SAPO PLC

Annual Report and Financial Statements

Year ended 31 December 2019

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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 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.**	We have performed the following audit procedures: • 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 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

	Note	As at 31 December 2019 £'000	As at 31 December 2018 £'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					
	Share capital	Foreign currency translation reserve	Retained earnings/ (deficit)	Total	Non-controlling interests	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

	Note	Year ended 31 December 2019 £'000	Period 1 July 2017 to 31 December 2018 £'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 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. 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						
Trade and other payables	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						
Trade and other payables	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
Total cost of sales	**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 fee/salary £'000	Incentive fees £'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.