

**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).

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 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 NEX Exchange Rules and is being issued in connection with the proposed admission of SAPO PLC to the NEX Exchange Growth Market. This Document does not constitute an offer and the Company is not making an offer to the public within the meaning of sections 85 and 102B of FSMA. 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 Rules published by the Financial Conduct Authority (“**FCA**”) 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 Financial Conduct Authority or any other government or regulatory authority in the UK or elsewhere.

The Directors of the Company, whose names are set out on page 4 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 NEX Exchange 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.

Application will be made for the whole of the Company’s issued and to be issued ordinary share capital to be admitted to trading on the NEX Exchange Growth Market. The issued and to be issued ordinary share capital of the Company are not presently listed or admitted on any stock exchange. It is expected that trading in the ordinary share capital will commence on the NEX Exchange Growth Market on 2 December 2019.

## **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 as a company under the Isle of Man Companies Act 2006 with registered number 006491v)*

### **Proposed placing of 29,000,000 Ordinary Shares at a price of £0.01 per share and Admission of the Enlarged Share Capital to trading on the NEX Exchange Growth Market**

**NEX Exchange  
Corporate Adviser**



**Financial Advisor**



The NEX Exchange Growth Market, which is operated by NEX Exchange Limited (“**NEX Exchange**”), 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 NEX Exchange 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 NEX Exchange 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 the Financial Services and Markets Act 2000 who specialises in advising on the acquisition of shares and other securities.**

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

**This Admission Document has not been examined or approved by NEX Exchange or the Financial Conduct Authority.**

Alfred Henry Corporate Finance Limited, which is authorised and regulated by the Financial Conduct Authority, is the Company's NEX Exchange 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, Canada, Australia, the Republic of South Africa or Japan. 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 Canada, Australia, the Republic of South Africa or Japan 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, Canada, Australia, the Republic of South Africa or Japan or to any national, citizen or resident of the United States, Canada, Australia, the Republic of South Africa or Japan. 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 Company and 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 Company and the Group are specifically described in Part II of this Document headed "Risk Factors". If one or more of these risks or uncertainties materialises, or if underlying assumptions prove incorrect, the Company's and /or 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 NEX Exchange 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.

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## DIRECTORS, SECRETARY AND ADVISERS

<b>Directors</b>	Michael Meyer ( <i>Executive Chairman</i> ) Michael Langoulant ( <i>Independent Non-Executive Director</i> )
<b>Company's Registered Agent</b>	Mainstream Fund Services (IOM) Limited Millennium House 46 Athol Street Douglas Isle of Man IM1 1JB
<b>Registered Office</b>	Millennium House 46 Athol Street Douglas Isle of Man IM1 1JB
<b>NEX Exchange Corporate Adviser</b>	Alfred Henry Corporate Finance Limited Finsgate 5-7 Cranwood Street London EC1V 9EE
<b>Financial Advisor</b>	Guild Financial Advisory Limited 382 Russell Court Woburn Place London WC1H 0NH
<b>Auditors to the Company</b>	Jeffreys Henry LLP Finsgate 5-7 Cranwood Street London EC1V 9EE ( <i>members of Institute of Chartered Accountants England &amp; Wales</i> )
<b>Reporting Accountants</b>	Jeffreys Henry LLP Finsgate 5-7 Cranwood Street London EC1V 9EE
<b>Legal Advisers to the Company</b>	Axiom Stone Solicitors Berkeley Square House 2nd Floor Berkeley Square Mayfair W1J 6BD
<b>Registrars</b>	Link Market Services (Isle of Man) Limited PO Box 227 Clinch's House Lord Street Douglas Isle of Man IM99 1RZ

## DEFINITIONS

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

“Act” or the “Companies Act”	the Companies Act 2006 of the United Kingdom, as amended
“Admission”	admission of the Enlarged Share Capital to trading on the NEX Exchange Growth Market and such admission becoming effective in accordance with the NEX Exchange Rules
“AIM”	the AIM market operated by London Stock Exchange PLC
“Admission Document” or “Document”	this document
“Alfred Henry”	Alfred Henry Corporate Finance Limited, NEX Exchange Corporate Adviser to the Company, which is authorised and regulated by the FCA
“Articles”	the articles of association of the Company
“Board” or “Directors”	the board of directors of SAPO PLC
“Business Day”	a day other than Saturday or Sunday or a public holiday in England and Wales
“City Code”	the City Code on Takeovers & Mergers
“Company” or “SAPO”	SAPO PLC, a company 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, 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 Companies Act 2006 with registered number 006491v
“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 2001 (SI 2001/3755) as amended from time to time
“Enlarged Share Capital”	the issued share capital of the Company as upon Admission comprising (i) the Existing Ordinary Shares; and (ii) the Placing 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 137,292,810 Ordinary Shares of £0.01 each in issue in the capital of the Company at the date 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)
“Guild”	Guild Financial Advisory Limited, Financial Adviser to the Company
“Group”	the Company and any subsidiaries from time to time

"HMRC"	Her Majesty's Revenue & Customs
"ISIN"	international security identification number
"London Stock Exchange"	the London Stock Exchange PLC
"Lock-in Agreements"	the agreements between (1) the Company, (2) Alfred Henry and (3) each of the Locked-in and Orderly Market Parties, further details of which are contained in paragraph 10 of Part V of this Document
"Locked-in and Orderly Market Parties"	together, the Directors
"Market Abuse Regulation"	the EU Market Abuse Regulation (No. 596/2014)
"NEX Exchange" or "NEX"	NEX Exchange Limited, a Recognised Investment Exchange under section 290 of FSMA
"NEX Exchange Growth Market"	the primary market segment operated by NEX Exchange for dealings in unlisted securities
"NEX Exchange Rules"	the NEX Exchange 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 NEX Exchange Growth Market
"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 subscribed for the Placing Shares at the Placing Price pursuant to the Placing
"Placing"	the placing of 29,000,000 new Ordinary Shares at the Placing Price conditional on Admission
Placing Price	£0.01 per Ordinary Share;
"Placing Shares"	the 29,000,000 Ordinary Shares to be issued by the Company and subscribed for by Placees pursuant to the Placing, conditional on Admission
"QCA Code"	the Corporate Governance Code for Small and Mid-sized Quoted Companies 2018, published in May 2018 by the Quoted Companies Alliance
"Registrars"	Link Market Services (Isle of Man) Limited
"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
"Takeover Code"	the City Code on Takeovers and Mergers as published by the Panel on Takeovers and Mergers
"UK" or "United Kingdom"	the United Kingdom of Great Britain and Northern Ireland
"UK Listing Authority" or "UKLA"	the Financial Conduct Authority 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
"£" or "Pound"	pounds Sterling

## EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Publication of this Document	2 December 2019
Admission and dealings to commence in the Enlarged Share Capital on the NEX Exchange Growth Market	2 December 2019
Expected date for CREST accounts to be credited (where applicable)	2 December 2019
Despatch of definitive share certificates (where applicable)	2 December 2019

*All of the above timings refer to London time unless otherwise stated. All future times and/or dates referred to in this Document are subject to change at the discretion of the Company and Alfred Henry and 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. All times are UK times unless otherwise specified.*

## ADMISSION AND FUNDRAISING STATISTICS

Number of Existing Ordinary Shares on Admission	137,292,810
Number of Placing Shares	29,000,000
Total number of Ordinary Shares in issue on Admission	166,292,810
Placing Shares as a percentage of the Enlarged Share Capital	17.44%
Placing Price	£0.01
Gross proceeds of the Placing	£290,000
Estimated net proceeds of the Placing	£138,100
Market capitalisation of the Company on Admission	£1.66 million
NEX Exchange Growth Market symbol	SAPO
ISIN	GB00B16GQJ90
LEI	213800MCRBNG3UHI1A31

## PART I - INFORMATION ON THE COMPANY

### 1. INTRODUCTION TO THE COMPANY

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 reregistered as a company under the Isle of Man Companies Act 2006 with registered number 006491v.

SAPO and its subsidiaries’ (the “**Group**”) investment objective was to achieve capital growth from a portfolio of real estate assets in South Africa. Over the last couple of years, the Group’s objective has been the orderly realisation of the real estate assets in South Africa.

The Company’s property activities were previously 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 Mainstream Fund Services (IOM) Limited, which was previously known as Galileo Fund Services Limited (the “**Administrator**”).

The registered office of the Company is Millennium House, 46 Athol Street, Douglas, Isle of Man, IM1 1JB.

The shares of the Company were previously 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**” rebranded to The International Stock Exchange in 2017, “**TISE**”).

On 4 June 2018, the listing of the Company’s shares on the AIM and on TISE was cancelled as the former directors of the Company felt it was unlikely that they would realise the Company’s investments at the time and accordingly proposed to appoint a liquidator. As a result, all service providers were put on notice and the Nomad at the time, resigned. Although no resolutions were actually passed to delist the Company from these stock exchanges, as a new Nomad had not been appointed, the Company’s shares were delisted.

Following the rejection, by 99% of voting shareholders, of the former board’s decision to liquidate the Company and return 0.16 pence per share, in September 2018 Michael Meyer assumed the role of chairman to the Company.

The new board, comprising Michael Meyer and Michael Langoulant, appointed in August 2018 and May 2018 respectively, decided on three objectives.

1. To dispose of its remaining South African property interests.
2. To raise the necessary funds to list on a recognised stock exchange, such as NEX.
3. To identify and complete an acquisition. This is expanded upon in the next section.

Objective 1 has now been achieved. 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 a total consideration of ZAR 10 million (£537,785). The Company has no further property interests.

### 2. INVESTING STRATEGY

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

In December 2018, OfCom published the “Connected Nations 2018 UK Report”. This report included the following statement.

*“Despite this progress, there are still large parts of the UK that are poorly served by communications services.*

- *Around 2% of UK premises cannot access a decent fixed broadband service that delivers a download speed of at least 10 Mbit/s and upload speed of at least 1 Mbit/s. However, this has improved from 4% last year.*
- *While 94% of UK homes and businesses are in areas where superfast, or better, broadband is available, only 45% of homes are subscribing to these services.*
- *9% of UK landmass has no good 4G coverage from any operator. This has improved from 21% a year ago but rural areas are still badly affected.*
- *23% of homes and businesses do not have good indoor 4G coverage from all operators.*
- *We also estimate that there are 39,000 homes and businesses that cannot access a decent fixed broadband service or get good 4G coverage.”*

The UK Government, which recognises that many rural households do not have sufficient access to fast, reliable broadband, has pledged £200m to improve access across the UK.

The Directors believe that the large broadband players are ignoring rural areas and remain focused on cities and that an estimated potential market of 27m customers across Europe will have speeds of less than 4 Mbps.

BT estimates that to reach the final 10% 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 to pass”.

As a result of these factors, the Directors believe that the market for products and services which provide good quality broadband and mobile connections is significant and therefore the Directors 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 felt prudent, dividend income.

The Company intends to be an active investor in situations where it can make a clear contribution to the progress and development of the investment. In more substantial investment opportunities, the Directors expect that the Company will be a passive investor.

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 NEX Exchange 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.

### **3. REASONS FOR ADMISSION TO THE NEX EXCHANGE GROWTH MARKET**

The Directors believe that Admission will offer the following benefits to the Company:

- improved negotiating position — the ability to enter negotiations with vendors of businesses or companies, to whom the issue of publicly traded shares as consideration is potentially more attractive than the issue of shares in an equivalent private company for which no trading facility

- exists;
- access to funding — Admission will enable the Company to access capital at later dates more effectively than if it were an unquoted company;
  - increased corporate profile – the status of being a company whose shares are traded publicly could benefit any business being acquired by increasing its profile; and
  - ability to attract and retain key staff — the ability to motivate personnel through the future grant of share options will assist the Company to attract, retain and motivate high calibre personnel.

#### **4. NEX EXCHANGE RULES – INVESTMENT VEHICLES**

An Investment Vehicle is defined in the NEX Exchange 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 NEX Exchange Rules and will therefore be subject, inter alia, to approval by Shareholders.

Potential investors in the Company should be aware that an investment in an Investment Vehicle should be regarded as long term in nature, as it may take some time for such a company to fully implement its investment strategy.

In compliance with Rule 48 of the NEX Exchange Rules, if the Company (as an Investment Vehicle) has not substantially implemented its investing strategy after the period of one year following Admission, it will seek Shareholder approval in respect of the subsequent year for the further pursuit of its investment strategy.

Pursuant to Rule 49 of the NEX Exchange Rules, the Company (as an Investment Vehicle), is required to substantially implement its investment strategy within a period of two years following Admission. In the event that the Company has not undertaken a transaction constituting a Reverse Takeover under Rule 54 of the NEX Exchange Rules, or if it has otherwise failed to substantially implement its investment strategy within such two-year period, NEX Exchange will suspend trading of the Company's shares in accordance with Rule 74 of the NEX Exchange Rules. If suspension occurs, the Directors will consider returning the Company's cash to Shareholders after deducting all related expenses.

The Directors intend to review the investment strategy on an annual basis and, subject to their review and in the absence of unforeseen circumstances, the Company intends to adhere to the investment strategy. Changes to the investment strategy may be prompted, inter alia, by changes in government policies or economic conditions which alter or introduce additional investment opportunities. It is the intention of the Company to invest its cash resources, as far as practicable, in accordance with the investment strategy. However, due to market and other investment considerations, it may take some time before the cash resources of the Company are fully invested.

It is intended that the funds initially available to the Company will be used to meet general working capital requirements, to undertake due diligence on potential target acquisitions and to make investments in accordance with the investment strategy described above.

#### **5. HISTORICAL FINANCIAL INFORMATION**

Part III of this Document contains

- the accountant's report on the audited SAPO's Financial Information for the period from 1 July 2016 to 31 December 2018.
- The audited interims for the six months ended 30 June 2019.

Set out below is a summary of the historical financial information of SAPO.

	<b>Year ended</b>	<b>18 months ended</b>	<b>6 months ended</b>
	<b>30 June 2017</b>	<b>31 December 2018</b>	<b>30 June 2019</b>
	<b>(Audited)</b>	<b>(Audited)</b>	<b>(Unaudited)</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Gross loss	(22)	(23)	(10)
Operating loss	(976)	(739)	(94)
Profit/(loss) for the period	4,691	(498)	(83)
Finance costs	-	-	-
Net assets	357	439	356
Tangible assets	-	-	-

This information refers to past performance. Past performance is not a reliable indication of future results.

## 6. CURRENT TRADING

On 29 September 2019, the sale of the Company's remaining interests in property were completed. The Company is now an "investment vehicle" seeking to complete the Placing and obtain admission to NEX to carry out its previously outlined investment strategy.

## 7. DIRECTORS

Brief biographical details of the Directors are set out below.

### **Directors**

#### **Michael Meyer, Executive Chairman (aged 69)**

Michael Meyer has had a 40-year career in the lighting, electrical and manufacturing sectors. He co-founded Emess Lighting in 1976 with £125,000. Emess was listed on the LSE in 1980, valued at £930,000, when it reversed into a shell company. He built it into one of Europe's major lighting companies, operating in 12 countries and supplying 19 out of 25 of the world's largest retailers. In 1999/2000, he masterminded the sale of its principal subsidiaries for £118m.

Michael Meyer has held a number of board positions during his career. Between 1987 – 2001, Michael was a Director of The Henderson Smaller Companies Investment Trust Plc, Royal Sovereign Group Plc & Walker Greenbank Plc. Following the sale of Emess, Michael has chaired Remote Control Lighting, Direct Message plc, Aluminium Shapes and Windmill Extrusions.

#### **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 and a director of LSE listed cash shell LB-Shell plc.

## **8. DETAILS OF THE PLACING AND USE OF PROCEEDS**

The Company is proposing to raise £290,000 (approximately £138,100 net of expenses) by the conditional placing of 29,000,000 Ordinary Shares pursuant to the Placing at the Placing Price.

The net proceeds of the Placing are intended to be applied to satisfy some professional fees and expenses of Admission, as well as the general working capital needs of the Company and to implement the Company's strategy as set out in paragraph 2 of this Part I.

The Placing Shares will represent approximately 17.44 per cent. of the Enlarged Share Capital on Admission.

The Placing 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.

The Placing, which is not underwritten or guaranteed, is conditional, *inter alia*, upon Admission. In accordance with the authorities granted at a General Meeting of the Company held on 2 October 2019, the Placing is being made on a non pre-emptive basis as the time delay and costs associated with a pre-emptive offer are considered by the Directors to be excessive for the Company's requirements.

## **9. DISSEMINATION OF REGULATORY NEWS**

The Company has arrangements in place to disseminate regulatory information to the market in accordance with the NEX Exchange Rules and applicable laws and regulation. Regulatory information relating to the company is also available to the general public through the NEX Exchange website [www.nexexchange.com](http://www.nexexchange.com).

## **10. ADMISSION AND CREST**

An application will be made for the Company's Enlarged Share Capital to be admitted to trading on the NEX Exchange Growth Market. It is expected that Admission will become effective and dealings in the Company's Ordinary Shares will commence on 2 December 2019.

The Company is seeking admission to the NEX Exchange Growth Market to help its acquisition strategy and to help raise the Company's public profile, which will assist its expansion plans and could help in the recruitment and retention of key staff.

The Company's 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 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.

## **11. SHARE LOCK-INS AND ORDERLY MARKET ARRANGEMENTS**

At Admission, the Locked-in and Orderly Market Parties will hold, or be interested in, directly and indirectly, an aggregate of 67,428,931 Ordinary Shares, representing approximately 40.55 per cent. of the Enlarged Share Capital.

The Locked-in and Orderly Market Parties (via the Lock-in Agreements) have undertaken not to dispose of any interest in the Ordinary Shares which they may have on Admission (or subsequently acquire) for the period of one year following Admission, save for in certain limited circumstances. In addition, they have each further agreed that for an additional 12-month period following the first anniversary of Admission they shall

only dispose of any interest in Ordinary Shares through Alfred Henry in accordance with certain orderly market principles.

Details of these lock-in and orderly market arrangements are set out in paragraph 10 of Part V of this Document.

## **12. 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 and nature, to comply with the QCA Code. Following Admission, due to the size and nature of the Company, audit and risk management issues will be addressed by the Directors as a whole, rather than by separate committees. As the Company develops, the Board will consider establishing separate audit and risk management committees 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 NEX Exchange 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 NEX Exchange 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, will 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 will be reviewed in the light of an investment or acquisition and adjusted accordingly.

## **13. 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 NEX Exchange Growth Market) in the United Kingdom or on any stock exchange in the Channel Islands or the Isle of Man. After Admission, the City Code will apply to the Company.

## **14. 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.**

## **15. DIVIDEND POLICY**

The Company has not yet commenced trading and the Directors do not intend to pay a dividend for the foreseeable future until the Company has achieved sufficient profitability and requirements for working capital are such that it is prudent to do so.

## **16. SHARE DEALING CODE**

The Company has adopted a share dealing code for dealings in securities of the Company by directors and certain employees which is appropriate for a company whose shares are traded on the NEX Exchange 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 the relevant part of the NEX Exchange Rules.

It should be noted that MAR and the insider dealing legislation set out in the UK Criminal Justice Act 1993

will apply to the Company and dealings in Ordinary Shares.

## **17. ADDITIONAL INFORMATION AND RISK FACTORS**

**You should read the whole of this Document which provides additional information on the Company 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 II of this Document. Potential investors should carefully consider the risks described in Part II before making a decision to invest in the Company.**

## PART II - RISK FACTORS

The attention of prospective investors is drawn to the fact that an investment in Ordinary Shares may not be suitable for all such 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 should be considered carefully in evaluating whether to make an investment in the Company. 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 Company's business and 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 final investment decision, prospective investors should consider carefully whether an investment in the Company is suitable for them in the light of their personal circumstances and the financial resources available to them. Any 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.

### RISK FACTORS RELATING TO THE COMPANY AND ITS INVESTMENT STRATEGY

#### *Expansion Risk*

The Company intends to pursue its investment strategy in the developing market for rural broadband. Fast business growth could put significant strain on the Company's managerial, operational and financial resources. The Company's ability to manage future growth will depend on its ability to effectively implement and improve management, operational and financial information systems on a timely basis. The failure to manage expansion effectively may lead to increased costs, a decline in sales and reduced profitability, which in turn may affect its business, financial condition, results of operations and prospects.

Accordingly, the Company cannot give assurance that it will be able to achieve its investment strategy. If the Company encounters difficulties in executing its growth strategy, its prospects may be limited and financial results and prospects negatively impacted.

#### *Implementation of Investment Strategy*

The Company's ability to implement the investment strategy (as set out in this Document) will be limited by its ability to identify and acquire suitable investments. Suitable opportunities may not always be readily available. The Company's initial and future investments may be delayed or made at a relatively slow rate because, inter alia:

- the Company intends to conduct detailed due diligence prior to approving investments;
- the Company may conduct extensive negotiations in order to secure and facilitate an investment;
- it may be necessary to establish certain structures in order to facilitate an investment;
- competition from other investors, market conditions or other factors may mean that the Company cannot identify attractive investments, or such investments may not be available at the rate the Company currently anticipates;
- the Company may be unable to raise bank finance on terms the Directors consider reasonable;
- and/or the Company may need to raise further capital to make investments and/or fund the assets or businesses invested in

all of which may in turn have a material adverse effect on the business, financial condition, results of operations and prospects of the Company.

The Company cannot accurately predict how long it will take to deploy the capital available to it or at all.

Precise timing will depend on, amongst other things, the availability of suitable direct investments, due diligence, negotiations with counterparties and investment structuring conditions.

### ***Competition***

The Company may face significant competition in identifying and acquiring suitable investments from other investors, including competitors who may have greater resources. Competition in the investment market may lead to prices for investments, identified by the Company as suitable, being driven up through competing bids of potential purchasers.

Accordingly, the existence and extent of such competition may have a material adverse effect on the Company's ability to acquire investments at satisfactory prices and otherwise on satisfactory terms, thereby reducing the Company's potential profits.

## **RISK FACTORS RELATING TO THE BUSINESS AND OPERATIONS OF THE COMPANY**

### ***Reliance on key personnel***

The Company's ability to provide returns to Shareholders and achieve its investment objective is dependent on the performance of the Directors and its investment advisers 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 Company's business, financial condition and return on investments.

### ***Insurance***

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

### ***Material litigation, claims or arbitration or legal uncertainties***

The Company 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 Company'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 Company.

### ***Ability to generate revenues and profits***

At this stage, there is no certainty that the Company 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 Group's services may result in revenues growing more slowly than anticipated and a negative impact on profitability.

### ***Past performance***

The past performance of the Company is not a guide to future performance and no representation is made or warranty given regarding future performance of the Company.

### ***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 Company will be sufficient for its present requirements, that is for at least the next 12 months from the date of Admission. The Company's future capital requirements will, however, depend on many factors, including economic and market conditions and the Company's ability to grow sales, control costs and execute its expansion programme. In the future, the Company 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 Company's future financing and operating activities. The Company 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 Company or investor sentiment (whether towards the Company in particular or towards the market sector in

which the Company operates) are unfavourable. The Company'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 Company's plans, goals and prospects. These statements and the assumptions that underlie them are based on the current expectations of the Directors 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 Company will not differ materially from matters described in this Document.

### ***Suppliers***

The Company shall rely on certain suppliers, without whom the Company's revenue generation, efficiency of operations and cash flow may not be optimised. The Company 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 Company'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 Company may change during the life of the Company.

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 Company'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 Company, 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 Company 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 area in which the Company operates may have an adverse effect on the demand for the Company's products and services. A more prolonged economic downturn may lead to an overall decline in the volume of the Company's sales, restricting the Company's ability to realise a profit and negatively impact its financial position and prospects. The markets in which the Company offers its products and services are directly affected by many national and international factors that are beyond the Company's control.

## ***Impact of Law and Governmental Regulation***

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

## ***EU membership and potential constitutional change***

The Group faces potential risks associated with the proposed exit by the UK from its membership of the European Union, and the potential uncertainty preceding that exit. The UK exiting the European Union could materially change both the fiscal and legal framework in which the 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 proposed EU exit could damage customers' and investors' confidence. The proposed EU exit and these aspects could have a material adverse effect on the Group's business, results of operations, financial condition and growth prospects.

## **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 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 the operating company with an adequate return on its assets. In addition, if the prices that the regulator sets for fibre-based products and services are or become significantly higher than the prices for comparable copper-based services, fibre uptake may be negatively affected. 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 Group's profitability.

### ***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 any operating company (or any member of the Group) breach any of its undertakings, the breaching entity could face significant financial penalties. Furthermore, certain regulatory and legislative rules limit the 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 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 of the Group and/or any of the operating companies operating in which the 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 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.

### ***Uncertain end-user demand for fibre***

There is limited experience regarding customer appetite for fibre-based high speed broadband connectivity, particularly when compared to lower-cost options such as copper. Assumptions regarding the future uptake of fibre depend in part on the development of applications and services by retail service providers, internet companies and other companies and organisations that are sufficiently compelling to drive end-user uptake. As a result, the level of future demand for services delivered is uncertain. As a result, the effect on the Group's revenue, profitability and cash flow of various fibre uptake scenarios is complex and unpredictable.

In addition, the Group's future revenues and profitability will be affected by both the level of fibre uptake and the mix of fibre services sold between basic plans and higher-priced premium services. Since an end-user's uptake of fibre will often be accompanied by an offsetting loss of revenue as the end-user disconnects from

the copper network, companies that provide rural broadband will often bear the cost of initially connecting rural customers to the fibre network and the profitability of fibre services depends on the mix between lower priced basic plans and higher priced premium services, the providers' profitability may be adversely affected by uptake that is either too low, too high or that is overly weighted to basic services. Such a contingency would likely have an adverse effect on the profitability of the Group.

### ***Network deployment costs and construction risk***

Deploying a network of fibre cables to rural areas 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;
- difficulties or delays in obtaining permits and approvals; and
- interruptions from adverse weather conditions.

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 Group's return on investment and future profitability.

### ***Broadband Providers' Indebtedness***

Providers of rural broadband may finance their operations with debt, which takes priority of equity in the event of the broadband provider's insolvency, and accordingly exacerbate the risks associated with the 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 fibre uptake for that provider, or among all fibre providers operating in rural areas.

### ***Dependence on third-party contractors and suppliers***

The providers of rural, broadband service 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 NEX Exchange Growth Market securities and liquidity of the Company's Shares***

An investment in companies whose shares are traded on the NEX Exchange 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. NEX Exchange 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 NEX Exchange 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 Company and its operations and others to the NEX Exchange Growth Market in general including, but not limited to, variations in the operating results of the Company, divergence in financial results from analysts' expectations, changes in earnings estimates by stock market analysts, general economic conditions or legislative changes in the Company'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 NEX Exchange 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 Company than in a company whose shares are quoted on the Official List.

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

The Company 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. If additional funds are raised through the issuance of new equity or equity-linked securities of the Company other than on a pro rata basis to existing Shareholders, the percentage ownership of the existing Shareholders may be reduced. Shareholders may also experience subsequent dilution and/or such securities may have preferred rights, options and pre-emption rights senior to the Ordinary Shares.

### ***Dividends***

There can be no assurance as to the level of future dividends. The declaration, payment and amount of any future dividends of the Company are subject 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 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, 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. Prospective investors should consider carefully whether an investment in the Company is suitable for them in the light of their personal circumstances and the financial resources available to them.**

**PART III – HISTORICAL FINANCIAL INFORMATION– PART A**  
**ACCOUNTANT’S REPORT ON SAPO’S AUDITED FINANCIAL INFORMATION**  
**FOR THE PERIOD FROM 1 JULY 2016 TO 31 DECEMBER 2018**

25<sup>th</sup> November 2019

The Directors  
SAPO Plc  
Millennium House  
46 Athol Street  
Douglas  
Isle of Man  
IM1 1JB

Dear Sirs,

**Introduction**

We report on the financial information of SAPO Plc (“the Company”) and its subsidiaries (“the Group”), for the three years ended 31 December 2018 (the “Financial Information”). The Financial Information has been prepared for inclusion in Part III “*Financial Information*” of the Group’s NEX Exchange Growth Market Admission Document to be dated on 25<sup>th</sup> November 2019 (the “Admission Document”), on the basis of the accounting policies set out in note 2 to the Financial Information. This report is required by paragraphs 7 to 7.1.7 of Table A contained within Appendix 1 to the NEX Exchange Growth Market – Rules for Issuers (the “NEX Rules”) and is given for the purpose of complying with that requirement and for no other purpose.

**Responsibilities**

The directors of the Group (the “Directors”) are responsible for preparing Financial Information in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the European Union.

It is our responsibility to form an opinion on the Financial Information as to whether the Financial Information gives a true and fair view, for the purposes of the Admission Document, and to report our opinion to you.

Save for any responsibility arising under paragraphs 7 to 7.1.7 of Table A contained within Appendix 1 of the NEX Rules to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any person other than the addressees of this letter for any loss suffered by any such person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with paragraphs 7 to 7.1.7 of Table A contained within Appendix 1 of the NEX Rules, consenting to its inclusion in the Admission Document.

**Basis of Opinion**

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included and assessment of evidence relevant to the amounts and disclosures in the Financial Information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the Financial Information and whether the accounting policies are appropriate to the Group’s circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Group’s Financial Information is free from material misstatement, whether caused by fraud or other irregularity or error.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in jurisdictions outside the United Kingdom, including the United States of America, and accordingly should not be relied upon as if it had been carried out in accordance with those standards or practices.

**Opinion**

In our opinion, the Financial Information gives, for the purposes of the Admission Document, a true and fair view of the state of affairs of the Group as at 31 December 2018, 30 June 2017 and 30 June 2016 and of its results, cash flows and changes in equity for the period then ended in accordance with International Financial Reporting Standards (“IFRS”) as

adopted by the European Union and has been prepared in a form that is consistent with the accounting policies adopted by the Group.

**Declaration**

For the purposes of paragraph 7 of Table A contained within the Appendix 1 of the NEX Rules, we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import.

Yours faithfully,

Handwritten signature in blue ink that reads "Jeffrey Henry LLP". The signature is stylized and includes a large checkmark-like flourish at the end.

**Jeffreys Henry LLP**  
Chartered Accountants

## 1. General Information

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 was 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. 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.

## 2 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.

#### 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 9.10 and note 9.17, 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.

### (c) Provision for ongoing costs and liquidation costs

As described in note 8, the Company was operating as a realisation company. At 30 June 2017 the Group estimated a total provision of £511,643 of ongoing expenses and liquidation fees to be incurred in realising the Group's remaining assets. The resolution to appoint a liquidator at the EGM on 2 May 2018 was not passed, and the company is now operating as a going concern, therefore the provision has been released during the period ended 31 December 2018.

## 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.

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 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.

### *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 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.

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.

(B) Historical Financial Information of SAPO PLC

4. CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	As at 31 December 2018 £'000	As at 30 June 2017 £'000	As at 30 June 2016 £'000
<b>Assets</b>				
<b>Current assets :</b>				
Third party loan	9.6	415	-	-
Inventories	9.7	-	-	3,187
Trade and other receivables	9.8	73	266	2,552
Cash at bank	9.9	33	548	1,788
		<b>521</b>	<b>814</b>	<b>7,527</b>
Assets of disposal group classified as held for sale	9.10	-	1,284	-
		<b>521</b>	<b>2,098</b>	<b>7,527</b>
<b>Total current assets</b>		<b>521</b>	<b>2,098</b>	<b>7,527</b>
<b>Total assets</b>		<b>521</b>	<b>2,098</b>	<b>7,527</b>
<b>Equity :</b>				
<b>Capital and reserves attributable to owners of the Parent:</b>				
Issued share capital	9.11	623	623	623
Foreign currency translation reserve	9.12	-	360	4,747
Retained earnings	9.12	(184)	314	1,639
		<b>439</b>	<b>1,297</b>	<b>7,009</b>
Non-controlling interests	9.13	-	(940)	(1,035)
<b>Total equity</b>		<b>439</b>	<b>357</b>	<b>5,974</b>
<b>Liabilities:</b>				
<b>Current liabilities :</b>				
Loans from third parties	9.14	-	-	1,280
Trade and other payables	9.15	82	137	273
		<b>82</b>	<b>137</b>	<b>1,553</b>
Liabilities of disposal group classified as held for sale	9.10	-	1,604	-
		<b>82</b>	<b>1,741</b>	<b>1,553</b>
<b>Total current liabilities</b>		<b>82</b>	<b>1,741</b>	<b>1,553</b>
<b>Total liabilities</b>		<b>82</b>	<b>1,741</b>	<b>1,553</b>
<b>Total equity and liabilities</b>		<b>521</b>	<b>2,098</b>	<b>7,527</b>

## 5. CONSOLIDATED INCOME STATEMENT

	Notes	Period from 1 July 2017 to 31 December 2018 £'000	Year ended 30 June 2017 £'000	Year ended 30 June 2016 £'000
Revenue - rental income	9.1	-	9	13
Revenue - sale of inventory	9.1			288
<b>Total revenue</b>		-	<b>9</b>	<b>301</b>
Total cost of sales	9.2	(23)	(31)	(2,241)
<b>Gross loss</b>		<b>(23)</b>	<b>(22)</b>	<b>(1,940)</b>
Investment management fees	9.3	(166)	(200)	(200)
Performance fees	9.3	-	(44)	(80)
Other administration fees and expenses	9.4	(483)	(475)	(545)
Directors incentive payments	9.5	-	(115)	(62)
<b>Administrative expenses</b>		<b>(649)</b>	<b>(834)</b>	<b>(887)</b>
Reversal of impairment/(impairment) of assets held for sale	9.10	117	(120)	-
Impairment of third-party loan	9.6	(184)	-	-
<b>Operating loss</b>		<b>(739)</b>	<b>(976)</b>	<b>(2,827)</b>
Finance income		13	4	13
Foreign exchange gain / (loss)		14	3,456	(920)
<b>Net finance income</b>		<b>27</b>	<b>3,460</b>	<b>(907)</b>
Profit on disposal of subsidiary undertakings	9.17	214	2,207	1,764
<b>Profit before income tax</b>		<b>(498)</b>	<b>4,691</b>	<b>(1,970)</b>
Income tax expense		-	-	-
<b>Profit for the period/year</b>		<b>(498)</b>	<b>4,691</b>	<b>(1,970)</b>
<b>Attributable to:</b>				
Owners of the Parent		(498)	4,437	(1,764)
Non-controlling interests		-	254	(206)
		<b>(498)</b>	<b>4,691</b>	<b>(1,970)</b>
<b>Basic and diluted profit/(loss) per share (pence) attributable to the owners of the Parent during the period/year</b>		<b>(0.80)</b>	<b>7.12</b>	<b>(2.83)</b>

## 6. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Period from 1 July 2017 to 31 December 2018 £'000	Year ended 30 June 2017 £'000	Year ended 30 June 2016 £'000
<b>Profit/(loss) for the period/year</b>		<b>(498)</b>	<b>4,691</b>	<b>(1,970)</b>
<b>Other comprehensive expense</b>				
<b>Items reclassified to profit or loss:</b>				
Accumulated foreign exchange differences arising on subsidiary operations reclassified from equity to profit or loss	9.17	(360)	(1,812)	(1,743)
<b>Items that may be subsequently be reclassified to profit or loss:</b>				
Currency translation differences		-	(2,734)	250
<b>Other comprehensive expense for the period/year</b>		<b>(360)</b>	<b>(4,546)</b>	<b>(1,493)</b>
<b>Total comprehensive expense for the period/year</b>		<b>(858)</b>	<b>145</b>	<b>(3,463)</b>
<b>Total comprehensive expense attributable to:</b>				
Owners of the Parent		(858)	50	(3,263)
Non-controlling interests			95	(200)
		<b>(858)</b>	<b>145</b>	<b>(3,463)</b>

## 7. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share Capital £'000	Foreign currency translation reserve £'000	Retained earnings /(deficit) £'000	Total £'000	Non- controlling interests £'000	Total £'000
<b>Balance at 1 July 2015</b>	<b>623</b>	<b>6,246</b>	<b>6,518</b>	<b>13,387</b>	<b>(835)</b>	<b>12,552</b>
<b>Comprehensive Income/(Expense)</b>						
Profit/(Loss) for the year	-	-	(1,764)	(1,764)	(206)	(1,970)
<b>Other comprehensive income:</b>						
Accumulated foreign exchange differences arising on subsidiary operations reclassified from equity to profit and loss	-	(1,743)	-	(1,743)	-	(1,743)
Foreign exchange translation differences	-	244	-	244	6	250
<b>Total comprehensive expense for the year</b>	<b>0</b>	<b>(1,499)</b>	<b>(1,764)</b>	<b>(3,263)</b>	<b>(200)</b>	<b>(3,463)</b>
<b>Transactions with owners</b>						
Distribution paid			(3,115)	(3,115)	-	(3,115)
Total transactions with owners	0		(3,115)	(3,115)		(3,115)
<b>Balance at 30 June 2016</b>	<b>623</b>	<b>4,747</b>	<b>1,639</b>	<b>7,009</b>	<b>(1,035)</b>	<b>5,974</b>
<b>Balance at 1 July 2016</b>	<b>623</b>	<b>4,747</b>	<b>1,639</b>	<b>7,009</b>	<b>(1,035)</b>	<b>5,974</b>
<b>Comprehensive Income/(Expense)</b>						
Profit/(Loss) for the year	-	-	4,437	4,437	254	4,691
<b>Other comprehensive income:</b>						
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)
<b>Total comprehensive expense for the year</b>	<b>0</b>	<b>(4,387)</b>	<b>4,437</b>	<b>50</b>	<b>95</b>	<b>145</b>
<b>Transactions with owners</b>						
Distribution paid			(5,762)	(5,762)	-	(5,762)
Total transactions with owners			(5,762)	(5,762)		(5,762)
<b>Balance at 30 June 2017</b>	<b>623</b>	<b>360</b>	<b>314</b>	<b>1,297</b>	<b>(940)</b>	<b>357</b>
<b>Balance at 1 July 2017</b>	<b>623</b>	<b>360</b>	<b>314</b>	<b>1,297</b>	<b>(940)</b>	<b>357</b>
<b>Comprehensive Income/(Expense)</b>						
Profit/(Loss) for the period	-	-	(498)	(498)	-	(498)
<b>Other comprehensive income:</b>						
Accumulated foreign exchange differences arising on subsidiary operations reclassified from equity to profit and loss	-	(360)	-	(360)	-	(360)
Foreign exchange translation differences	-	-	-	-	-	-
<b>Total comprehensive expense for the year</b>	<b>-</b>	<b>(360)</b>	<b>(498)</b>	<b>(858)</b>	<b>-</b>	<b>(858)</b>
<b>Transactions with owners</b>						
Sale of subsidiary				-	940	940
Total transactions with owners				-	940	940
<b>Balance at 31 December 2018</b>	<b>623</b>	<b>-</b>	<b>(184)</b>	<b>439</b>	<b>-</b>	<b>439</b>

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.

## 8. CONSOLIDATED STATEMENTS OF CASH FLOWS

Notes	Period from 1 July 2017 to 31 December 2018 £'000	Year ended 30 June 2017 £'000	Year ended 30 June 2016 £'000
<b>Cash flows from operating activities</b>			
Profit/(loss) for the period/year before tax	(498)	4,691	(1,970)
<b>Adjustments for:</b>			
Finance income	(13)	(4)	(13)
Impairment of third-party loan	184	-	-
Profit on disposal of subsidiary undertakings	(214)	(2,207)	(1,764)
Foreign exchange (gain)/loss	(14)	(3,456)	920
<b>Operating loss before changes in working capital</b>	<b>(555)</b>	<b>(976)</b>	<b>(2,827)</b>
Decrease/(increase) in inventories	-	-	2,098
Decrease/(increase) in trade and other receivables	155	1	979
(Decrease)/increase in trade and other payables	(118)	115	83
<b>Cash used in operations</b>	<b>(518)</b>	<b>(860)</b>	<b>333</b>
Interest received	-	4	13
<b>Net cash used in operating activities</b>	<b>(518)</b>	<b>(856)</b>	<b>346</b>
<b>Cash flows from investing activities:</b>			
Net cash on disposal of subsidiaries	(1)	5,318	1,399
Movement in cash restricted by bank guarantees	-	-	42
<b>Net cash (used in)/generated from investing activities</b>	<b>(1)</b>	<b>5,318</b>	<b>1,441</b>
<b>Cash flows from financing activities:</b>			
Distributions paid	-	(5,762)	(3,115)
<b>Net cash used in financing activities</b>	<b>-</b>	<b>(5,762)</b>	<b>(3,115)</b>
Net increase/(decrease) in cash and cash equivalents	(519)	(1,300)	(1,328)
Cash and cash equivalents at beginning of the period/year	548	1,788	3,096
Foreign exchange losses on cash and cash equivalents	4	60	20
<b>Cash and cash equivalents at end of the period/year</b>	<b>33</b>	<b>548</b>	<b>1,788</b>

## 9. NOTES TO THE FINANCIAL INFORMATION

### 9.1 Sales

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

### 9.2 Cost of sales

	Period 1 July 2017 to 31 December 2018 £'000	Year ended 30 June 2017 £'000	Year ended 30 June 2016 £'000
Cost of inventory sold	-	-	211
Property expenses	23	30	140
	23	30	351
Impairment of inventories	-	1	1,890
<b>Total cost of sales</b>	<b>23</b>	<b>31</b>	<b>2,241</b>

### 9.3. Investment Manager's fees

	Period 1 July 2017 to 31 December 2018 £'000	Year ended 30 June 2017 £'000	Year ended 30 June 2016 £'000
Annual fees	166	200	200
Performance fees	-	44	80
<b>Total fees</b>	<b>166</b>	<b>244</b>	<b>280</b>

#### *Annual fees*

Bridgehead was appointed as the replacement investment manager with effect from 1 July 2014 and is entitled to an annual management fee of £175,000 per annum (excluding VAT). Management fees for the year ended 30 June 2017 paid to Bridgehead amounted to £199,500 (30 June 2016: £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 year ended 30 June 2017 amounted to £43,543 (ZAR 735,000) (30 June 2016: £79,799 (ZAR 1,603,441)).

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.

#### 9.4. Other administration fees and expenses

	Period 1 July 2017 to 31 December 2018 £'000	Year ended 30 June 2017 £'000	Year ended 30 June 2016 £'000
Audit	41	46	58
Directors' remuneration and fees	158	151	151
Directors' insurance cover	16	14	16
Professional fees	64	82	45
Other expenses	204	182	275
<b>Administration fees and expenses</b>	<b>483</b>	<b>475</b>	<b>545</b>

#### 9.5. Directors' remuneration

	Period 1 July 2017 to 31 December 2018			Year ended 30 June 2017			Year ended 30 June 2016		
	Basic fee/salar y	Incentiv e fees	Total	Basic fee/salar y	Incentive fees	Total	Basic fee/salar y	Incentive fees	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
David Hunter	40	-	40	48	-	48	48	-	48
David Saville	14	-	14	18	-	18	18	-	18
Stephen Coe	29	-	29	35	-	35	35	-	35
Michael Meyer	29	-	29	-	-	-	-	-	-
	112	-	112	101	-	101	101	-	101
John Chapman	28	-	28	30	29	59	30	15	45
Craig McMurray	18	-	18	20	86	106	20	47	67
	46	-	46	50	115	165	50	62	112
	<b>158</b>	<b>-</b>	<b>158</b>	<b>151</b>	<b>115</b>	<b>266</b>	<b>151</b>	<b>62</b>	<b>213</b>

#### 9.6. Third Party Loan

	31 December 2018 £'000	30 June 2017 £'000	30 June 2016 £'000
Start of the period/year	-	-	-
Exchanged for shares on sale (note 24)	646	-	-
Impairment	(184)	-	-
Exchange differences	(47)	-	-
<b>End of the period/year</b>	<b>415</b>	<b>-</b>	<b>-</b>

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. The loan at 31 December 2018 is currently deemed to be fully recoverable. Timing of the recovery is dependent on the sale of the underlying Brakpan asset.

**9.7. Inventories**

<i>Current assets</i>	31 December 2018 £'000	30 June 2017 £'000	30 June 2016 £'000
Start of the period/year	-	3,187	5,642
Costs capitalised	-	1	3
Impairment	-	(1)	(1,890)
			(211)
Transfer to assets held for sale (note 15)	-	(1,283)	
Disposal via sale of subsidiary	-	(2,423)	-
Exchange differences	-	519	(357)
<b>End of the period/year</b>	<b>-</b>	<b>-</b>	<b>3,187</b>

During 30 June 2017, the Group capitalised costs of £902 (ZAR 16,119) (30 June 2016: £3,117 (ZAR 66,829)), in order to develop these assets for future re-sale, and accordingly they were classified as inventory. These costs were impaired prior to disposal.

As at 30 June 2017 all developments had been sold or been reclassified as assets held for sale. At 30 June 2016 the net realisable values of all the developments were lower than cost, therefore, their inventory values were impaired to a value of £3,187,027 (ZAR 62,727,698)). Net realisable value was assessed using valuations determined by Broll (adjusted to match the sale contract) less estimated selling expenses.

**9.8. Trade and other receivables**

	31 December 2018 £'000	30 June 2017 £'000	30 June 2016 £'000
Prepayments	-	8	18
VAT receivable	-	4	20
Trade receivables			15
Proceeds due from sale of inventory and sale of subsidiary held in escrow	73	254	2,490
Other receivables			9
<b>Trade and other receivables</b>	<b>73</b>	<b>266</b>	<b>2,552</b>

**9.9. Cash and cash equivalents**

	31 December 2018 £'000	30 June 2017 £'000	30 June 2016 £'000
Bank balances	33	548	1,788
<b>Cash at bank</b>	<b>33</b>	<b>548</b>	<b>1,788</b>

## 9.10. Disposal Group Classified as Held for Sale

### Assets of Disposal Group

	31 December 2018 £'000	30 June 2017 £'000	30 June 2016 £'000
Inventories	-	1,283	-
Trade and other receivables	-	1	-
<b>Total</b>	<b>-</b>	<b>1,284</b>	<b>-</b>
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	-

### Liabilities of Disposal Group

	31 December 2018 £'000	30 June 2017 £'000	30 June 2016 £'000
Loans from third parties	-	1,480	-
Trade and other payables	-	124	-
<b>Total</b>	<b>-</b>	<b>1,604</b>	<b>-</b>
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	-

Above assets and liabilities represents the fair values of assets held for sale in Madison Park Properties 40 (Pty) Limited. The shares in the company were sold in July 2017 and profit on disposal recognised during the period ended 31 December 2018 as disclosed in note 9.17.

## 9.11. Share capital

Ordinary Shares of 1p each	As at 30 June 2016, 30 June		As at 30 June 2016, 30 June	
	2017 & 31 December 2018	Number	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).

## 9.12. Reserves

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

### 9.13. Non-controlling interests

Subsidiary	Country of incorporation	Period	Percentage of shares held	Assets £'000	Liabilities £'000	Profit/(loss) allocated to NCI £'000	Accumulated NCI £'000
Madison Park Properties 40 (Pty) Limited	South Africa	2017	50%	1,294	(3,173)	254	(940)
Madison Park Properties 40 (Pty) Limited	South Africa	2016	50%	369	(2,728)	(206)	(1,035)

### 9.14. Loans from third parties

	31 December 2018 £'000	30 June 2017 £'000	30 June 2016 £'000
Start of the period/year	-	1,280	1,319
Transfer to liabilities held for sale (note 9.10)	-	(1,480)	-
Exchange differences	-	200	(39)
<b>End of the period/year</b>	<b>-</b>	<b>-</b>	<b>1,280</b>

### 9.15. Trade and other payables

	31 December 2018 £'000	30 June 2017 £'000	30 June 2016 £'000
Trade payables	-	1	39
Directors fees payable	4	-	-
Management fees payable	-	17	-
Performance fees payable	-	3	37
Other payables	78	116	197
<b>Trade and other payables</b>	<b>82</b>	<b>137</b>	<b>273</b>

### 9.16. Related party transactions

The principal subsidiary undertakings within the Group as at 30 June 2017 were:

	Development property	Country of incorporation	Percentage of share held
Crimson King Properties 378 (Pty) Limited	Gosforth Park	South Africa	100%
BusinessVenture Investments No 1187 (Pty) Limited	Inactive	South Africa	100%
Madison Park Properties 40 (Pty) Limited **	Brakpan	South Africa	50%

\* this also represents the percentage of ordinary share capital and voting rights held – 2017

\*\* the Group controls the company by means of direct control of the board

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 9.6.

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 9.3 and fees in relation to the Executive Directors are disclosed in note 9.6.

During the period ended 31 December 2018 a liquidator was appointed for both Crimson King Properties 378 (Pty) Limited and Business Venture Investments No 1187 (Pty) Limited.

## 9.17. Profit on disposal of subsidiary

	Period 1 July 2017 to 31 December 2018	Year ended 30 June 2017	Year ended 30 June 2016
	£'000	£'000	£'000
Inventory	1,283	2,423	3,216
Trade and other receivables	-	56	28
Cash and cash equivalents	1	206	
Trade and other payables	(5)	(192)	
Intercompany loan	(1,689)	(18,324)	(6,633)
Loans from third parties	(1,480)	-	
<b>Total identifiable net liabilities</b>	<b>(1,890)</b>	<b>(15,831)</b>	<b>(3,389)</b>
Non-controlling interest	940	-	-
Intercompany loan	1,689	18,324	6,633
<b>Total interest</b>	<b>739</b>	<b>2,493</b>	<b>3,244</b>
Additional costs on disposal	-	34	-
Consideration	(646)	(2,922)	(3,265)
Loss on disposal	93	(395)	(21)
Accumulated foreign exchange differences arising on subsidiary operations reclassified from equity to profit and loss	(280)	(1,812)	(1,743)
<b>Net profit on disposal</b>	<b>(187)</b>	<b>(2,207)</b>	<b>(1,764)</b>

During the year ended 30 June 2016, the Company commenced disposing off shares held in subsidiaries and investments.

During the year ended 30 June 2017, the Company had sold all investments other than its interest in Madison Park Properties 40 (Pty) Limited and the Brakpan asset. Assets and associated liabilities were transferred to held for sale as the company has commenced negotiations for the disposal of the shares in Madison Park Properties 40 (Pty) Limited and the land in Brakpan.

During the period ended 31 December 2018, the company sold its shares in Madison Park Properties 40 (Pty) Limited and the land for ZAR 11 million and recognised a profit on disposal of the shares.

During the period ended 31 December 2018, 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).

## 9.18. 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 (£578,363) 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) net of legal fees (£23,999) and commission for disposal (£105,218). 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 III – HISTORICAL FINANCIAL INFORMATION – PART B**

**UNAUDITED INTERIMS FOR THE SIX MONTHS ENDED 30 JUNE 2019**

Chairman's Statement

Dear Shareholder,

**VERY GOOD PROGRESS**

The most important news I have for you is that we have at long last finally obtained our Joint Venture partner in South Africa to buy all our shares for ZAR 10m. Although ZAR 1m below book value a bird in the hand is worth two in the bush. It has taken us over a year of intense negotiation to achieve this result and vindicates my decision last August not to give up & obtain what is due to us.

We therefore intend to list our shares in the most cost-effective way & seek in short order to acquire a company in a growth sector, so shareholders have the opportunity to increase the value of their shares.

I will announce this as soon as I can.

Yours ever,

**Michael Meyer**

Chairman

5 November 2019

## Income Statement

	Note	(Unaudited) Period from 1 January 2019 to 30 June 2019 £'000	(Unaudited) Period from 1 January 2018 to 30 June 2018 £'000
Revenue – rental income		-	-
Total revenue		-	-
Cost of sales	3	(10)	-
<b>Gross loss</b>		<b>(10)</b>	<b>-</b>
Investment management fees	4	-	(67)
Other administration fees and expenses	5	(84)	(189)
Provisions	6	-	284
<b>Administrative expenses</b>		<b>(84)</b>	<b>28</b>
<b>Operating (loss)/profit</b>		<b>(94)</b>	<b>28</b>
Finance income		1	2
Foreign exchange gain		10	-
<b>Net finance income</b>		<b>11</b>	<b>2</b>
Impairment of assets held for sale	12	-	-
<b>(Loss)/profit before income tax</b>		<b>(83)</b>	<b>30</b>
Income tax expense	7	-	-
<b>(Loss)/profit for the period</b>		<b>(83)</b>	<b>30</b>
<b>Attributable to:</b>			
- Owners of the Parent		(83)	30
- Non-controlling interests		-	-
		<b>(83)</b>	<b>30</b>
<b>Basic and diluted (loss)/profit per share (pence) for (loss)/profit attributable to the owners of the Parent during the period</b>	8	<b>(0.13)</b>	<b>0.05</b>

## Statement of Comprehensive Income

	(Unaudited) Period from 1 January 2019 to 30 June 2019	(Unaudited) Period from 1 January 2018 to 30 June 2018
Note	£'000	£'000
<b>(Loss)/profit for the period</b>	<b>(83)</b>	<b>30</b>
<b>Other comprehensive expense</b>		
Items reclassified to profit and loss	-	-
Accumulated foreign exchange differences arising on subsidiary operations reclassified from equity to profit and loss	-	-
Items that may subsequently be reclassified to profit and loss	-	-
Currency translation differences	-	-
<b>Other comprehensive expense for the period</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive (expense)/income for the period</b>	<b>(83)</b>	<b>30</b>
<b>Total comprehensive (expense)/income attributable to:</b>		
- Owners of the Parent	(83)	30
- Non-controlling interests	-	-
	<b>(83)</b>	<b>30</b>

## Balance Sheet

	Note	(Unaudited) As at 30 June 2019 £'000	(Audited) As at 31 December 2018 £'000
<b>Assets</b>			
<b>Current assets</b>			
Third party loan	9	-	415
Trade and other receivables	10	17	73
Cash at bank	11	1	33
		18	521
Assets of disposal group classified as held for Sale	12	436	-
<b>Total current assets</b>		<b>454</b>	<b>521</b>
<b>Total assets</b>		<b>454</b>	<b>521</b>
<b>Equity</b>			
Capital and reserves attributable to owners of the Parent:			
Issued share capital	13	623	623
Foreign currency translation reserve	14	-	-
Retained earnings	14	(267)	(184)
<b>Total equity</b>		<b>356</b>	<b>439</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	16	98	82
Provisions	6	-	-
<b>Total current liabilities</b>		<b>98</b>	<b>82</b>
<b>Total liabilities</b>		<b>98</b>	<b>82</b>
<b>Total equity and liabilities</b>		<b>454</b>	<b>521</b>

## Statement of Changes in Equity

	Attributable to owners of the Parent			Total £'000
	Share capital £'000	Foreign currency translation reserve £'000	Retained earnings/(deficit) £'000	
Balance at 1 January 2019	623	-	(184)	439
<b>Comprehensive income</b>				
Loss for the period	-	-	(83)	(83)
Total comprehensive expense for the period	-	-	(83)	(83)
<b>Balance at 30 June 2019</b>	<b>623</b>	<b>-</b>	<b>(267)</b>	<b>356</b>
Balance at 1 January 2018	623	80	(604)	99
<b>Comprehensive income</b>				
Profit for the period	-	-	30	30
Total comprehensive expense for the period	-	-	30	30
<b>Balance at 30 June 2018</b>	<b>623</b>	<b>80</b>	<b>(574)</b>	<b>129</b>

## Cash Flow Statement

	Note	(Unaudited) Period from 1 January 2019 to 30 June 2019 £'000	(Unaudited) Period from 1 January 2018 to 30 June 2018 £'000
<b>Cash flows from operating activities</b>			
(Loss)/profit for the period before tax		(83)	30
Adjustments for:			
Finance income		(1)	(2)
Impairment of assets held for sale	12	-	-
Foreign exchange gain		(10)	-
<b>Operating (loss)/gain before changes in working capital</b>		<b>(94)</b>	<b>28</b>
Decrease in trade and other receivables		47	12
Increase/(decrease) in trade and other payables		15	(277)
<b>Cash used in operations</b>		<b>(32)</b>	<b>(237)</b>
Interest received		-	-
<b>Net cash used in operating activities</b>		<b>(32)</b>	<b>(237)</b>
Net (decrease)/increase in cash and cash equivalents		(32)	(237)
Cash and cash equivalents at beginning of the period		33	242
<b>Cash and cash equivalents at end of the period</b>	11	<b>1</b>	<b>5</b>



## 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 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. The Company’s administration is delegated to Mainstream Fund Services (IOM) Limited (formerly known as 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 AIM and on CISX was cancelled.

The Company’s agents and its Investment Manager perform all functions, other than those carried out by the Board’s non-executive directors.

#### *Financial year end*

The financial period end of the Company is 31 December in each year.

#### *Going concern*

In assessing the going concern basis of preparation of the interim financial statements for the period ended 30 June 2019, the Directors have taken into account the status of current negotiations on the realisation of the remaining asset. The Directors consider that the Group has sufficient funds and the ability to raise further funds for its ongoing operations for the foreseeable future and therefore have continued to adopt the going concern basis in preparing these interim financial statements.

### 2 Summary of significant accounting policies

#### 2.1 Basis of preparation

The accounting policies applied by the Group in the preparation of these condensed consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements for the period ended 31 December 2018.

## Notes to the Financial Statements (continued)

### 2 Summary of significant accounting policies (continued)

#### 2.1 Basis of preparation (continued)

These interim financial statements have been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union. They do not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Group as at and for the period ended 31 December 2018 which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union. The change in provision during the period ended 30 June 2018 has not been released against the expenses incurred during the period. This is a departure from IFRS and IAS 34, but gives the shareholder better clarity of the expenses incurred during the period.

The interim financial statements for the six months ended 30 June 2019 are unaudited. The comparative interim figures for the six months ended 30 June 2018 are also unaudited.

#### 2.2 Critical accounting estimates and assumptions

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 of asset held for sale

As described in note 12, the Group presents the investment in Madison Park Properties 40 (Pty) Limited as held for sale. The contractual disposal proceeds have been used to determine the impairment of this asset held for sale.

(b) Provision for ongoing costs and liquidation costs

As described in note 6, the Company was operating as a realisation company. The resolution to appoint a liquidator at the EGM on 2 May 2018 was not passed and the Company is now operating as a going concern, therefore the provision has been released.

### 3 Cost of sales

	Period ended 30 June 2019 £'000	Period ended 30 June 2018 £'000
Property expenses	10	-
<b>Total cost of sales</b>	<b>10</b>	<b>-</b>

### 4 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 30 June 2019 paid to Bridgehead amounted to £nil (30 June 2018: £66,500).

#### Performance fees

Bridgehead was 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 30 June 2019 amounted to £nil (ZAR nil) (30 June 2018: £nil (ZAR nil)).

## Notes to the Financial Statements (continued)

### 5 Other administration fees and expenses

	Period ended 30 June 2019 £'000	Period ended 30 June 2018 £'000
Directors' remuneration and fees	41	53
Other expenses	43	136
<b>Administration fees and expenses</b>	<b>84</b>	<b>189</b>

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 was entitled to 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 service agreements also provided 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 30 June 2019 amounted to £nil (30 June 2018: £nil).

#### All directors' remuneration and fees

Total fees and basic remuneration (including VAT where applicable) paid to the Directors for the period ended 30 June 2019 amounted to £41,100 (30 June 2018: £52,828) and was split as below. Directors' insurance cover amounted to £nil (30 June 2018: £6,757).

	Period ended 30 June 2019			Period ended 30 June 2018		
	Basic fee/salary £'000	Incentive fees £'000	Total £'000	Basic fee/salary £'000	Incentive fees £'000	Total £'000
David Hunter	-	-	-	16	-	16
David Saville	-	-	-	5	-	5
Stephen Coe	-	-	-	12	-	12
Michael Meyer	41	-	41	-	-	-
	41	-	41	33	-	33
John Chapman	-	-	-	12	-	12
Craig McMurray	-	-	-	8	-	8
	-	-	-	20	-	20
	<b>41</b>	<b>41</b>	<b>41</b>	<b>53</b>	<b>-</b>	<b>53</b>

### 6 Provisions

The Company has been operating as a realisation company. The calculation of the net asset value included an estimate of liquidation costs and a provision for fees and expenses expected to be incurred in realising the assets. As at 31 December 2017 these provisions amounted to £302,953. The resolution to appoint a liquidator at the 2 May 2018 EGM was not passed and the net asset value no longer requires a provision for closure costs.

## Notes to the Financial Statements (continued)

### 7 Income tax expense

	Period ended 30 June 2019 £'000	Period ended 30 June 2018 £'000
<b>Current tax</b>	-	-

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 ended 30 June 2019 £'000	Period ended 30 June 2018 £'000
(Loss)/profit before tax	(83)	30
Tax calculated at domestic tax rates applicable in the Isle of Man (0%)	-	-
Effect of higher tax rates in South Africa (28%)	-	-
<b>Tax expense</b>	-	-

### 8 Basic and diluted (loss)/profit per share

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

	Period ended 30 June 2019	Period ended 30 June 2018
(Loss)/profit attributable to equity holders of the Company (£'000)	(83)	30
Weighted average number of shares in issue (thousands)	62,293	62,293
<b>Basic (loss)/profit per share (pence per share)</b>	<b>(0.13)</b>	<b>0.05</b>

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

### 9 Third party loan

#### Current assets

	30 June 2019 £'000	31 December 2018 £'000
Start of the period/year	415	-
Exchanged for shares on sale	-	646
Transfer to assets held for sale (note 12)	(407)	-
Impairment	-	(184)
Exchange differences	(8)	(47)
<b>End of the period/year</b>	<b>-</b>	<b>415</b>

During the period ended 31 December 2018 the Group exchanged its holding 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 period ended 30 June 2019 this exchange was reversed and the shares have been reclassified as an asset held for sale.

## Notes to the Financial Statements (continued)

### 10 Trade and other receivables

	30 June 2019 £'000	31 December 2018 £'000
Proceeds due from sale of subsidiaries *	17	73
<b>Trade and other receivables</b>	<b>17</b>	<b>73</b>

\* proceeds held in escrow by the South African administrator

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

### 11 Cash and cash equivalents

	30 June 2019 £'000	31 December 2018 £'000
Bank balances	1	33
<b>Cash and cash equivalents</b>	<b>1</b>	<b>33</b>

### 12 Disposal Group Classified as Held for Sale

#### Assets of Disposal Group

The investment in Madison Park Properties 40 (Pty) Limited (owning the assets of the Brakpan Project) has been presented as held for sale as at 30 June 2019.

	30 June 2019 £'000	31 December 2018 £'000
Investment held for sale	436	-
<b>Total</b>	<b>436</b>	<b>-</b>
Of which fair value measurements use:		
- Quoted prices in active markets for identical assets (Level 1)	-	-
- Significant other observable inputs (Level 2)	436	-
- Significant unobservable inputs (Level 3)	-	-

The assets of the disposal group were valued based on the contractual disposal proceeds see note 19.

### 13 Share capital

<b>Ordinary Shares of 1p each</b>	As at 30 June 2019 & 31 December 2018 Number	As at 30 June 2019 & 31 December 2018 £'000
Authorised	150,000,000	1,500
Issued and fully paid	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 ended 30 June 2019 (30 June 2018: £nil).

## Notes to the Financial Statements (continued)

### 14 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

### 15 Net asset value ("NAV") per share

	30 June 2019	31 December 2018
Net assets attributable to equity holders of the Company (£'000)	356	439
Shares in issue (in thousands)	62,293	62,293
<b>NAV per share (£)</b>	<b>0.01</b>	<b>0.01</b>

### 16 Trade and other payables

	30 June 2019 £'000	31 December 2018 £'000
Directors fees payable	4	4
Other payables	94	78
<b>Trade and other payables</b>	<b>98</b>	<b>82</b>

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

### 17 Contingent liabilities and commitments

As at 30 June 2019 the Group had no contingent liabilities or commitments.

### 18 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 5.

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 5 and fees in relation to the Executive Directors are disclosed in note 5.

### 19 Post Balance Sheet Events

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). The net consideration after costs of the disposal was ZAR 7,22,942.01 (£435,776.53)

On 10 September 2019, 75 million Ordinary Shares of £0.01 per share 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.

## **Notes to the Financial Statements (continued)**

### **19 Post Balance Sheet Events (continued)**

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 - UNAUDITED PRO FORMA FINANCIAL INFORMATION

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 Placing as if it had occurred on 30 June 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 Company.

The statement of pro forma net assets set out below is based on the unaudited balance sheet of the Company as at 30 June 2019 (as extracted without material adjustment from the Company's financial information in Part III of this document and adjustments on the basis described in the notes below.

	30 June 2019 £'000	Placing net of expenses 30 June 2019 £'000	Total pro forma 30 June 2019 £'000
<b>Notes</b>	1		
<b>Assets</b>			
<b>Current assets</b>			
Trade and other receivables	17	-	17
Cash at bank	1	138	139
	18	138	156
Assets of disposal group classified as held for Sale	436	-	436
<b>Total current assets</b>	<b>454</b>	<b>138</b>	<b>592</b>
<b>Total assets</b>	<b>454</b>	<b>138</b>	<b>592</b>
<b>Liabilities</b>		-	
<b>Current liabilities</b>		-	
Trade and other payables	98	-	98
<b>Total current liabilities</b>	<b>98</b>	<b>-</b>	<b>98</b>
<b>Total liabilities</b>	<b>98</b>	<b>-</b>	<b>98</b>
<b>Net assets</b>	<b>356</b>	<b>138</b>	<b>494</b>

### Notes:

1. The financial information in respect of the Company as at 30 June 2019 has been extracted, without material adjustment, from the unaudited report, set out in Part III of this document.
2. The Placing receipts are £290,000. The cash expenses of the transaction payable by the Company are expected to total approximately £151,900.
3. The pro forma financial information does not constitute statutory accounts within the meaning of section 434 of CA 2006.
4. Apart from the above, no other adjustments have been made to reflect any trading, changes in working capital or other movements since 30 June 2019 for the Company.

## PART V - ADDITIONAL INFORMATION

### 1. RESPONSIBILITY

The Directors of the Company, whose names are set out on page 4 of this Document, accept full responsibility, collectively and individually, for the information contained in this Document including the Company's compliance with the NEX Exchange 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 with limited liability in the Isle of Man under the Isle of Man Companies Act 1931 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 under the Isle of Man Companies Act 2006 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 Companies Act 2006 and the regulations made thereunder.
- 2.6 The Company's website address is [www.sapoinvest.com](http://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 At incorporation, the authorised share capital of the Company was £2,000 divided into 200,000 Ordinary Shares of 1p each, of which two were issued as subscriber shares to the two subscribers to the Memorandum and Articles of Association. At incorporation, the Directors were generally and unconditionally authorised to allot securities in the Company up to the authorised but unissued share capital of the Company and such power was not limited in duration.
- 3.2 Pursuant to an ordinary resolution of the Company dated 19 October 2006, the authorised share capital of the Company was increased from £2,000 to £500,000 by the creation of 49,800,000 Ordinary Shares of 1p each.
- 3.3 Pursuant to an ordinary resolution of the Company dated 18 May 2007, the authorised share capital of the Company was increased from £500,000 to £1,500,000. Accordingly, the authorised share capital of the Company was £1,500,000 divided into 150,000,000 Ordinary Shares of 1p each.
- 3.4 Pursuant to the publication of an admission document dated 20 October 2006 and admission to trading on AIM and CISX, there was a placing of up to 50,000,000 Ordinary Shares. Following the close of the placing on 26 October 2006, 30,000,000 Ordinary Shares of 1p each at 100p per share were issued.
- 3.5 A further placing of up to 50,000,000 Ordinary Shares was undertaken on 30 April 2007. Following the close of the placing on 1 May 2007, 32,292,810 Ordinary Shares of 1p each at 106p per share were issued.

- 3.6 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. Neither the Isle of Man Companies Act 2006 nor the Articles impose any restrictions on the number of shares which the Directors may issue are as set out in the Articles.
- 3.7 Pursuant to a written resolution of the directors dated 6 September 2019, the Company issued, on 10 September 2019, 75,000,000 Ordinary Shares of 1p each 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.
- 3.8 Pursuant to a special resolution of the Company dated 2 October 2019, the authorised share capital of the Company was increased from £1,500,000 to £2,000,000. Accordingly, the authorised share capital of the Company is £2,000,000 divided into 200,000,000 Ordinary Shares of 1p each.
- 3.9 29,000,000 Ordinary Shares are being issued pursuant to the Placing at a price of £0.01 per Placing Share. No expenses are being charged to any placee.
- 3.10 In accordance with the power granted to the Directors by the Articles, the Ordinary Shares issued under the placing referred to in paragraph 3.9 were allotted (conditional upon Admission) pursuant to a resolution of the Board passed shortly before 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.
- 3.11 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.
- 3.12 Accordingly, the issued share capital of the Company immediately following Admission, taking into account the Placing Shares referred to in paragraphs 3.9 and 3.10 above, will be as follows:

Class of shares	Nominal Value (£)	Issued (£)	Issued (Number)
Ordinary Shares	0.01	1,662,928.10	166,292,810

The liability of Shareholders is limited to the amount payable in respect of Ordinary Shares held.

- 3.13 The Ordinary Shares carry the right to vote at general meetings, to dividends, and to the surplus assets of the Company on a winding-up
- 3.14 Save as disclosed below, since the date of incorporation, 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.
- 3.15 At incorporation, the authorised share capital of the Company was £2,000 divided into 200,000 ordinary shares of 1p each. Pursuant to an ordinary resolution on 19 October 2006 the authorised share capital was increased from £2,000 to £500,000 giving in total 50,000,000 ordinary shares of 1p each.

Pursuant to an ordinary resolution on 18 May 2007, the authorised share capital was increased from £500,000 to £1,500,000 giving in total 150,000,000 ordinary shares of 1p each. 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.

On 26 October 2006, the Company raised a gross amount of £30,000,000 following the admission of the Company's ordinary shares to the Alternative Investment Market ("AIM"). The Company placed 30,000,000 ordinary shares of £0.01 par value, at an issue price of £1.00 per share.

On 1 May 2007, the Company placed an additional 50,000,000 ordinary shares of £0.01 par value at a price of £1.06 per share, of which 32,292,810 ordinary shares have been issued at a price of £1.06 per share.

The fee payable to Teather and Greenwood as was effectively 2% less the other costs of the placing. In effect T & G received £591,475 on funds raised of £34,230,379.

- 3.16 No share or loan capital of the Company is under option or has been agreed, conditionally or unconditionally, to be put under option.
- 3.17 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 Directors are 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 5 per cent. or more of the Ordinary Shares in issue as at the date of this Document, and are expected (based on the information available as at the date of this Document) immediately following Admission (as appropriate) are as follows:

<i>Name</i>	<i>As at the date of this Document</i>		<i>Upon Admission</i>	
	<i>Existing Ordinary Shares held, directly or indirectly, legally or beneficially</i>	<i>% of Existing Share Capital</i>	<i>Ordinary Shares held, directly or indirectly, legally or beneficially</i>	<i>% of Existing Share Capital</i>
Michael Meyer	62,428,931	45.47	67,428,931	40.55
Barry Hersh	37,500,000	27.31	38,500,000	23.15
Placifor Investment Corporation	25,129,096	18.30	35,129,096	21.12

- 4.2 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 beneficially</i>	<i>% of Existing Share Capital</i>	<i>Ordinary Shares held, directly or indirectly, legally or beneficially</i>	<i>% of Existing Share Capital</i>
Michael Meyer*	62,428,931	45.47	72,428,931	43.56
Michael Langoulant	-	-	-	-

\*Michael Meyer's holdings include shares held by his spouse, Livia Meyer, who will own 3.01% of the Existing Share Capital as a result of her subscription in the Placing.

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 Under the Lock-in Agreements, the Directors have each undertaken to Alfred Henry that they and their associates will not (save in certain limited circumstances) dispose of any Ordinary Shares for a period of 12 months from the date of Admission and thereafter for a further period of 12 months to only dispose of any Ordinary Shares through Alfred Henry (or the broker of the Company for the time being if it's not Alfred Henry), in such manner as they reasonable require.

5.1.4 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.

5.1.5 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.

5.1.6 There are no outstanding loans granted by the Company to any Director, nor are there any guarantees provided by the Company for their benefit.

5.1.7 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.

5.1.8 In respect of the Directors and the senior managers, 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.

5.1.9 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.

5.1.10 As at 25 November 2019 (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.

5.1.11 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 five years preceding the date of this Document (other than the Company) are as follows:

Name	Current directorships	Past directorships
Michael Meyer	Aluminium Developments Group Limited Emess Capital LLP	Ohlsson Limited Windmill (Dormco) Ltd Windmill Extrusions Limited Aluminium Shapes Limited Quest Flooring Accessories Limited Quest Flooring Limited Domes of Silence Group Limited Domes of Silence 2011 Limited Domes of Silence Holdings Limited Domes of Silence Secretarial Limited Eastern Aluminium Co. Limited Indigitale Limited Shapes Finishing Limited Urban Profile Limited Walker Greenbank PLC
Michael Langoulant	LB-Shell plc 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)	Resolute Amansie Ltd (Ghana) Imperial X plc Imperial Minerals (UK) Limited 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 Pty 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)
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5.2.2 Michael Langoulant was a director of Max Resources Ltd from approximately 1994 to 1997. Although solvent at the time, a Statutory Manager was appointed to the company in 1998. The company was subsequently liquidated. Although the Statutory Manager made some minor negative comments concerning the administration of the company, 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 At the date of this Document, save as disclosed above, none of the Company's Directors:

- (i) is currently or has over the previous five 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 indictable offences;
- (iii) has been involved in any bankruptcy or individual voluntary arrangements;
- (iv) 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 at the time of or within the 12 months preceding such events; or
- (v) has been the subject of any public criticism by any statutory or regulatory authority (including recognised 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.

## 6. DIRECTORS' SERVICE AGREEMENTS AND EMOLUMENTS

6.1 The Director below has entered into an agreement with the Company as follows:

6.1.1 a service agreement with Michael Meyer dated 12 November 2019 under which he has agreed to act as Executive Chairman of the Company for an initial term of 2 years commencing on Admission and thereafter on a rolling basis unless terminated by either party giving at least 12 months' prior written notice.,

Under the service agreement, Mr Meyer is entitled to an annual salary of £87,000.00 gross, to be increased by £5,000.00 on the first day of January each year, together with reimbursement of his reasonable expenses, a minimum pension contribution by the Company of 20% gross salary and medical insurance cover for himself and his spouse.

Mr Meyer is required to attend the Company a minimum of 2 days per week and is entitled to 30 days'

holiday in addition to the usual public holidays.

The Company has the exclusive right to terminate Mr Meyer's appointment on a payment in lieu in respect of the balance of the initial term (if applicable) and the notice period. Payment to include his basic salary and all his contractual benefits for the relevant period.

Mr Meyer will be bound by post-termination restrictions in favour of the Company.

- 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 by the Company during the last completed financial year was £0.
- 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**

The provisions of the Company's memorandum of association and articles of association are summarised as set out below:

- 7.1 Adoption – No regulations for management of a company set out in any statute concerning companies or contained in any regulations or instrument made pursuant to a statute shall apply to the Company. Model Articles do not apply.
- 7.2 Meetings of members – The Board shall convene in each year a general meeting of the members of the Company called the annual general meeting. The meeting shall be held at such time and place as the Board may determine and shall be convened by not less than twenty one clear days' notice in writing. All other general meetings shall be called extraordinary general meetings and 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; and 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 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 pursuant to article 95, and the re-appointment 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.

- 7.3 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. Every member who (being an individual) is present in person shall on a show of hands have one vote and every member who (being a corporation) is present by duly authorised representative shall on a show of hands have one vote and 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.

7.4 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: increase its share capital by such sum to be divided into shares of such amount as the resolution prescribes; 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 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 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.

7.5 Variation of rights – Subject to the provisions of the Companies 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 (including special rights) 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 Participating Security.

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 under Article 76 relating to the disclosure of interests in the Company's shares.

7.6 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.

7.7 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 Uncertificated 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 in respect of it.

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 a Participating Security held in uncertificated form in accordance with the Uncertificated 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 Uncertificated 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 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.

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 these 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 (by death of a member or otherwise) 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. All the provisions of these Articles relating to the transfer of shares shall apply to the notice, instrument of transfer or instructions (as the case may be) as if it were an instrument of transfer executed or instructions given by the member and his death, bankruptcy or other event had not occurred and any notice or transfer were executed by such member. 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.

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.

- 7.8 Dividends and other distributions - Subject to the provisions of the Articles, the Company may, subject to the satisfaction of the solvency test, 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. In particular, the Board may:

- (a) issue fractional certificates or, subject to the law and, in the case of shares held in uncertificated form, the rules of the Uncertificated System, authorise and instruct any person to sell and transfer any fractions or disregard fractions altogether;
- (b) fix the value for distribution of such assets or any part of them and determine that cash payments may be made to any members on the footing of the value so fixed, in order to adjust the rights of members; and
- (c) vest any such assets in trustees on trust for the persons entitled to the dividend.

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 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) 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 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.

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. The following provisions shall apply:

(a) the said resolution may specify a particular dividend, or may specify all or any dividends declared within a specified period or periods but such period may not end later than the beginning of the fifth annual general meeting following the date of the meeting at which such resolution is passed;

the entitlement of each holder of Ordinary Shares to new Ordinary Shares shall be such that the relevant value of the entitlement shall, unless the Board otherwise determines, be as nearly as possible equal to the cash amount (disregarding any tax credit) of the dividend that such holder would have received by way of dividend. For this purpose "relevant value" shall be calculated by reference to the average of the middle market quotations for the Ordinary Shares on the London Stock Exchange for the day on which the Ordinary Shares are first quoted "ex" the relevant dividend and the four subsequent dealing days, or in such other manner as the Board may determine on such basis as it considers to be fair and reasonable. A certificate or report by the Auditors as to the amount of the relevant value in respect of any dividend shall be conclusive evidence of that amount and in giving such a certificate or report the Auditors may rely on advice or information from such brokers or other sources of information as they think fit;

(b) no fractions of a share shall be allotted and the Directors may make such provision as they think fit for dealing with the case of shares otherwise becoming distributable in fractions including provisions whereby, in whole or in part, the benefit of the fractional entitlements accrues to the Company rather than to the members concerned;

(c) the Directors may specify a minimum number of Ordinary Shares in respect of which the right of election may be exercised;

(d) the Board shall, after determining the basis of allotment, notify the holders of Ordinary Shares in writing of the right of election offered to them and specify the procedure to be followed and place at which and the latest time by which (being at least twenty-one clear days after the despatch of the notice) elections must be lodged in order to be effective. A form of election lodged in respect of a particular dividend in relation to which the Directors have announced their intention to offer elections may not be revoked as regards the said dividend unless prior to the latest time specified by the Directors for lodgement of elections in respect of the said dividend written notice of revocation is lodged at the place specified by the Directors as aforesaid;

(e) the Board may exclude from any offer or impose any restrictions on any holders of Ordinary Shares or any Ordinary Shares on which dividends are payable in foreign currency as they think necessary or desirable where the Board considers that the making of the offer to them or in respect of such shares would or might involve the contravention of the laws of any territory or that such exclusions or restrictions are necessary or expedient;

(f) the Board may determine that every duly effected election in respect of any Ordinary Shares shall be binding on every successor in title to their holder;

(g) the dividend (or that part of the dividend in respect of which a right of election has been offered) shall not be payable on Ordinary Shares in respect of which an election has been duly made (the "elected Ordinary Shares") and instead additional Ordinary Shares shall be allotted to the holders of the elected Ordinary Shares on the basis of allotment determined as aforesaid. For such purpose the Board may capitalise out of any amount for the time being standing to the credit of any of the profits which could otherwise have been applied in paying dividends in cash as the Board may determine, a sum equal to the aggregate issue price of the additional Ordinary Shares to be allotted on that basis and apply it in paying up in full the appropriate number of unissued Ordinary Shares for allotment and distribution to the holders of the elected Ordinary Shares on that basis. A Board resolution capitalising any part of such reserve or fund or profits shall have the same effect as if such capitalisation had been declared by resolution of the Company in accordance with Article 138 (Capitalisation of reserves) and in relation to any such capitalisation the Board may exercise all the powers conferred on them by Article 138 (Capitalisation of reserves) without need of such resolution;

(h) the additional Ordinary Shares so allotted shall rank *pari passu* in all respects with each other and with the fully paid Ordinary Shares in issue on the record date for the dividend in respect of which the right of election has been offered except that they will not rank for any dividend or

other distribution or other entitlement (including the relevant dividend and the share election in lieu of such dividend) which has been declared, paid or made by reference to such record date or any earlier record date; and

- (i) the Board may terminate, suspend or amend any offer of the right to elect to receive Ordinary Shares in lieu of any cash dividend at any time (whether temporarily or otherwise) and shall not proceed with any election unless the Company has sufficient unissued shares for issue and sufficient funds that may be capitalised to give effect to it after the basis of allotment is determined.

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 under this Article 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.

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 this Article, 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.

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.

7.9 Pre-emption rights – Unissued shares in the capital of the Company shall be at the disposal of the directors and (save as otherwise directed by the Company in general meeting) they may allot, grant options over or otherwise dispose of them to such persons at such times and generally on such terms and conditions as they think proper.

7.10 Restrictions on shares - 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 Uncertificated Regulations in the case of any shares of a class which is a Participating Security). Notice of closure of the Register shall be given in accordance with the requirements of the Act.

7.11 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 United Kingdom 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.

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 United Kingdom and as a result thereof the majority of the Directors cease to be resident outside the United Kingdom.

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) Borrowing Powers – Subject as herein provided and to the provisions of the Companies Act 2006, 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.

- 7.12 Borrowing Powers - Subject as herein provided and to the provisions of the Companies Act 2006, 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.
- 7.13 CREST – The Articles are consistent with CREST membership and allow for the holding and transfer of securities of the Company and in uncertificated form. Application will be made for the admission of ordinary shares into CREST with the effect of admission.
- 7.14 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.

If a member has been issued with an Information Notice (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 pursuant to Article 136 (Payment of scrip dividends) to receive shares instead of that dividend, and subject in the case of uncertificated shares to the Uncertificated 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 "withdrawal notice").

Where any holder of any financial instrument(s) falling within DTR 5.3.1 of Chapter 5 of the DTR (as amended from time to time) ("DTR 5") of the UK Financial Services Authority Handbook (the "FSA Handbook") DTR 5 does not make a disclosure to the Company on the terms of DTR 5.1.2 of DTR 5 as if the Company was incorporated in the UK (whether required to by the above Article 76.5.1 or otherwise), the member of the Company that issues any such financial instrument(s) (or the member of the Company that holds shares on behalf of any person that issues such financial instrument(s)) shall make the disclosure to the Company on the terms of DTR 5.1.2 of DTR 5 on behalf of the holder of the financial instrument(s) and, for the avoidance of doubt, the disclosure shall include the name of the person who holds such financial instrument(s).

## **8. LITIGATION**

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.

## **9. WORKING CAPITAL**

The Directors are of the opinion, having made due and careful enquiry, that the working capital available to the Company will be sufficient 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 letter

An engagement letter dated 10 September 2019 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 NEX Exchange Growth Market, for which, the Company agreed to pay £25,000 plus VAT.

10.3 Alfred Henry Corporate Adviser Agreement

A NEX Exchange 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 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 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 has 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.

#### 10.5 Jeffreys Henry engagement letter as Reporting Accountants

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 Exchange's approval of the Admission Document for a fee of £20,000 plus VAT and disbursements.

#### 10.6 Axiom Stone Solicitors engagement letter

An engagement letter dated 17 September 2019 between the Company and Axiom Stone Solicitor pursuant to which the Company appointed Axiom Stone Solicitors to act as the Company's legal advisors for the purpose of seeking admission of the Company's shares to the trading on the NEX Exchange Growth Market, for which, the Company agreed to pay £20,000 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 South African Property Opportunities PLC pursuant to which South African Property Opportunities PLC 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 review from time to time.

#### 10.8 Barry Hersh Fees

On Admission, Barry Hersh shall submit an invoice to the Company for £14,500 (5%), comprising his fee for procuring the pre NEX funding and assisting in orchestrating matters to Admission. He is not VAT registered.

#### 10.9 Lock-in Agreements

A lock-in agreement dated 12 November 2019 between the Lock-in and Orderly Market Parties (1), the Company (2) and Alfred Henry pursuant to which the Locked-In and Orderly Market Parties have agreed with Alfred Henry not to dispose of the Share (or interests to acquire Shares) held by them for a period of 12 months from the date of Admission except in certain limited circumstance. The agreement also contains certain orderly market provisions which apply for a further 12 months after the expiry of the lock-in period.

#### 10.10 Sale of Shares and Claims

A sale contract between SAPO Plc and K2019421352 (South Africa) Proprietary Limited signed on 27 September 2019 (Sale Agreement) for the sale of the Sale Shares and Sale Claims as defined in the Sale Agreement and summarised as follows:

- The Sale Claims relate to any and all of SAPO'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 SAPO's shareholding of Madison Park Properties 40 Proprietary Limited being 50% of the issued share capital as on 27 September 2019, for the consideration of R10,000,000 (ten million Rand).

## **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. 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.

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.

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.

For Shareholders within the charge to UK corporation tax, indexation allowance may reduce any chargeable gain arising on disposal of Ordinary Shares but will not create or increase an allowable loss. No further indexation accrues beyond December 2017.

### **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 stamp duty reserve tax (SDRT) will be payable on the purchase of Ordinary Shares following Admission due to the current tax status of NEX Exchange 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**

- 12.1 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 30 June 2019, the date to which the last interim accounts of the Company were prepared, to the date of this Document.

## **13. RELATED PARTY TRANSACTIONS**

Save as referred to below or where else 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:

- 13.1 On 10 September 2019, the Company allotted and issued 37,500 Shares to a Director, Michael Meyer.

## **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 Parts III and IV of this Document, are Jeffrey's Henry LLP of Finsgate, 5-7 Cranwood Street, London EC4V 9EE. Jeffrey's 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 Admission (including NEX Exchange fees, printing, advertising and distribution costs, legal, accounting, corporate finance and public relations fees and expenses) payable by the Company are estimated to amount to approximately £151,900 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 Axiom Stone Solicitors 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.
- 14.5 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.
- 14.6 Alfred Henry Corporate Finance Limited, the Company's corporate advisor, is 50% owned by the reporting accountants Jeffreys Henry LLP. Both firms have appropriate safeguards in place to avoid any perceived conflicts in interest.
- 14.7 The Company's accounting reference date is 31 December.
- 14.8 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.
- 14.9 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 in respect of services provided during the period of 12 months prior to the date of this Document.
- 14.10 Where information in this Document has been sourced from a third party, the information has been accurately reproduced and, as far as the Company and the Directors are aware and are able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading. Reference materials include various historical and recent publications.

## **15. AVAILABILITY OF DOCUMENTS**

This Document is available for review on the Company's website at [www.sapoinvest.com](http://www.sapoinvest.com). In addition, hard copies of this Document may be collected from the Company's registered office and the offices of Alfred Henry.

**25<sup>th</sup> November 2019**