Michael Langoulant was a director of Max Resources Ltd ("**Max Resources**") from approximately 1994 to 1997. Although solvent at the time, a Statutory Manager was appointed to Max Resources in 1998. Max Resources was subsequently liquidated. Although the Statutory Manager made some minor negative comments concerning the administration of Max Resources, neither the Statutory Manager, nor the liquidator levelled any case of wrongdoing against Mr Langoulant. Further, at a subsequent trial in relation to the company's Australian subsidiary, Robregal Investment Pty Ltd, the trial judge determined that Mr Langoulant had no case to answer.

5.2.3 Michael Langoulant was appointed as a director of LB-Shell PLC ("**LB Shell**") on 2 May 2018. An administrator was appointed in respect of LB Shell on 24 September 2019, and submitted its final progress report to creditors dated 3 April 2020, pursuant to which it confirmed that LB Shell's only known asset was cash at bank of £42,000, which had been realised at £42,525.43, and that the administrator did not believe that there were any further assets to be realised. The administrator also noted that the directors' statement of affairs indicated there were unsecured creditors amounting to £339,750, and that (as at 3 April 2020), claims of £164,667.06 had been received. It was also noted that it was anticipated that a small dividend would be paid to unsecured creditors. Pursuant to an application to Court made by the directors of LB Shell, a liquidator was appointed in respect of LB Shell on 13 May 2020.

5.2.4 Dr Keith Harris was a director at Seymour Pierce Holdings Limited, a non-operating holding company, when administrators were appointed in February 2013. This followed the sale of its wholly-owned sole asset, Seymour Pierce Limited, of which Dr Keith Harris was not a director. The company was dissolved in March 2014 with no evidence of wrongdoing on the part of Dr Harris.

5.2.5 At the date of this Document, save as disclosed above, none of the Company's Directors:

- (i) is currently or has over the previous three years been a director or partner of any companies and partnerships other than those which are disclosed above;
- (ii) has any unspent convictions in relation to fraudulent offences for at least the previous five years;
- (iii) for at least the previous five years, has been involved in any bankruptcy or individual voluntary arrangements;
- (iv) for at least the previous five years, has been involved as a director of a company which has gone into receivership or been the subject of any compulsory liquidations, creditors' voluntary liquidations, administrations, company voluntary arrangements or any composition or arrangement with its creditors generally or any class of its creditors for at least the previous five years; or
- (v) has been the subject of any official public incrimination and /or sanctions by any statutory or regulatory authorities (including designated professional bodies) or has been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company for at least the previous five years.

6. DIRECTORS' SERVICE AGREEMENTS AND EMOLUMENTS

6.1 The Company has entered into or agreed to enter into service agreements and letter(s) of appointment, as follows:

6.1.1 A service agreement with Dr Keith Harris dated 23 September 2020 under which he has agreed to act as Executive Chairman of the Company commencing on 10 March 2020 and thereafter on a rolling basis unless terminated by either party giving at least 12 months' prior written notice (subject to the payment in lieu of notice provisions described below).

Under the service agreement, Dr Harris is entitled to an annual salary of £80,000 gross, together with reimbursement of all his reasonable expenses. This salary shall be increased by £5,000 annually, with the first such increase to take effect on 1 January 2021.

Dr Harris's normal working hours are 9.30 a.m. to 5.30 p.m., 4 days per week, and he is entitled to 30 days' holiday in addition to the usual public holidays.

The Company has the exclusive right to terminate Dr Harris's appointment with immediate effect, on a payment in lieu equal to his salary on the termination date which he would have been entitled to receive under the agreement during his notice period, together with a payment in respect of benefits he would have been entitled to receive during that period, a payment in respect of any holiday entitlement that would have accrued during that period, and a payment in respect of any outstanding business expenses.

Dr Harris will be bound by post-termination restrictions in favour of the Company for a period of six months after the termination of the agreement.

- 6.1.2 A letter of appointment between the Company and Selwyn Lewis dated 23 September 2020, appointing him as a non-executive of the Company with effect from 10 March 2020.

Under the appointment letter, Mr Lewis is to act as a non-executive director for an initial period of two years from Admission (or, if Admission does not occur, two years from the date of the letter of appointment). The appointment can be terminated by either party by giving to the other six months' prior written notice.

Mr Lewis is entitled to a fee of £6,000 per year for carrying out his duties as a non-executive director, which is paid in equal quarterly instalments in arrears. The Company will also reimburse Mr Lewis for expenses properly incurred by him in the business of the Company.

Mr Lewis is to commit a minimum of two days per month to the business of the Company, and he may be asked to serve as a non-executive director on the board of any company which is a subsidiary of the Company, or a joint venture entity, for the time being.

Mr Lewis will be bound by post-restriction termination provisions in favour of the Company for a period of one year after the termination of the appointment.

- 6.1.3 A letter of appointment between the Company and Michael Langoulant dated 23 September 2020, confirming his appointment as a non-executive director of the Company which took effect on 11 May 2018.

Under the appointment letter, Mr Langoulant is to act as a non-executive director for an initial period of two years from Admission (or, if Admission does not occur, two years from the date of the letter of appointment). The appointment can be terminated by either party by giving to the other six months' prior written notice.

Mr Langoulant is entitled to a fee of £6,000 per year for carrying out his duties as a non-executive director, which is paid in equal quarterly instalments in arrears. The Company will also reimburse Mr Langoulant for expenses properly incurred by him in the business of the Company.

Mr Langoulant is to commit a minimum of two days per month to the business of the Company, and he may be asked to serve as a non-executive director on the board of any company which is a subsidiary of the Company, or a joint venture entity, for the time being.

Mr Langoulant will be bound by post-restriction termination provisions in favour of the Company for a period of one year after the termination of the appointment.

- 6.2 None of the Directors have other arrangements with the Company pursuant to which they are or will be entitled to payment, and in particular have no further entitlement to benefits upon termination of employment.
- 6.3 The aggregate amount of remuneration paid (including any contingent or deferred compensation) and benefits in kind granted to the Directors and former Directors by the Company during the last completed financial year ended 31 December 2019 was £93,550.
- 6.4 Save as set out above, there are no existing or proposed service agreements between any of the Directors and the Company.

7. MEMORANDUM AND ARTICLES OF ASSOCIATION OF THE COMPANY

A summary of the main provisions of the Articles are set out below:

- 7.1 Adoption – the Company has not adopted the model articles made under the IOM Act.
- 7.2 Resolution thresholds – the IOM Act does not distinguish between ordinary and special resolutions of Shareholders, however the Articles provide for a regime of ordinary resolutions (requiring approval of a simple majority) and special resolutions (requiring approval of a majority of not less than three fourths) of Shareholders who (being entitled to do so) vote in person or by proxy at a general meeting of the Company.
- 7.3 Share Capital – the Articles provide that, unless otherwise directed by a resolution of the Shareholders, the share capital of the Company available for issue is £4,000,000 divided into 400,000,000 Ordinary Shares. It is proposed that the share capital will be increased to £8,000,000 divided into 800,000,000 Ordinary Shares. Unissued shares in the capital of the Company are at the disposal of the Directors and (save as otherwise directed in general meeting) the Directors may allot, grant options over or otherwise dispose of shares to such persons at such times and generally on such terms and conditions as they think proper.
- 7.4 Rights attaching to shares – the Articles provide that, subject to any special rights conferred on the holders of any other shares, shares may be issued with or have attached to them such rights and restrictions as the Company may by resolution decide, or if no such resolution has been passed, as the Board may determine.
- 7.5 Purchase and redemption of shares – shares may be redeemed or otherwise acquired by the Company for any consideration provided that the Company continues to have at least one shareholder and satisfies the solvency test set out in the IOM Act.
- 7.6 Alteration of capital – to the extent that the shares in the capital of the Company comprise shares with a par value, the Company in general meeting may from time to time by ordinary resolution:
 - 7.6.1 increase its share capital by such sum to be divided into shares of such amount as the resolution prescribes;
 - 7.6.2 consolidate and/or divide, re-designate or redenominate or convert all or any of its share capital into shares of larger or smaller par value, into shares having a purchase price of another currency, or into different classes of shares than its existing shares; and
 - 7.6.3 sub-divide its shares or any of them into shares of smaller par value and may by such resolution determine that as between the shares resulting from such sub-division, one or more of the shares may, as compared with the others, have any such preferred, deferred or other special rights or be subject to any such restrictions as the Company has power to attach to unissued or new shares but so that the proportion between the amount paid up and the amount (if any) not paid up on each reduced share shall be the same as it was in the case of the share from which the reduced share is derived.

Subject to compliance with the solvency test set out in the IOM Act and to any rights for the time being attached to any shares, the Company may by resolution reduce its paid up share capital in any manner.

- 7.7 Variation of class rights – subject to the provisions of the IOM Act, if at any time the share capital of the Company is divided into shares of different classes, any of the rights for the time being attached to any share or class of shares in the Company (and notwithstanding that the Company may be or be about to be in liquidation) may (unless otherwise provided by the terms of issue of the shares of that class) be varied or abrogated in such manner as may be provided by such rights or, in the absence of any such provision, either with the consent in writing of a majority of the holders of the issued shares of the class or with the sanction of a resolution passed at a separate general meeting of the holders of shares of the class duly convened and held as provided in the Articles.

Subject to the terms of issue or the rights attached to any shares the rights or privileges attached to any class of shares shall be deemed not to be varied or abrogated by the Board resolving that a class of shares is to become or to cease to be a share traded through an uncertificated system in accordance with the CREST Regulations.

Subject to the terms on which any shares may be issued, the rights or privileges attached to any class of shares shall be deemed to be varied or abrogated by the reduction of the capital paid up on such shares or by the allotment of further shares ranking in priority for the payment of a dividend or in respect of capital or howsoever or which confer on the holders voting rights more favourable than those conferred by such first mentioned shares but shall not be deemed to be varied or abrogated by the creation or issue of any new shares ranking *pari passu* in all respects (save as to the date from which such new shares shall rank for dividend) with or subsequent to those already issued or by the purchase or redemption by the Company of its own shares in accordance with the provisions of the Act and the Articles or by the exercise of any power relating to the disclosure of interests in the Company's shares.

- 7.8 Return of capital – if the Company is wound up, the surplus assets remaining after payment of all creditors are to be divided among the members in proportion to the capital which at the commencement of the winding up is paid up on the shares held by them respectively and, if such surplus assets are insufficient to repay the whole of the paid up capital, they are to be distributed so that as nearly as may be the losses are borne by the members in proportion to the capital paid up at the commencement of the winding up on the shares held by them respectively.
- 7.9 CREST – the Articles are consistent with CREST membership and allow for the holding and transfer of shares in the Company in uncertificated form.
- 7.10 Transfer of shares – each member may transfer all or any of his certified shares by instrument of transfer in writing in any usual form or in any form approved by the Board or in the case of uncertificated shares without a written instrument in accordance with the CREST Regulations. Any written instrument shall contain the business or residential address of the transferee and be executed by or on behalf of the transferor and (in the case of a transfer of a share which is not fully paid up) by or on behalf of the transferee. The transferor shall be deemed to remain the holder of such share until the name of the transferee is entered in the register of members in respect of it.

The Board has discretion to refuse to register any transfer of a certificated share (save for exceptions listed in the Articles) provided notice of refusal is sent to the transferee within two months after the date on which the transfer was lodged with the Company and any instrument of transfer returned to the person depositing it. No transfer of any share shall be made to a minor, bankrupt or any person suffering from mental disorder (as specified within the Articles).

The registration of transfers of shares or of any class of shares may be suspended at such times and for such periods (not exceeding thirty days in any year) as the Board in its absolute discretion may from time to time determine (subject to the CREST Regulations in Uncertificated Regulations). Notice of closure of the register of members shall be given in accordance with the requirements of the IOM Act.

The Board shall register a transfer of title to any uncertificated share or the renunciation or transfer of any renounceable right of allotment of a share which is held in uncertificated form in accordance with the CREST Regulations, except that the Board may refuse (subject to any relevant requirements applicable to the recognised investment exchange(s) to which the shares of the Company are admitted) to register any such transfer or renunciation which is in favour of more than four persons jointly or in any other circumstance permitted by the CREST Regulations.

No fee shall be charged for registration of a transfer or on the registration of any probate, letters of administration, certificate of death or marriage, power of attorney, notice or other instrument relating to or affecting the title to any shares or otherwise for making any entry in the register of members affecting the title to any shares.

Nothing in the Articles shall preclude the Board from recognising a renunciation of the allotment of any share by the allottee in favour of some other person.

- 7.11 Transmission of shares – if a member dies the survivors or survivor where he was a joint holder and his executors or administrators where he was a sole or the only survivor of joint holders, shall be the only persons recognised by the Company as having any title to his shares. Nothing in the Articles shall release the estate of a deceased member from any liability in respect of any share which has been solely or jointly held by him.

Any person entitled to a share by transmission may, on such evidence as to his title being produced as the Board may reasonably require, elect either to become registered as a member or to have some person nominated by him registered as a member by written notice. If he elects to have some other person registered he shall, in the case of a certificated share, execute an instrument of transfer of such shares to that person and, in the case of an uncertificated share, either procure that all appropriate instructions are given by means of the uncertificated system to effect the transfer of such share to such person or change the uncertificated share to certificated form and then execute an instrument of transfer of such share to such person. Where the entitlement of a person to a share in consequence of the death or bankruptcy of a member or of any other event giving rise to its transmission by operation of law is proved to the satisfaction of the Board, the Board shall, within two months after proof, cause the entitlement of that person to be noted in the register of members.

Where a person is entitled to a share by transmission, the rights of the holder in relation to such share shall cease. However, the person so entitled may give a good discharge for any dividends and other moneys payable in respect of it and shall have the same rights to which he would be entitled if he were the holder of the share except that he shall not before he is registered as the holder of the share be entitled in respect of it to give notice of or to attend or vote at any meeting of the Company or at any separate meeting of the holders of any class of shares of the Company. The Board may at any time give notice requiring any such person to elect either to be registered himself or to transfer the share. If the notice is not complied with within sixty days, the Board may thereafter withhold payment of all dividends and other moneys payable in respect of such share until the requirements of the notice have been complied with.

- 7.12 Meetings of members – the Board shall convene in each year a general meeting of the members of the Company called the annual general meeting to be held at such time and place as the Board may determine. All other general meetings shall be called extraordinary general meetings.

Annual general meetings and extraordinary general meetings convened for the passing of a special resolution or a resolution appointing a person as a Director shall be convened by not less than twenty-one clear days' notice in writing. Other extraordinary general meetings shall be convened by not less than fourteen clear days' notice in writing. Notice shall be given to all members, directors and auditors and shall specify: whether the general meeting is an annual one or an extraordinary one; the place, day and time of the meeting; in the case of special business, the general nature of that business, if the meeting is convened to consider a special resolution then the text of the resolution and the intention to propose the resolution as a special resolution; and with reasonable prominence that a member entitled to attend and vote is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him and that a proxy need not also be a member, and the place where instruments of proxy are to be deposited if the Board determines that place to be other than the registered office. The accidental omission to send a notice of meeting or, in cases where it is intended that it be sent out with the notice, an instrument of proxy, to, or the non-receipt of either by, any person entitled to receive the same shall not invalidate the proceedings at that meeting.

All business that is transacted at a general meeting shall be deemed special except the declaration of dividends, the election or re-election of Directors, the fixing of the Directors' fees, and the reappointment of the auditors retiring and the fixing of the remuneration of the auditors or the determination of the manner in which such remuneration is to be fixed.

Under the Articles, the quorum for a general meeting is either two members entitled to attend and to vote on the business being transaction present in person or by proxy or as a duly authorised representative of a corporation which is a member, or one person entitled to vote on the business to be transacted who holds not less than one-tenth of the issued share capital of the Company being present in person or by proxy.

- 7.13 Voting rights – at any general meeting a resolution put to a vote of the meeting shall be decided on a show of hands unless (before or immediately after the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is duly demanded by those specified within the Articles.

On a show of hands, every member who (being an individual) is present in person shall and every member who (being a corporation) is present by duly authorised representative shall have one vote.

On a poll every member present in person or by proxy or (in the case of a corporate member) by duly authorised representative shall have one vote for each share of which he is the holder. In the case of an equality of votes, whether on a show of hands or on a poll, the Chairman of the meeting at which the show of hands takes place or at which the poll was demanded shall be entitled to a second or casting vote in addition to any other vote that he may have.

- 7.14 Dividends and other distributions – subject to the provisions of the Articles, the Company may, subject to the satisfaction of the solvency test set out in the IOM Act, by resolution declare that dividends (including interim dividends) out of the Company's profits may be paid to members according to their respective rights and interests in the profits of the Company. However, no dividend shall exceed the amount recommended by the Board.

If at any time the share capital of the Company is divided into different classes, the Board may pay such interim dividends on shares which rank after shares conferring preferential rights with regard to dividend as well as on shares conferring preferential rights unless at the time of payment any preferential dividend is in arrears. Provided that the Board acts in good faith it shall not incur any liability to the holders of shares conferring preferential rights for any loss that they may suffer in consequence of the declaration or by the lawful payment of any interim dividend on any shares ranking after those with preferential rights.

All dividends shall be declared and paid according to the amounts paid up (otherwise than in advance of calls) on the shares on which the dividend is paid. Subject as aforesaid, all dividends shall be apportioned and paid pro rata according to the amounts paid up or credited as paid up on the shares during any portion or portions of the period in respect of which the dividend is paid but if any share is issued on terms providing that it shall rank for dividend as from a particular date or be entitled to dividends declared after a particular date it shall rank for or be entitled to dividends accordingly.

All dividends and interest shall be paid (subject to any lien of the Company) to those members whose names shall be on the register at the date at which such dividend shall be declared or at the date at which such interest shall be payable respectively, or at such other date as the Company by resolution or the Board may determine, notwithstanding any subsequent transfer or transmission of shares.

The Board may pay the dividends or interest payable on shares in respect of which any person is by transmission entitled to be registered as holder to such person upon production of such certificate and evidence as would be required if such person desired to be registered as a member in respect of such shares.

The Board may deduct from any dividend or other money payable to any member on or in respect of a share all such sums as may be due from him to the Company on account of calls or otherwise in relation to the shares of the Company.

The Company in general meeting may, on the recommendation of the Board, by resolution direct that payment of any dividend declared may be satisfied wholly or partly by the distribution of assets, and in particular, of fully paid up shares or debentures of any other company or in any one or more of such ways. Where any difficulty arises in regard to such distribution the Board may settle it as it thinks fit.

Unless otherwise provided by the rights attached to the share no dividend or other moneys payable by the Company or in respect of a share shall bear interest as against the Company.

The Company may pay (including currency or currencies other than sterling) any dividend, interest or other sum payable in respect of a share in cash or by direct debit, bank transfer, cheque, dividend warrant or money order (or in respect of any uncertificated share through the applicable uncertificated system) and may send it by post or other delivery service to the registered address of the member or person entitled to it (or if two or more persons are holders of the share or are jointly entitled to it by reason of the death or bankruptcy of the member or otherwise by operation of law to the registered address of such of those persons as is first named in the register of members) or to such person and such address as such member or person or persons may direct in writing.

The Company may make, or procure the making of, any payment in respect of a member's uncertificated shares through the relevant uncertificated system in accordance with any authority given to the Company to do so (whether in writing, through the uncertificated system or otherwise) by or on behalf of the member in a form satisfactory to the Board. The making of such payment in accordance with such authority shall be a good discharge to the Company.

If dividends are uncashed, unclaimed, or waived, the company shall not be obliged to send any further dividends and may forfeit such dividend.

7.15 Scrip Dividends – the Board may with the prior authority of a resolution of the Company and subject to such conditions as the Board may determine, provided that the Company has sufficient unissued shares and undistributed profits or reserves to give effect to it, offer to any holders of Ordinary Shares the right to elect to receive Ordinary Shares credited as fully paid, in whole or in part instead of cash in respect of the whole or some part (to be determined by the Board) of any dividend specified by the resolution. Such scrip dividend shall be subject to the provisions set out in the Articles.

The Board may also from time to time establish or vary a procedure for election mandates, under which a holder of Ordinary Shares may elect to receive Ordinary Shares credited as fully paid instead of cash in respect of all or certain future rights offered to that holder until the election mandate is revoked in accordance with any such procedure.

If the Ordinary Shares are admitted to listing or trading on any recognised investment exchange, the Company shall apply to the relevant regulatory authority for the additional Ordinary Shares so allotted to be admitted to the recognised investment exchange(s) and securities list(s) to which the Company's existing issued Ordinary Shares are admitted.

7.16 Reserves and capitalisation of profits – the Board may, before recommending any dividend (whether preferential or otherwise) carry to reserves out of the profits of the Company such sums as it thinks fit. All sums standing to reserves may be applied from time to time, at the discretion of the Board, for any other purpose to which the profits of the Company may properly be applied and pending such application may either be employed in the business of the Company or be invested in such investments as the Board thinks fit and so that it shall not be necessary to keep any investment constituting the reserve separate or distinct from any other investment of the Company. The Board may divide the reserve into such special funds as it thinks fit and may consolidate into one fund any special fund or any part of any special fund into which the reserve may have been divided as it thinks fit. Any sum which the Board may carry to reserve out of the unrealised profit of the Company shall not be mixed with any reserve to which profits available for distribution have been carried. The Board may also, without placing the same to reserve, carry forward any profit which it may think prudent not to distribute.

The Board may with the authority of a resolution of the Company:

- (a) subject as provided in the Articles, resolve to capitalise any profits of the Company not required for paying any preferential dividend (whether or not they are available for distribution) or any sum standing to the credit of any reserve or fund of the Company which is available for distribution;
- (b) appropriate the sum resolved to be capitalised on the date specified in the resolution to the holders of Ordinary Shares in proportion to the par value of the shares (whether or not fully paid) held by them respectively which would entitle them to participate in a distribution of that sum if the shares were fully paid and the sum were then distributable and were distributed by way of dividend and apply such sum on their behalf either in or towards paying up the amount, if any, for the time being unpaid on any share held by them respectively or in paying up in full unissued shares or debentures of the Company at a price equal to that sum and allot the shares or debentures credited as fully paid to those holders of Ordinary Shares or as they may direct in those proportions or partly in one way and partly in the other;
- (c) resolve that any shares so allotted to any member in respect of a holding by him of any partly paid shares shall, so long as such shares remain partly paid, rank for dividends only to the extent that such partly paid shares rank for dividends;

- (d) make such provision by the issue of fractional certificates (or by ignoring fractions or by accruing the benefit of it to the Company rather than to the holders of Ordinary Shares concerned) or by payment in cash or otherwise as it thinks fit in the case of shares or debentures becoming distributable in fractions;
- (e) authorise any person to enter on behalf of all the holders of Ordinary Shares concerned into an agreement with the Company providing for either:
 - (i) the allotment to them respectively, credited as fully paid up, of any shares or debentures to which they may be entitled on such capitalisation; or
 - (ii) the payment up by the Company on behalf of such holders by the application to it of their respective proportions of the reserves or profits resolved to be capitalised of the amounts or any part of the amounts remaining unpaid on their existing shares
 (any agreement made under such authority being effective and binding on all such holders); and
- (f) generally do all acts and things required to give effect to such resolution.

7.17 Record date – notwithstanding any other provision of the Articles but without prejudice to the rights attached to any shares, the Company or the Board may fix any date (the “record date”) as the date at the close of business (or such other time as the Board may determine) on which persons registered as the holders of shares or other securities shall be entitled to receipt of any dividend, distribution, interest, allotment, issue, notice, information, document or circular. Such record date may be on or at any time within six months before any date on which such dividend, distribution, interest, allotment, issue, notice, information, document or circular is declared, paid or made but without prejudice to the rights inter se in respect of the same of transfers and transferees of any such shares or other securities. In the absence of a record date being fixed, entitlement to any dividend, distribution, allotment, or issue shall be determined by reference to the date on which the dividend is declared or the distribution, allotment or issue is made.

7.18 Directors – unless and until otherwise determined by the Company by resolution the number of Directors (other than any alternate Directors) shall be not less than one or more than twelve. A majority of the Directors shall at all times be resident outside the UK and any resolution which, if passed, would result in a majority of the Directors being so resident shall be void.

Subject to the provisions of the Articles, the Company may by resolution appoint a person who is willing to act to be a Director, either to fill a vacancy, or as an addition to the existing Board, and may also determine the rotation in which any additional Directors are to retire, but the total number of Directors shall not exceed any maximum number fixed in accordance with the Articles. Without prejudice to the power of the Company to appoint any person to be a Director pursuant to the Articles the Board shall have power at any time to appoint any person who is willing to act as a Director, either to fill a vacancy or as an addition to the existing Board, but the total number of Directors shall not exceed any maximum number fixed in accordance with the Articles. Any Director so appointed shall hold office only until the annual general meeting of the Company next following such appointment and shall then be eligible for re-election but shall not be taken into account in determining the number of Directors who are to retire by rotation at that meeting. If not re-appointed at such annual general meeting, he shall vacate office at the conclusion thereof.

A Director shall not be required to hold any shares.

At every annual general meeting on third of the Directors who are subject to retirement by rotation or, if their number is not a multiple of three, the number nearest to but not exceeding on third, shall retire from office by rotation.

The Company may by resolution remove any Director before the expiration of his period of office notwithstanding anything in the Articles or in any agreement between the Company and such Director and, without prejudice to any claim for damages which he may have for breach of any contract of service between him and the Company, may (subject to the Articles) by resolution appoint another person who is willing to act to be a Director in his place. Any person so appointed shall be treated, for the purposes of determining the time at which he or any other Director is to retire by rotation, as if he had become a Director on the day on which the person in whose place he is appointed was last appointed or re-appointed a Director. In default of such appointment the vacancy arising upon the removal of a Director from office may be filled by a casual vacancy.

The office of a Director shall be vacated if under a number of specified circumstances, including: resignation, removal, by order of the court, absence, request to resign, conviction or investigation, disqualification or subsequent to appointment, the Director becomes resident in the UK and as a result thereof the majority of the Directors cease to be resident outside the UK.

The Directors (other than alternate Directors) shall be entitled to receive by way of fees for their services as Directors such sum as the Board may from time to time determine, provided that such amount shall not exceed in aggregate £200,000 (two hundred thousand pounds) per annum or such other sum as the Company in general meeting shall from time to time determine by resolution. Additional remuneration may be awarded where (if by arrangement with the Board) any Director shall perform or render any special duties or services outside his ordinary duties as Director.

Each Director shall be entitled to be repaid all reasonable travelling, hotel and other expenses properly incurred by him in or about the performance of his duties as Director or of debentures of the Company.

The Board may exercise all the powers of the Company to provide pensions or other retirement or superannuation benefits and to provide death or disability benefits or other allowances or gratuities (whether by insurance or otherwise)

- 7.19 Borrowing Powers – subject to the Articles and the IOM Act, the Directors may exercise all the powers of the Company to borrow money, to guarantee, to indemnify and to mortgage or charge its undertaking, property, assets (present and future) and uncalled capital or any part or parts thereof and to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.
- 7.20 Disclosure of interests in shares – a Director who to his knowledge is in any way (directly or indirectly) interested in any contract, arrangement, transaction or proposal with the Company shall declare the nature of his interest at the meeting of the Board at which the question of entering into the contract, arrangement, transaction or proposal is first considered if he knows his interest then exists or, in any other case, at the first meeting of the Board after he knows that he is or has become so interested.
- 7.21 Disenfranchisement notice – if a member has been issued with an information notice requiring the member to disclose certain information to the Board (which may be served at any time) and has failed in relation to any shares the subject of the information notice to furnish information required by such notice within the time period specified, then the Board may at any time following fourteen days from the expiry of the date on which the information required to be furnished serve on the relevant holder a disenfranchisement notice whereupon the member shall not, with effect from the service of the disenfranchisement notice, be entitled in respect of the notice shares to attend or to vote (either in person or by representative or proxy) at any general meeting of the Company or at any separate meeting of the holders of any class of shares of the Company or on any poll or to exercise any other right conferred by membership in relation to any such meeting or poll.

Where the notice shares represent at least 0.25 per cent. in par value of their class, any dividend or other money payable in respect of the notice shares shall be withheld by the Company, which shall not have any obligation to pay interest on it and the member shall not be entitled to elect to receive shares instead of that dividend, and subject in the case of uncertificated shares to the CREST Regulations no transfer, other than an approved transfer, of any notice shares held by the member shall be registered unless the member is not himself in default as regards supplying the information required pursuant to the relevant Information Notice and the member proves to the satisfaction of the Board that no person in default as regards supplying such information is interested in any of the shares the subject of the transfer.

The Company may at any time withdraw a disenfranchisement notice by serving on the holder of the shares to which the same relates a notice in writing to that effect.

A person must notify the Company of the percentage of its voting rights if the percentage which he holds as a member or shareholder or through direct or indirect holdings of financial instruments (a) reaches, exceeds or falls below 3 per cent. and each 1 per cent. threshold thereafter up to 100 per cent.; or (b) reaches, exceeds or falls below such threshold as a result of events changing the breakdown of voting rights on the basis of information disclosed by the Company. Such notification shall include the information specified in the Articles.

7.22 Duration of the Company – the Articles provide that at the annual general meeting of the Company to approve the accounts for the year ending 30 June 2013, the Directors shall propose a resolution that the Company continues and that, if the resolution passes, the Directors shall propose the same resolution at every third annual general meeting. If the resolution is not passed, the Directors shall, within three months, put forwards proposals to members to the effect that the Company be wound up, liquidated, reorganised or unitised.

8. LITIGATION

8.1 Save as disclosed below, the Company has not been engaged in or is currently engaged in any governmental, legal or arbitration proceedings which may have or have had during the 12 months preceding the date of this Document a significant effect on the financial position or profitability of the Company and, so far as the Directors are aware, there are no such proceedings pending or threatened against the Company.

8.2 The Company is in dispute with a firm of solicitors in respect of allegedly unpaid invoices. The aggregate amount claimed by the firm of solicitors from the Company is £51,300, inclusive of VAT, plus interest at 8 per cent. per annum. The Company believes it is not liable to pay the relevant invoices in full and will vigorously resist any claims for payment.

9. WORKING CAPITAL

The Directors are of the opinion, having made due and careful enquiry, that the working capital available to the Enlarged Group on Admission will be sufficient for the present requirements of the Enlarged Group, that is, for the period of at least 12 months following Admission.

10. MATERIAL CONTRACTS

10.1 The following material contracts, not being a contract entered into in the ordinary course of business, have been entered into by the Company during the two years immediately prior to the date of this Document and are, or may be, material:

10.2 *Alfred Henry engagement letters*

An engagement letter dated 14 April 2020 between the Company and Alfred Henry pursuant to which the Company has appointed Alfred Henry to act as the corporate adviser to the Company for the purposes of seeking Admission of the Company's shares to trading on the AQSE Growth Market following the Acquisition, for which, the Company agreed to pay £45,000 plus VAT.

An engagement letter dated 10 September 2019 between the Company and Alfred Henry pursuant to which the Company appointed Alfred Henry to act as the corporate adviser to the Company for the purposes of seeking admission of the Company's shares to trading on the NEX Exchange Growth Market, for which, the Company paid £25,000 plus VAT.

10.3 *Alfred Henry Corporate Adviser Agreement*

A Corporate Adviser agreement dated 17 September 2019 between the Company and Alfred Henry pursuant to which the Company has appointed Alfred Henry to act as corporate adviser to the Company on an ongoing basis following the NEX Admission for which the Company agreed to pay a fee of £12,000 plus VAT per annum, payable quarterly in advance. The agreement contains certain undertakings and indemnities given by the Company in respect of, *inter alia*, compliance with all applicable laws and regulations. The agreement continues for a fixed period of one year from the date of the NEX Admission and thereafter is subject to termination by either party giving three months' prior written notice.

10.4 *Guild engagement letter*

An engagement letter dated 8 August 2019 between the Company and Guild pursuant to which the Company appointed Guild to act as the Company's lead financial adviser for the purposes of seeking admission of the Company's shares to trading on the NEX Exchange Growth Market, for which, the Company agreed to pay £18,000 plus VAT and, post admission, an advisory fee of £2,500 +VAT per calendar month. This engagement was terminated on 3 June 2020.

10.5 *Jeffreys Henry engagement letter as Reporting Accountants*

By an engagement letter dated 6 May 2020, Jeffreys Henry was appointed to act as reporting accountant to the Company in relation to AQSE's approval of the Admission Document for a fee of £20,000 plus VAT and disbursements.

By an engagement letter dated 10 October 2019, Jeffreys Henry was appointed to act as reporting accountant to the Company in relation to the NEX Admission for a fee of £20,000 plus VAT and disbursements.

10.6 *Walker Morris LLP engagement letter*

An engagement letter dated 8 April 2020 between the Company and Walker Morris LLP pursuant to which the Company appointed Walker Morris LLP to act as the Company's legal advisor in connection with advising on the Acquisition and the subsequent Admission of the Company's shares to trading on the AQSE Growth Market, for which the Company agreed to pay between £57,000 and £68,000 plus VAT.

10.7 *Registrars*

A registrar agreement dated 16 May 2009 between Capita Registrars (Isle of Man) Limited (renamed to Link Market Services (Isle of Man) Limited) and the Company pursuant to which Link Market Services (Isle of Man) Limited agrees to provide a share registration service in accordance with the Isle of Man law and any market on which the Company's shares may be traded. The fees for the provision of such service are set out in the schedule to the agreement and reviewed from time to time.

10.8 *Registered Agent and Administrator*

An administration agreement dated 20 October 2006 between Anglo Irish Fund Services Limited (now Mainstream Fund Services (IOM) Limited) and South African Property Opportunities Plc (now the Company) pursuant to which Anglo Irish Fund Services Limited was appointed as the administrator of the Company who agreed to provide a secretary and to act as registrar and administrator of the Company. There were two subsequent side letters entered into amending the fee arrangement, the last of which was dated 21 November 2019. The fees for the provision of such services in this last side letter are £2,000 annually in respect of the provision of Company secretary, Registered Office facilities and dealing with regulatory matters, a minimum monthly fee of £1,500 in respect of the administration of the Company's affairs, accounting and secretarial services and in respect of the preparation of financial statements, £1,750 as a minimum fee per set of financial statements. All these fees are set out further in the latest side letter. The financial arrangement is reviewed from time to time.

10.9 *Broker*

An engagement letter dated 2 July 2020 between the Company and Hybridan pursuant to which the Company appointed Hybridan to act as the Company's sole broker in connection with the fundraising of £2.5 million, for which the Company agreed to pay £2,500 per month, exclusive of VAT, for the first 24 months, payable quarterly in advance and rising to £3,000 per month exclusive of VAT, from the end of the 24 month period, payable quarterly in advance. The Company has also agreed to pay a corporate finance fee of £15,000 exclusive of VAT on Admission, a commission of 6 per cent. on the value of the new shares subscribed for and paid for by investors on Admission and a subsequent cash commission of 5 per cent. on the value of the new shares subscribed for by investors introduced by them during the period of 12 months from Admission.

10.10 *Barry Hersh Fees*

Upon Admission, Barry Hersh shall submit an invoice to the Company for £40,000, comprising his fee for introducing the Vendors to the Company and assisting in orchestrating matters to Admission. This invoice requires full payment within seven days from Admission.

Upon the NEX Admission, Barry Hersh submitted an invoice to the Company for £14,500, comprising his fee for procuring the pre NEX funding and assisting in orchestrating matters to the NEX Admission.

10.11 **Simon Hersh Fees**

In connection with the provision of services by Simon Hersh in relation to Admission, the Company is to pay Simon Hersh the aggregate amount of £25,000, to be satisfied as to £5,000 in cash and as to £20,000 by way of the allotment and issue to Simon Hersh of 800,000 Ordinary Shares at an issue price of £0.025 per Ordinary Share on Admission.

10.12 **Lock-in Agreement**

10.12.1 A lock-in agreement dated 12 November 2019 between (1) Michael Meyer and Michael Langoulant (each of whom was a director of the Company at the time of the NEX Admission, and together the “**Covenantors**”), (2) the Company and (3) Alfred Henry pursuant to which each of the Covenantors agreed with the Company and Alfred Henry not to dispose of any Shares (or interests to acquire Shares) held by him for a period of 12 months from the date of the NEX Admission except in certain limited circumstances. This part of the lock-in agreement expires on 3 December 2020. The agreement also contains certain orderly market provisions which apply for a further 12 months after the expiry of the lock-in period until 3 December 2021 (including the Covenantors being obliged to obtain the prior written consent of Alfred Henry to any disposal of Shares proposed to be carried out during that period). Michael Meyer unfortunately passed away in early 2020 and the shares registered in his name are being dealt with by the executors of his estate. The provisions of this lock-in agreement shall continue to be binding on his successors.

10.12.2 Lock-in agreements dated 23 September 2020 between each of Barry Hersh, Dr Keith Harris and Placifor Investment Corporation (together the “**Lock-In Parties**”) and the Company, Alfred Henry and Hybridan pursuant to which each of the Lock-In Parties agreed with the Company, Alfred Henry and Hybridan not to dispose of any Ordinary Shares (or interests to acquire Shares) held by them for a period of 12 months from the date of Admission except in certain limited circumstances (including, in the case of Barry Hersh only, when the Company’s retained broker for the time being agrees, in its sole discretion, to allow Mr Hersh, during the period of 12 months from the date of Admission, to dispose of up to 3,850,000 of the Ordinary Shares held by Mr Hersh, which represents circa 10 per cent. of his holding). The agreements also contain certain orderly market provisions which apply for a further 12 months after the expiry of the lock-in period (including each of the Lock-In Parties only being entitled to dispose of Ordinary Shares through the Company’s retained broker for the time being, subject to limited exceptions).

10.13 **Sale of Shares and Claims**

A sale contract between the Company and K2019421352 (South Africa) Proprietary Limited signed on 27 September 2019 for the sale of the Sale Shares and Sale Claims as defined in that agreement and summarised as follows:

- The Sale Claims relate to any and all of the Company’s claims by way of loan account against Madison Park Properties 40 Proprietary Limited inclusive of R 103,374.58 (one hundred and three thousand three hundred and seventy-four rand and fifty eight cents); and
- the Sale Shares constitute the Company’s shareholding of Madison Park Properties 40 Proprietary Limited being 50 per cent. of the issued share capital as on 27 September 2019, for the consideration of R10,000,000 (ten million Rand).

10.14 **Consultancy Agreement between the Company and Simon Hersh**

A consultancy agreement dated 23 September 2020 between the Company and Simon Hersh, pursuant to which Simon Hersh is to provide consultancy services to the Company from the date of the agreement until the agreement is terminated on three months’ notice.

Mr Hersh is to provide a number of services on a regular basis, including the monitoring of management information systems, overseeing the production of monthly management accounts, monitoring the Group’s cash flow and overseeing the completion of the Group’s annual audit

processes. Mr Hersh is to provide these services with all due care, skill and ability, and use reasonable endeavours to ensure that he is available at all times on reasonable notice to provide such assistance or information as the Company may reasonably require in connection with the provision of his services. In addition to the services to be provided on a regular basis, Mr Hersh may be requested to carry out additional services in connection with potential mergers and acquisitions activity by the Group. The Company is to inform Mr Hersh, before the end of each month, which services it will require Mr Hersh to perform during the following month in addition to those he is to provide on a regular basis.

The Company shall pay Mr Hersh a fee of £3,000 per calendar month in respect of the services he is to regularly provide pursuant to the agreement, with further fees to be agreed between him and the Company in respect of any additional services he is asked to perform pursuant to the agreement (and any such work may be carried out by any entity nominated in writing by Mr Hersh). In addition, the Company shall reimburse Mr Hersh for all reasonable expenses properly and necessarily incurred in respect of the provision of services pursuant to the agreement.

10.15 Share Purchase Agreement

On 23 September 2020, the Company entered into the Acquisition Agreement with the Vendors to acquire the entire issued share capital of SWS. The Acquisition is conditional on the Acquisition Resolution being approved by the Shareholders and Admission. If the conditions to the Acquisition Agreement are not fully satisfied (or waived by the Company), then the Acquisition Agreement will lapse at 6.00 p.m. on 2 November 2020.

The Consideration for the Acquisition is approximately £1.6 million and will be satisfied by (i) the payment of the Cash Consideration of approximately £1.2 million to the Vendors and (ii) the issue of the Consideration Shares, which are to be issued to New Developments Limited on Completion. On Completion, New Developments Limited will use £236,500 of the Cash Consideration to subscribe for 9,460,000 further Ordinary Shares at £0.025 per share. The Consideration is subject to adjustment, in accordance with a customary completion accounts mechanism within the Acquisition Agreement, to take account of certain of SWS's cash balances, and debts owed by SWS, in each case as at Completion, and to test the amount of working capital within SWS at Completion against a target amount.

If the Acquisition Agreement lapses, the Company is to pay to the Sellers an amount equal to the third party professional fees properly incurred by the Sellers in connection with the Acquisition Agreement and other documents relating to it, subject to an aggregate cap of £50,000.

The Sellers have granted undertakings in favour of the Company to operate SWS in its usual course in the period prior to Completion, and to procure that SWS will not undertake certain actions without the prior written consent of the Company. In addition, the Sellers have granted customary warranties in favour of the Company in relation to the business, assets and affairs of SWS. These warranties were given on exchange of the Acquisition Agreement and will be repeated and given immediately prior to Completion by reference to the facts and then subsisting. The Sellers have also granted certain indemnities in favour of the Company and have granted restrictive covenants in favour of the Company for a period of three years after Completion.

10.16 Orderly Market Agreement

On Completion, an orderly market agreement will be entered into between (1) New Developments Limited, (2) the Company, (3) Alfred Henry and (4) Hybridan pursuant to which New Developments Limited will agree with the Company, Alfred Henry and Hybridan not to dispose of any of the Consideration Shares (or any interests in any of the Consideration Shares) for a period of 12 months from the date of Admission except in certain limited circumstances, and for a further period of 12 months after the first anniversary of Admission to only dispose of the Consideration Shares through the Company's retained broker for the time being. New Developments Limited will also agree to dispose of the further 9,460,000 Ordinary Shares it is to subscribe for on Completion only through the Company's broker for the time being during the period of 24 months after Admission. These restrictions are subject to certain customary exceptions.

10.17 Consultancy Agreement between the Company, New Developments Limited and Christopher Raymond New

On Completion, the Company and the Vendors will enter into a consultancy agreement (the “**Consultancy Agreement**”) pursuant to which the Company will engage New Developments Limited to provide consultancy services to the Company and SWS. The engagement will commence on Completion and, unless terminated earlier in accordance with the terms of the Consultancy Agreement, will continue until terminated by either the Company or New Developments Limited giving the other not less than six months’ notice in writing (such notice not to expire earlier than the second anniversary of the date of the Consultancy Agreement).

Pursuant to the Consultancy Agreement, New Developments Limited will provide SWS and the Company with services relating to consultancy and planning matters, human resources, and financial matters.

New Developments Limited is to make Christopher New available to provide services under the Consultancy Agreement at such times as the Company may reasonably require. This is subject to a minimum time commitment of 120 days per year upon which Christopher New is to be made available to provide the services.

New Developments Limited is to invoice the Company for the services provided under the Consultancy Agreement on a monthly basis at a daily rate of £500, and the Company will reimburse all reasonable expenses properly and necessarily incurred by New Developments Limited in the course of the engagement.

10.18 Coronavirus Business Interruption Loan Scheme (‘CBILS’)

SWS applied for a loan under the Coronavirus Business Interruption Loan Scheme on 17 September 2020. SWS will be entitled to a payment from the UK Government which will cover payments of interest due under this loan agreement and other lender levied fees associated with the granting and maintenance of the CBIL facility for a period of the first 12 months. There will be no capital repayments for the first 12 months after drawdown. The lender organisation is Funding Circle Focal Point Lending Limited (“**Funding Circle Focal**”), pursuant to which Funding Circle Focal shall provide SWS with a loan in the principal amount of £164,785 over a term of 5 years at an annual fixed interest rate of 8.90 per cent. (the “**CBILS**”). The CBILS is repayable in 48 equal monthly instalments of £4092 and is being used to replace existing internal finance, namely the overdraft facility and remaining balance of the existing Funding Circle Loan. The total amount payable by SWS is £196,457 comprising the loan principal of £164,785 together with the interest payable from month 13 onwards and the business interruption payment payable by the UK Government, shall be £22,493 comprising the loan completion fee of 4.75 per cent. together with the monthly repayments of interest for the first 12 months of this loan. There are no additional charges for early redemption. The opportunity to take advantage of this scheme will close at the end of September 2020, so in order to take advantage of the scheme, the application had to be made before that time. Such an application was deemed to be in the best interests of SWS and the Enlarged Group going forward. In light of the favourable terms of this scheme offered by the UK Government, the initiation of the consolidation of SWS’s two existing facilities (overdraft facility and existing loan facility) into one flexible one, as well as the potential savings brought about by the elimination of interest charges payable on existing facilities for at least 12 months. The total of £164,785 from CBIL should go into the SWS company bank account before the end of September 2020.

10.19 Loan Agreement between SWS and Funding Circle

A loan agreement between SWS and Funding Circle Limited (“**Funding Circle**”) dated 23 July 2018, pursuant to which Funding Circle provided SWS with a loan in the principal amount of £132,500 over a term of 60 months at a fixed interest rate of 9.90 per cent. (the “**Funding Circle Loan**”). The Funding Circle Loan is repayable in equal monthly instalments, with the last payment falling due on 23 July 2023. Approximately £85,000 of the Funding Circle Loan, in principal, is currently outstanding.

SWS is not permitted, without the prior written consent of Funding Circle, to borrow any monies from its directors, officers, members, partners, shareholders or any other third party that ranks in priority to the recovery of the Funding Circle Loan. Furthermore, SWS is not, without the prior written consent of Funding Circle, to enter into any new unsecured borrowing arrangement with any third party if the total amount of the external finance raised from third parties would, as a result, exceed the higher of £25,000 or 30 per cent. of the total amount lent to SWS on all existing loans from Funding Circle. This does not restrict SWS from entering into asset-specific financing or invoice purchasing arrangements.

SWS is entitled to repay the Funding Circle Loan early by repaying the entire outstanding amount of the Funding Circle Loan plus any accrued interest up to the next scheduled repayment date (plus, in some circumstances, depending on the date on which the repayment is made, a further month's interest). The Directors have initiated a process to repay the existing Funding Circle Loan from cash flow, on or shortly following Completion, on the basis that the CBIL loan has no interest for 12 months and a lower rate of interest than this Funding Circle Loan.

10.20 *Overdraft facility with NatWest*

SWS has a committed overdraft facility, provided by National Westminster Bank plc ("**NatWest**") pursuant to an agreement dated 13 May 2020 (the "**Overdraft**"). SWS paid an arrangement fee of £750 in connection with the Overdraft being made available. The Overdraft has a limit of £50,000 and expires on 1 October 2020 (at which time, if NatWest does not extend the Overdraft, NatWest may cancel the Overdraft and demand repayment of the amounts borrowed pursuant to it). Interest is payable at 4.5 per cent. over NatWest's base rate for all borrowing up to the £50,000 limit. At the date of this Document the Overdraft is undrawn. The Directors have no intention of using this overdraft facility on the basis that the CBILS carries no interest charges for the first 12 months of the facility.

10.21 *Placing Agreement*

On 23 September 2020, the Placing Agreement was entered into between the Company, the Directors and Hybridan under which Hybridan agreed, on and subject to the terms and conditions of that agreement and as agent for the Company, to use its reasonable endeavours to procure subscribers for the Placing Shares at the Placing Price. The obligations of Hybridan under the Placing Agreement are conditional, amongst other things, upon Admission becoming effective not later than 8:00 a.m. on 21 October 2020 (or such other time and/or date as the Company and Hybridan may agree, not being later than 2 November 2020). Hybridan is entitled to terminate the Placing Agreement in certain circumstances prior to Admission, including in the event of a material breach of either the Placing Agreement or any of the warranties contained in it and in certain force majeure circumstances. The Company has agreed to pay Hybridan: (i) a commission of six per cent of the aggregate value at the Placing Price of Placing Shares placed with investors procured by Hybridan; (ii) a commission of one per cent. of the aggregate value at the Placing Price of Placing Shares placed with investors who are not procured by Hybridan; (iii) the Hybridan Warrants; and (iv) a corporate finance fee of £15,000 (excluding VAT). The Placing Agreement contains warranties given to Hybridan by the Company and the Directors as to the accuracy of the information contained in this document and other matters relating to the Group and its business. The Placing Agreement also contains a general indemnity from the Company in favour of Hybridan. Such warranties and indemnity are in a form which is customary for an agreement of this kind.

10.22 *Hybridan Warrant*

On 23 September 2020, the Company entered into a warrant deed with Hybridan pursuant to which the Company issued warrants to Hybridan to subscribe for 1,622,400 Ordinary Shares at £0.025 per share. The subscription rights are exercisable at any time from the date falling two months after Admission to the fifth anniversary of Admission.

10.23 *Warrant Instrument*

A warrant instrument pursuant to which the Company will constitute warrants to subscribe for up to 100,000,000 Ordinary Shares at a price of 4 pence per share. The Warrants will be issued to Placees and Subscribers on a one for one basis and are non-transferable. The subscription rights under the Warrants must be exercised within two years of the issue of the Warrants (being the date of Admission).

11. TAXATION

11.1 Taxation in the United Kingdom

The following information is based on UK tax law and HM Revenue and Customs (“HMRC”) practice currently in force in the UK. Such law and practice (including, without limitation, rates of tax) is in principle subject to change at any time. The information that follows is for guidance purposes only and does not constitute advice. Any person who is in any doubt about his or her position should contact their professional advisor immediately.

11.1.1 *Tax treatment of UK investors*

The following information, which relates only to UK taxation, is applicable to persons who are resident in the UK and who beneficially own Ordinary Shares as investments and not as securities to be realised in the course of a trade. It is based on the law and practice currently in force in the UK. The information is not exhaustive and does not apply to potential investors:

- (i) who intend to acquire or may acquire (either on their own or together with persons with whom they are connected or associated for tax purposes), more than 10 per cent., of any of the classes of shares in the Company; or
- (ii) who intend to acquire Ordinary Shares as part of tax avoidance arrangements; or
- (iii) who are in any doubt as to their taxation position.

Such Shareholders should consult their professional advisers without delay. Shareholders should note that tax law and interpretation can change and that, in particular, the levels, basis of and reliefs from taxation may change. Such changes may alter the benefits of investment in the Company.

Shareholders who are neither resident nor temporarily non-resident in the UK and who do not carry on a trade, profession or vocation through a branch, agency or permanent establishment in the UK with which the Ordinary Shares are connected, will not normally be liable to UK taxation on dividends paid by the Company or on capital gains arising on the sale or other disposal of Ordinary Shares (except in limited circumstances).

Such Shareholders should consult their own tax advisers concerning their tax

liabilities. 11.1.2 *Dividends*

Where the Company pays dividends, no UK withholding taxes are deducted at source. Shareholders who are resident in the UK for tax purposes will, depending on their circumstances, be liable to UK income tax or corporation tax on those dividends.

UK resident individual Shareholders who are domiciled in the UK, and who hold their Shares as investments, will be subject to UK income tax on the amount of dividends received from the Company. Dividend income is subject to a £2,000 dividend allowance. Dividend receipts in excess of £2,000 will be taxed at 7.5 per cent. for basic rate taxpayers, 32.5 per cent for higher rate taxpayers, and 38.1 per cent. for additional rate taxpayers.

Shareholders who are subject to UK corporation tax may be liable to UK corporation tax in respect of any dividend received without being entitled to claim relief in respect of any underlying tax.

11.1.3 *Disposals of Ordinary Shares*

Any gain arising on the sale, redemption or other disposal of Ordinary Shares will be taxed at the time of such sale, redemption or disposal as a capital gain.

For UK resident individual Shareholders, the rate of capital gains tax on disposal of Ordinary shares by basic rate taxpayers is 10 per cent.(in respect of the gain which falls within the basic rate band), and for higher rate and additional rate taxpayers it is 20 per cent.

11.1.4 Further information for Shareholders subject to UK income tax and capital gains tax
11.1.4.1 “Transactions in securities”

The attention of Shareholders (whether corporates or individuals) within the scope of UK taxation is drawn to the provisions set out in, respectively, Part 15 of the Corporation Tax Act 2010 and Chapter 1 of Part 13 of the Income Tax Act 2007, which (in each case) give powers to HM Revenue and Customs to raise tax assessments so as to cancel “tax advantages” derived from certain prescribed “transactions in securities”.

11.1.5 Stamp Duty and Stamp Duty Reserve Tax (“SDRT”)

No UK stamp duty or SDRT will be payable on the purchase of Ordinary Shares following Admission due to the current tax status of AQSE Growth Market securities.

THIS SUMMARY OF UK TAXATION ISSUES CAN ONLY PROVIDE A GENERAL OVERVIEW OF THESE AREAS AND IT IS NOT A DESCRIPTION OF ALL THE TAX CONSIDERATIONS THAT MAY BE RELEVANT TO A DECISION TO INVEST IN THE COMPANY. THE SUMMARY OF CERTAIN UK TAX ISSUES IS BASED ON THE LAWS AND REGULATIONS IN FORCE AS OF THE DATE OF THIS DOCUMENT AND MAY BE SUBJECT TO ANY CHANGES IN UK LAWS OCCURRING AFTER SUCH DATE. LEGAL ADVICE SHOULD BE TAKEN WITH REGARD TO INDIVIDUAL CIRCUMSTANCES. ANY PERSON WHO IS IN ANY DOUBT AS TO HIS TAX POSITION OR WHERE HE IS RESIDENT, OR OTHERWISE SUBJECT TO TAXATION, IN A JURISDICTION OTHER THAN THE UK, SHOULD CONSULT HIS PROFESSIONAL ADVISER.

12. NO SIGNIFICANT CHANGE

Save as disclosed in this Document, there has been no significant change in the financial or trading position of the Company (including any significant changes to its indebtedness) since 31 December 2019, the date to which the financial information in Part IV of this Document was prepared.

13. RELATED PARTY TRANSACTIONS

13.1 The Directors will invest a total of £236,500 in the Subscription as follows:

13.2 Dr Keith Harris (together with his wife) has agreed to subscribe for 9,460,000 Ordinary Shares in the Subscription at the Subscription Price for a total of £236,500. His resultant holding (together with his wife) will be 29,460,000 Ordinary Shares representing approximately 9.69 per cent of the Enlarged Share Capital and he (together with his wife) will be issued with 9,460,000 Warrants.

13.3 Save as referred to elsewhere in this Part V, there were no, nor are there contemplated any related party transactions to which the Company was or will be a party during the period of twelve months preceding the date of this Document.

14. GENERAL

14.1 The auditors of the Company, as at the date of this Document and in respect of the periods covered by the historical financial information on the Company set out in Part IV of this Document, are Jeffreys Henry LLP of Finsgate, 5-7 Cranwood Street, London EC4V 9EE. Jeffreys Henry LLP are registered to carry on company audit work by the Institute of Chartered Accountants in England and Wales.

14.2 The expenses of or incidental to the Acquisition and Admission (including AQSE fees, printing, advertising and distribution costs, legal, accounting, corporate finance fees and expenses) payable by the Company are estimated to amount to approximately £267,000 including VAT.

14.3 Jeffreys Henry LLP has given and not withdrawn its written consent to the inclusion of references to the firm herein in the form and context in which they appear and to the inclusion of its reports in this Document.

- 14.4 Walker Morris LLP has given and not withdrawn its written consent to the inclusion of references to the firm herein in the form and context in which they appear.
- 14.5 Hybridan LLP has given and not withdrawn its written consent to the inclusion of references to the firm herein in the form and context in which they appear and to the inclusion of its reports in this Document.
- 14.6 Appleby (Isle of Man) LLC has given and not withdrawn its written consent to the inclusion of references to the firm herein in the form and context in which they appear.
- 14.7 Alfred Henry has given and not withdrawn its written consent to the issue of this Document with its name included in it and references to them in the form and context in which they appear.
- 14.8 Alfred Henry Corporate Finance Limited, the Company's corporate advisor, is 50 per cent. owned by the reporting accountants Jeffreys Henry LLP. Both firms have appropriate safeguards in place to avoid any perceived conflicts in interest.
- 14.9 The Company's accounting reference date is currently 31 December.
- 14.10 This Document has been prepared in accordance with current UK tax legislation, practice and concession and interpretation thereof. Such legislation and practice may change, and the current interpretation may therefore no longer apply.
- 14.11 No person, either directly or indirectly, has in the 12 months prior to the date of this Document received or is contractually entitled (except as otherwise disclosed in this Document) to receive either directly or indirectly, from the Company (excluding in either case persons who are trade suppliers, professional advisers or underwriters otherwise disclosed in this Document) fees in excess of £10,000 or any other benefit to a value in excess of £10,000 in respect of services provided during the period of 12 months prior to the date of this Document.

15. AVAILABILITY OF DOCUMENTS

- 15.1 This Document is available for review on the Company's website at www.sapoinvest.com. In addition, hard copies of this Document may be collected from the Company's registered office and from the offices of Alfred Henry and shall remain available for at least one month after the date of Admission.

Dated: 23 September 2020

PART VI

NOTICE OF EXTRAORDINARY GENERAL MEETING

SAPO PLC

(Incorporated and registered in the Isle of Man under the Isle of Man Companies Acts 1931 to 2004 with registered number 117001C and subsequently re-registered under the Isle of Man Companies Act 2006 with registered number 006491V)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE is hereby given that an Extraordinary General Meeting of **SAPO** plc (the “**Company**”) will be held at the offices of Mainstream Fund Services (IOM) Limited, Millennium House, 46 Athol Street, Douglas, Isle of Man IM1 1JB, on 19 October 2020 at 11.00 a.m. for the purpose of considering and, if thought fit, to pass the following resolutions:

SPECIAL RESOLUTION

1. THAT article 4 of the Company’s articles of association be deleted and replaced with the following:
“Unless the Company shall by resolution otherwise direct, the amount of share capital of the Company available for issue is £8,000,000 divided into 800,000,000 Ordinary Shares.”

ORDINARY RESOLUTIONS

2. THAT the Acquisition as defined in Company’s admission document dated 23 September 2020 (the “**Admission Document**”) on the terms and subject to the conditions of the Acquisition Agreement as defined in the Admission Document be and is hereby approved for the purpose of Rule 57 of the AQSE Rules and that the Directors be and are hereby authorised to take all steps necessary or, in the opinion of the Directors, desirable, to complete and give effect to the Acquisition Agreement.
3. THAT, upon and subject to Completion, as defined in the Admission Document, the name of the Company be changed to “Rural Broadband Solutions Plc”.

Registered Office

Millennium House
46 Athol Street
Douglas
Isle of Man
IM1 1JB
British Isles

By Order of the Board

Ian Dungate
Registered Agent
Date: 23 September 2020

NOTES:

1. Pursuant to Regulation 22 of the Uncertificated Securities Regulations 2006 of the Isle of Man, only those shareholders registered in the shareholders’ register of the Company as at close of business (London time) on 17 October 2020 shall be entitled to attend and vote at the meeting in respect of the number of shares registered in their name at that time. If the meeting is adjourned, the time by which a person must be entered on the shareholders’ register of the Company in order to have the right to attend and vote at the adjourned meeting is at 48 hours before the time fixed for the adjourned meeting. Changes to entries on the relevant register of securities after that time shall be disregarded in determining the rights of any person to attend or vote at the meeting. As explained in the Letter from the Executive Chairman accompanying this Notice of Extraordinary General Meeting, shareholders are requested not to attend the Extraordinary General Meeting, but are strongly encouraged to lodge their voting instructions.
2. Members entitled to attend and vote at the Extraordinary General Meeting are entitled to appoint one or more proxies to exercise all or any of their rights to attend and to speak and vote on their behalf at the meeting. A shareholder may appoint more than one proxy provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder, which detail must be identified on the Form of Proxy. A proxy need not be a shareholder of the Company. A Form of Proxy which may be used to make such appointment and give proxy instructions accompanies this document. If you wish your proxy to speak at the meeting, you should appoint a proxy other than the chairman of the meeting and give your instructions to that proxy. As explained in the Letter from the Executive Chairman accompanying this Notice of Extraordinary General Meeting, shareholders are requested not to attend the Extraordinary General Meeting or to appoint a third party proxy to attend on your behalf and instead let the Chairman of the Extraordinary General Meeting act as your proxy and vote your shares.

3. To be valid an appointment of proxy must be returned in paper form by post, courier, or by hand to the Company's registered agents, Mainstream Fund Services (IOM) Limited, Millennium House, 46 Athol Street, Douglas, Isle of Man IM1 1JB, and must be received by not later than 11.00 a.m. (London time) on 17 October 2020 or, in the case of a poll taken more than 48 hours after it is demanded, after the poll has been demanded and not less than 24 hours before the time appointed for the taking of the poll, or, where a poll is not taken forthwith but is taken not more than 48 hours after it was demanded, at the meeting at which the poll was demanded (in which case the proxy may be returned to the Chairman of the meeting). Shareholders who intend to appoint more than one proxy can obtain additional Forms of Proxy from Mainstream Fund Services on 01624 692600 if you are phoning from the United Kingdom or +44 1624 692600 if you are calling outside the United Kingdom. Calls are charged at the standard geographical rate and will vary by provider. Calls from outside of the United Kingdom will be charged at the applicable international rate. Lines are open 9.00 a.m. to 5.30 p.m. (London time) Monday to Friday (excluding public holidays in England and Wales). Alternatively, the Form of Proxy provided may be photocopied prior to completion. The Forms of Proxy should be returned in the same envelope and each should indicate that it is one of multiple appointments being made. If you return more than one proxy appointment, the appointment received last by the Company's registered agent before the last time for the receipt of proxies will take precedence. As explained in the Letter from the Executive Chairman accompanying this Notice of Extraordinary General Meeting, shareholders are requested not to attend the Extraordinary General Meeting or to appoint a third party proxy to attend on your behalf and instead let the Chairman of the Extraordinary General Meeting to act as your proxy and vote your shares.
4. Completion and submission of the Form of Proxy by a shareholder will not prevent him from attending the meeting and voting at the meeting in person, in which case any votes cast by the proxy will be excluded. As explained in the Letter from the Executive Chairman accompanying this Notice of Extraordinary General Meeting, shareholders are requested not to attend the Extraordinary General Meeting but are strongly encouraged to lodge their voting instructions.
5. In the case of joint holders, the vote of the senior holder who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of any other joint holders. For these purposes, seniority shall be determined by the order in which the names stand in the shareholders' register in respect of the joint holding.
6. A "vote withheld" option has been included on the Form of Proxy. The legal effect of choosing the vote withheld option on any resolution is that the shareholder concerned will be treated as not having voted on the relevant resolution. The number of withheld votes will, however, be counted and recorded, but disregarded in calculating the number of votes for or against each resolution.
7. Shareholders, proxies, and authorised representatives will be required to provide their names and addresses for verification against the register of members and proxy appointments received by the Company before entering the meeting. Each authorised representative must produce proof of his or her appointment, in the form of the actual appointment or a certified copy. Other than this, there are no procedures with which any such persons must comply in order to attend and vote at the meeting imposed by the Company or the registered agent. As explained in the Letter from the Executive Chairman accompanying this Notice of Extraordinary General Meeting, shareholders are requested not to attend the Extraordinary General Meeting or to appoint a third party proxy to attend on your behalf and instead let the Chairman of the Extraordinary General Meeting to act as your proxy and vote your shares.
8. As at the close of business (London time) on 22 September 2020, which is the latest practicable date before publication of this Document, the Company's issued share capital comprised 187,292,810 ordinary shares of £0.01 each. Each ordinary share carries the right to one vote at a general meeting of the Company and, therefore, the total number of voting rights in the Company as at that time was 187,292,810. The Company's website will include information on the number of shares and voting rights.

