PME African Infrastructure Opportunities plc

Annual Report

Year ended 31 December 2018

Contents

Directors and Advisers

Directors	Paul Macdonald (Executive Chairman) Lawrence Kearns (Executive Director) of the registered office below
Registered Office	Millennium House 46 Athol Street Douglas Isle of Man IM1 1JB
Nominated Adviser	Cenkos Securities plc 6 7 8 Tokenhouse Yard London EC2R 7AS
Broker	Stifel Nicolaus Europe Limited 150 Cheapside London EC2V 6ET
Administrator and Registrar	Mainstream Fund Services (IOM) Limited Millennium House 46 Athol Street Douglas Isle of Man IM1 1JB
Independent Auditor	PricewaterhouseCoopers LLC Sixty Circular Road Douglas Isle of Man IM1 1SA

Chairman's Statement

On behalf of the Board of Directors (the "Board"), I am pleased to present the annual results for PME African Infrastructure Opportunities plc ("PME" or the "Company" and together with its subsidiaries the "Group") for the year ended 31 December 2018.

The remit of the Company's directors (the "Directors") under the Company's investing policy is to seek to realise the remaining assets of the Company and to return both existing cash reserves and the proceeds of realisation of the remaining assets to shareholders.

Investments

The Company now has one remaining asset, namely a leasehold building in Dar-es-Salaam, Tanzania (the ''Dar-es-Salaam Property"). The Dar-es-Salaam Property, which is managed by a local managing agent and to which PME has the benefit of the remaining 20 year lease, is currently 81.4% let. The investment continues to trade profitably.

In 2010 PME Properties Limited acquired the Dar-es-Salaam Property from Dovetel (T) Limited ("Dovetel"), the Company's former telecommunication investee company in Tanzania. Dovetel was also a tenant of part of the Dar-es-Salaam Property. On 19 October 2017, PME Properties Limited issued an eviction notice to Dovetel for non-payment of rent. On 3 December 2017 the eviction was carried out. On 22 February 2018 the Directors were informed that a representative from First Seal Ltd, the company who had acquired the share capital of Dovetel had made a complaint to the police. On 28 February 2018 a letter was sent to the police by the lawyer appointed by PME Properties Limited to explain the eviction to the police. The letter outlined the background to the eviction and documentation was provided to prove the Group's proper ownership of the building and that Dovetel were merely a tenant of the property. It was also explained to the police that the eviction was conducted by the landlord through the Court Broker who is legally authorised and therefore the eviction was not a criminal matter.

The police continued their investigation and presented their findings to the public prosecutor. The public prosecutor decided to charge the Court Broker who executed the eviction. The judge in the case has asked for additional information from all parties. PME have been asked to provide evidence that they are the rightful owner of the tenancy agreement. This information has been provided. The owner of the land on which the Dar-es-Salaam Property is located has been asked by the police to confirm his ownership of the land. The Company understands that the owner of the land will be confirming ownership to the authorities shortly. It is difficult to say when there will be a final judgement in respect of the charges against the Court Broker.

The demand for high end offices in Tanzania has not improved due to the ongoing economic outlook. The prospect of selling the leasehold building in the short term for a reasonable price remains uncertain. A data room has been prepared so that the Company will be able to progress the marketing of the Dar-es-Salaam Property when appropriate. In preparing the information for the data room it was confirmed by the Company's lawyers that the caveat on the land register had not been removed. The Directors had previously been incorrectly advised that the caveat had lapsed. The formal process to remove the caveat has started with an application being submitted to the High Court in Tanzania.

At 31 December 2018, the Directors have decreased the value of the Dar-es-Salaam Property to US$3.62m. This valuation is in line with an updated value assessed by the local expert at that date and reflects the continued uncertainty as to the economic position of Tanzania, a decline in the market for high end office accommodation, a decrease of rental income during the period and a reduction in the remaining lease term.

In 2016 the Tanzanian Revenue Authority ("TRA") performed a tax audit for the years 2013 to 2015 looking at inter alia withholding tax, VAT and income tax. Noting the immaterial amount and the likely timeframe for any review, the Board has accepted their assessment for withholding tax and VAT which concluded that an additional US$37k of tax was due. The Board would like to meet this liability via the application of existing tax credits (the company holds $221k of available tax credits up to 31 December 2015), although this has yet to be accepted by the TRA.

As disclosed in prior results statements, the TRA also assessed an additional income tax assessment of approximately US$256k for the years 2013 to 2015. The Group did not agree with this assessment and hence started an appeal process and did not make a provision in the accounts for this balance. However since the tax audit, the TRA has offered a tax amnesty for all prior tax liabilities allowing interest on late payment to be ignored provided the application was received by 30 November 2018 and the amounts owed were settled prior to 30 June 2019. In order to ensure that the Group is able to effectively wind down the operations

Chairman's Statement (continued)

in line with its investment policy, the Group has decided to take advantage of the amnesty and therefore has applied to make a total payment in line with the TRA's assessment of income tax. The majority of this payment will be made via the existing tax credits. Whilst the appeal process continues, its timeline to resolution, as well as the end result, are both inherently uncertain whilst utilising the amnesty allows the Group to draw a financial line under the tax queries raised by the TRA and hopefully closes out this historic matter in an efficient way for shareholders. Due to the Company applying to use the tax amnesty, the liability under the tax amnesty application has now been recognised in the year-end valuation of the real estate investment. The Board continues to work with its subsidiary's advisers to finalise the tax position of the Tanzanian company with the local tax authorities and hence ensure that this does not become an impediment to the Company's wind down, once the existing Dar-es-Salaam Property is sold.

PME has also been working with its local bank to have the inter group loan between PME Properties Limited and PME TZ Property (Mauritius) Limited registered with the National Bank of Tanzania. This registration is time consuming and is being transferred to a number of departments within the National Bank. A repayment cannot be made until the registration process is complete. This is taking considerably longer than expected.

Until the registration is resolved, the Group is not able to pass funds through the Company. Delays in the Group's ability to provide upstream funding to the Company may result in a lack of working capital at the holding company level in the short term. Optas GmbH ("Optas") a company related to me is assisting when the Company has cash flow issues. On 3 May 2019 the Company entered into a secured loan agreement with Optas to provide a facility of up to €400,000 to assist with general working capital. The loan is secured on the Company's cash receivables, is repayable within 18 months and attracts interest at a rate of 6% per annum on the utilised facility and 1% on the remaining unutilised facility. I hold 50% of Optas's issued share capital, therefore Optas is deemed to be a related party of the Company and the loan is a related party transaction.

Financial Results

The loss for the year to 31 December 2018 was US$1.513 million (2017: loss of US$0.875 million), representing a US$0.0615 loss per Ordinary Share (2017: loss per Ordinary Share US$0.0241). The loss for the year was made up of the net loss in the fair value of assets plus ongoing operating and administrative costs.

The Directors, having considered the latest valuation of the Dar-es-Salaam Property, are of the opinion that the Dar-es-Salaam Property is reflected in the balance sheet at realistic fair value.

As at 31 December 2018, PME's Net Asset Value attributable to ordinary shareholders in accordance with IFRS was US$3.7 million (US$0.15 per share), compared to the US$5.2 million (US$0.21 per share) that was reported as at 31 December 2017.

Return of Cash and Outlook

The Directors will market the sale of the Dar-es-Salaam Property, provided the local economic uncertainty has receded, the caveat has been removed and confirmation that the police investigation has been finalised with no further action being taken.

A further and final tender will be proposed once the building has been sold. It is not possible to give a timeline as to when this may take place.

Paul Macdonald
Chairman
9 May 2019

Report of the Directors

The Directors hereby submit their annual report together with the audited financial statements of PME for the year ended 31 December 2018.

The Company and its Investing Policy

The Company is incorporated in the Isle of Man and was established to invest in sub-Saharan African infrastructure and infrastructure related industries with a view to generating attractive returns, principally through capital growth. On 19 October 2012 the shareholders approved the revision of the Company's Investing Policy, which is now:

"The Directors of the Company will seek to realise the remaining assets of the Company at a time and under such conditions as the Directors may determine in order to maximise value on behalf of the shareholders of the Company and to return both existing cash reserves and the proceeds of realisation of the remaining assets to shareholders."

Results and Dividends

The results of the Company for the year and position of the Company as at the year-end are set out on pages 18 to 21 of the financial statements.

The Directors reserve the right to make dividend distributions to holders of Ordinary Shares if and when it is considered appropriate. In the year to 31 December 2018 the Directors declared and paid dividends of US$nil (2017: US$nil).

Directors

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

Paul Macdonald (Chairman)
Lawrence Kearns

Directors and Other Interests

Lawrence Kearns holds 22,200 Ordinary Shares in the Company. The Estate of the former Executive Chairman David von Simson holds 70,000 Ordinary Shares in the Company.

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

Independent Auditor

PricewaterhouseCoopers LLC, being eligible, has indicated its willingness to continue in office in accordance with Section 12(2) of the Isle of Man Companies Act 1982.

On behalf of the Board

Paul Macdonald
Chairman
9 May 2019

Corporate Governance Report

In March 2018, the London Stock Exchange introduced a new rule applicable to PME as a company admitted to trading on AIM. Pursuant to this change to the AIM Rules for Companies, effective 28 September 2018, we are now required to adopt a recognised corporate governance code and to provide disclosures on our website and/or annual report explaining how the company complies with its chosen recognised governance code and, where it departs from the provisions of the code, the explanation for doing so.

The Board fully endorses the importance of good corporate governance and applies the QCA Corporate Governance Code, published in April 2018 by the Quoted Companies Alliance (the "QCA Code"), which the Board believes to be the most appropriate recognised governance code for a company of the Company's size with shares admitted to trading on the AIM market of the London Stock Exchange. The QCA Code is a practical, outcome-oriented approach to corporate governance that is tailored for small and mid-size quoted companies in the UK and which provides the Company with the framework to help ensure that a strong level of governance is maintained. Some of the principles are more applicable to longer term growth, which are not relevant to PME as the Company is in realisation mode, however we have considered them and based disclosures on the Company's current circumstances.

The effective date of the rule was after our 2017 annual report was released. Some of the disclosures are required to be included in the annual report, and therefore this annual report looks slightly different to previous years. In order to be compliant on 28 September 2018 we had to make full disclosure, including of certain items otherwise required to be disclosed in our annual report, via our website, but with the release of this report, and the disclosures included herein, we will be able to update the website disclosure accordingly.

The Company does not have any employees; therefore it is reliant on contracted service providers to perform the day-to day operations. The Board reviews its performance on a regular basis to ensure that a good standard of corporate governance is being followed and that internal controls are being adhered to. The Company engages professionals who have their own internal procedures outlining the manner in which they must conduct themselves.

Realisation of assets

On 19 October 2012 the shareholders approved the revision of the Company's investing policy which is now to realise the remaining assets of the Company and to return both existing cash reserves and the proceeds of realisation of the remaining assets to shareholders. Since then the following tender offers have been completed:

Year	Number of shares approved	Number of shares tendered	Price per share	Amount returned
2012	43,123,426	41,283,992	US$0.30	US$12,385,198
2013	26,639,797	25,706,863	US$0.28	US$7,197,922
2015	38,376,948	35,780,661	US$0.20	US$7,156,132
2017	16,389,294	16,389,294 *	US$0.21	US$3,441,752

* Over-allocation was permitted on this tender

The Board have created a strategy document which is updated on a quarterly basis. This summarises the current proposals that the Board has for the future conduct of the Company's affairs and the realisation of its one remaining asset so that the Company is wound down in an orderly manner and funds are returned to shareholders. Should anything happen to one or both of the Executive Directors, the strategy is documented and can be considered and updated where required by the new Directors.

The Company communicates with shareholders through the Interim and Annual Accounts, the Annual General Meeting and one-to-one meetings with large existing shareholders. A range of corporate information is also available to shareholders and the public on the Company's corporate website www.pmeinfrastructure.com.

The Board

The Board comprises two Executive Directors. The Executive Directors are responsible for overseeing the effectiveness of the internal controls of the Company. These are designed to ensure that proper accounting records are maintained, that the financial information on which business decisions are made and which is issued for publication is reliable and that the assets of the

Corporate Governance Report (continued)

Company are safeguarded. Following the termination of the investment manager of the Company in July 2012 the Executive Directors also took on the responsibility of managing the remaining assets of the Company.

Mr Macdonald, as Chairman, is responsible for leading an effective board, fostering a good corporate governance culture, maintaining open communications with the major shareholders and ensuring appropriate strategic focus and direction.

The Board is considered to have the necessary mix of experience, skills, personal qualities and capabilities to deliver the strategy of the Company.

Paul Macdonald qualified as a chartered accountant in 1979. He worked for Pilkington plc for sixteen years, the last seven of these in Germany. In Germany he was managing director for Pilkington Deutschland GmbH (holding company) and managing director at both Flachglas AG (glass manufacturer) and Dahlbusch AG (property and holding company). For the last eighteen years Paul has been active in the private equity market and has been successful in developing a number of companies covering a number of industries. Paul is a non-executive director of Gulf Investment Fund plc and managing director of Optas GmbH.

Lawrence Kearns was formerly Chairman of Anglo Irish Bank Corporation (I.O.M.) P.L.C. and its subsidiaries in the Isle of Man. Prior to that he was Managing Partner of Ernst & Young in the Isle of Man from 1990 to 2002. After the sale of Ernst & Young fiduciary business in 2002 to Anglo Irish Trust Co Ltd, he became an executive director of that company. On his retirement in 2004 he assumed the position of Chairman. Following a management buyout in December 2006, Anglo Irish Trust Co Ltd was acquired by Equiom Limited, of which Larry is the Chairman. Larry was Chairman of the Isle of Man Society of Chartered Accountants in 1988 and President of the Chamber of Commerce from 1991-1993.

Roles and Responsibilities

The Board as a whole is responsible for the Company's objectives and policies and the proper governance of the Company. It normally meets four times a year but also convenes at additional times when required.

The Board monitors the operating and financial results against plans and budgets, assesses the adequacy of risk management systems and monitors their application and ensures that the Company's obligations to its shareholders and others are understood and met.

The Company maintains Directors' and officers' liability insurance which is reviewed annually to ensure that cover is held at an appropriate level.

Directors' appointment

Once appointed, the Company's articles of association ensure that any new director is subject to re-appointment by the Company's voting shareholders at the next AGM. Directors are then subject to a further re-appointment vote every third AGM after that. Paul Macdonald was re-appointed at the 2017 AGM; Lawrence Kearns was re-appointed at the 2018 AGM. Subject to shareholder re-appointment, the Executive Directors have been appointed for indefinite periods. Copies of the executive directors' letters of appointment are available for inspection at the Company's registered office.

Board Committees

The Board has created and delegated certain specific areas of responsibility to three standing committees.

<u>Audit Committee</u>
The Audit Committee is chaired by Mr Kearns with Mr Macdonald as the other member. The Audit Committee formally meets at least twice a year and is responsible for ensuring that the financial performance of the Company is properly monitored and reported. This process includes reviews of annual and interim accounts, results announcements, internal control systems, procedures and accounting policies.

Corporate Governance Report (continued)

Remuneration Committee

The Remuneration Committee is chaired by Mr Kearns with Mr Macdonald as the other member. The Remuneration Committee is responsible for any required framework for the remuneration of the Executive Directors. The fees payable to the Chairman and the fees payable to other Directors have been set. The Board of Directors undertakes, and will ensure, that no payment of value (whether by way of compensation, gift or otherwise) is made or received by the Board, PME or any other project company or their respective shareholders, officers, employees or affiliates which would improperly induce preferential treatment for these individuals or entities.

Management Engagement Committee

The Management Engagement Committee is chaired by Mr Kearns with Mr Macdonald as the other member. The Management Engagement Committee is responsible for reviewing the performance of service providers and to ensure that the Company's contracts with such parties are competitive and reasonable for the Company's shareholders. The terms of reference for the audit, remuneration and management engagement committees can be found on the company's website in the corporate governance section (http://www.pmeinfrastructure.com/corporate-governance/).

Matters reserved for the Board

The Board has a formal schedule of matters reserved for its review and approval as follows:

- Management structure and appointments
- Board, Company Secretary and third party service providers appointments or removals
- Board training, development and appraisal
- Remuneration contracts for Board members and the Company's service providers
- Delegation of the Board's powers
- Agreeing membership and terms of reference of board committees and task forces
- Strategic/Policy considerations
- Agreement of codes of ethics and business practices
- Receipt and review of regular reports on internal controls
- Annual assessment of significant risks and effectiveness of internal controls
- Finance including fund raising, credit facilities, treasury policies and operating budgets
- Final approval of interim and annual report and accounting policies
- Appointment of auditors
- Approval and recommendation of dividends or return of capital/tenders
- Monitoring the performance of third party service providers

The Board - their knowledge, interest and commitment to the Company

The Board aims to lead by example and do what is in the best interests of the Company.

See the Board of Directors page under the Corporate Governance Section of the Company's website for details on the experience of each Director (http://www.pmeinfrastructure.com/corporate-governance/board-of-directors/).

Both Executive Directors were appointed as Non-Executive Directors on incorporation of the Company on 19 June 2007. Mr Macdonald, who was originally the Chairman of the Audit Committee, took over as Chairman of the Company on the death of the former Chairman Mr von Simson on 11 November 2012. The Company has been in realisation mode since 2012, and, following the termination of the investment manager of the Company in July 2012 both directors became Executive Directors and took on the responsibility of managing the remaining assets of the Company.

The Board have considered the length of their period in office but still assert that they are independent. In reaching this conclusion their other external commitments were considered and the objective manner in which they handle themselves with the key parties to the Company. Mr Kearns' holding in the Company is always noted for the record (22,200 Ordinary Shares), but this only represents 0.1% of the shares in issue.

Corporate Governance Report (continued)

The only Directors' conflict of interest recorded by the Company relates to Mr Macdonald assisting when the Company has cash flow issues. On 10 October 2014 the Company entered into a secured loan agreement with Helvetica Deutschland GmbH ("Helvetica") for €600,000 to assist with general working capital. The loan was secured on the Company's cash receivables, was repayable at par on 10 October 2015 and attracted interest at a rate of 10% per annum. On 12 February 2015 the Company entered into a further secured loan agreement with Helvetica for a loan of €400,000 under the same terms as the initial loan. Mr Macdonald holds 40% of Helvetica's issued share capital, therefore Helvetica is deemed to be a related party of the Company and the loan is a related party transaction. The loans and all outstanding interest were settled in full on completion of the disposal of rail assets in May 2015.

On 3 May 2019 the Company entered into a secured loan agreement with Optas GmbH ("Optas") to provide a facility of up to €400,000 to assist with general working capital. The loan is secured on the Company's cash receivables, is repayable within 18 months and attracts interest at a rate of 6% per annum on the utilised facility and 1% on the remaining unutilised facility. Mr Macdonald holds 50% of Optas's issued share capital, therefore Optas is deemed to be a related party of the Company and the loan is a related party transaction.

As the Company is admitted to trading on AIM, these related party transactions were considered by the one independent director, Mr Kearns, who having consulted with the Company's nominated adviser, agreed that the terms of the loans were fair and reasonable insofar as the shareholders of the Company were concerned.

By accepting appointment as Executive Directors in 2012, the directors confirmed that they would be able to allocate sufficient time to meet the requirements of their role, but that it was not expected that they would be called upon to devote more than 25 percent of their time to the Company. This time was to include physical attendance at Board meetings and relevant committee meetings.

As there are only two directors, both are required to be attendance for any of the committee meetings or board meetings to be deemed quorate. The of numbers of meetings held during the year is shown in the following table:

	Board	**Audit Committee**	**Remuneration Committee**	**Management Engagement Committee**
Total number of meetings in year	5	5	4	2

From time to time, the directors, as appropriate, attend training courses, read technical and other journals and undertake online learning to keep up-to-date on various matters, and to maintain their CPD as both directors are chartered accountants. The Company's nominated adviser also provides education and training to all directors annually on the AIM rules.

Service Providers

The Group has no employees therefore there are several service providers who in certain instances have been engaged to cover the day to day administration of the group:

Service Provider	**Role**
Mainstream Fund Services (IOM) Limited	Administrator in Isle of Man
IQ EQ Corporate Services (Mauritius) Ltd	Administrator in Mauritius
Galaxy Estate Management	Property manager in Tanzania
PricewaterhouseCoopers	Tax adviser in Tanzania
Norton Rose Fulbright	Legal adviser in Tanzania
Cenkos Securities plc	Nominated adviser in UK
Stifel Nicolaus Europe Limited	Broker in UK
Hogan Lovells International LLP	Legal adviser in UK

These service providers are professionals with good track records with their own internal controls and procedures outlining clear policies for acceptable behaviour.

Corporate Governance Report (continued)

All directors are able to take independent professional advice for the furtherance of their duties, if necessary, at the Company's expense. In addition the directors have direct access to the advice and services of the Company Secretary.

Board performance

In February 2019 the Board reviewed the performance of the directors as a unit to ensure that the members of the Board collectively function in an efficient and productive manner. This review will be performed on an annual basis going forward.

As there are only two directors the performance evaluation cannot be done on an anonymous basis. The following areas were covered by the review:

- Assess how well the board is addressing the key business risks and adhering to internal controls;
- Assess the progress made in realising the assets and returning the net proceeds to shareholders;
- Understanding of the viewpoint of the Company's shareholders;
- Reduction of ongoing operating costs where possible;
- Compliance with legislation and regulations;
- Sufficient succession planning;
- Performance of roles of committees;
- Director's self-assessment of awareness of current issues faced by the Company;
- Personal development requirements and ensuring they are satisfied; and
- Level and quality of information provided by service providers.

All board members were asked to complete questionnaires at the end of 2018 providing a rating (on a scale of 1-4) across a variety of criteria. Completed questionnaires were then submitted to the company secretary who, where necessary, sought clarification on the responses given. The responses were collated and consolidated so that the board could have an open follow-up discussion at its board meeting in February 2019. No areas were identified requiring improvement as it was noted that the directors rely on their advisers where required.

Audit Committee Report

Statement from Lawrence Kearns, Chairman of the Audit Committee.

I chair the Audit Committee with Mr Macdonald as the other member. The Committee's authority and duties are clearly defined within its terms of reference. The terms of reference can be found on the Company's website in the corporate governance section (http://www.pmeinfrastructure.com/corporate-governance/).

The terms of reference state that the Committee shall meet at least two times a year. The Committee normally meets four times a year at the same time as the quarterly board meetings, and then holds a separate meeting for the review and approval of the interim and annual accounts if the timing of approval does not coincide with a quarterly meeting.

The Committee's responsibilities, which were discharged during the year, include:

- monitoring and reviewing the integrity of the interim and annual financial statements and the internal financial controls;
- reviewing the appropriateness of the Company's accounting policies;
- making recommendations to the Board in relation to the appointment of the external auditors and approving their remuneration and terms of their engagement;
- reviewing the external Auditor's plan for the audit of the Company's financial statements;
- developing and implementing policy on the engagement of the external auditors to supply non-audit services;
- reviewing and monitoring the independence, objectivity and effectiveness of the external auditors; and
- monitoring and reviewing the effectiveness of the internal control systems of the Company.

The Audit Committee does not award any non-audit work. The full Board has to approve any non-audit work and this includes confirmation that in all such work auditor objectivity and independence is safeguarded.

Owing to the nature of the Company's business, with all major functions being outsourced and the absence of employees, the Audit Committee does not feel it is necessary for the Company to have its own internal audit function. This situation is re-evaluated annually.

PricewaterhouseCoopers LLC, Isle of Man was re-appointed as auditor at the last AGM on 15 November 2018. The Audit Committee considered the experience and tenure of the audit partner and staff and the nature and level of services provided. The Audit Committee receives confirmation from the auditor that they have complied with the relevant UK and International professional and regulatory requirements on independence. The Company's Audit Committee meets representatives of the Administrator, who report as to the proper conduct of the business in accordance with the regulatory environment in which the Company and the Administrator operate. The Company's external auditor also attends this Audit Committee meeting at its request and reports if the Company has not kept proper accounting records, or if it has not received all the information and explanations required for its audit.

The Audit Committee also monitors the risks to which the Company is exposed and makes recommendations as to the mitigation of these risks. This task is facilitated by using an extensive risk matrix that enables the committee to make a quantitative analysis of the individual risks and to highlight those areas where risk is high or increasing.

Lawrence Kearns
Chairman of the Audit Committee
9 May 2019

Management Engagement Committee Report

Statement from Lawrence Kearns, Chairman of the Management Engagement Committee.

I chair the Management Engagement Committee with Mr Macdonald as the other member. The Committee's authority and duties are clearly defined within its terms of reference. The terms of reference can be found on the Company's website in the corporate governance section (http://www.pmeinfrastructure.com/corporate-governance/).

The function of the Management Engagement Committee is to monitor the performance of all the Company's service providers.

The terms of reference state that the Committee shall meet at least once a year.

The Committee's responsibilities, which were discharged during the year, include:

- reviewing the contract between the Company and its service providers;
- ensuring that the terms are competitive, fair and reasonable for the Company's shareholders;
- reviewing and making recommendations to the Board on any proposed amendment to the contracts with service providers; and
- to consider whether it is in the interest of the shareholders, as a whole that the contracts with service providers should continue.

The Committee is satisfied with the current performance of the Company's service providers.

Lawrence Kearns
Chairman of the Management Engagement Committee
9 May 2019

Remuneration Committee Report

Statement from Lawrence Kearns, Chairman of the Remuneration Committee.

I chair the Remuneration Committee with Mr Macdonald as the other member. The Committee's authority and duties are clearly defined within its terms of reference. The terms of reference can be found on the Company's website in the corporate governance section (http://www.pmeinfrastructure.com/corporate-governance/).

The Remuneration Committee is responsible for monitoring the fees paid to directors and authorising any amendments to fees paid to directors.

The terms of reference state that the Committee shall meet at least once a year.

The Company's Articles of Association limit the basic fees payable to the Directors to £200,000 per annum in aggregate. Subject to this overall limit it is the Company's policy that the fees payable to the Directors should reflect the time spent by the Board on the Company's affairs and the responsibilities borne by the Directors. The Directors are also entitled to receive reimbursement of any expenses incurred in relation to their appointment.

Prior to the termination of the Investment Manager in 2012 Mr Macdonald and Mr Kearns as Non-Executive Directors were entitled to receive an annual fee of £30,000 each. After termination of the Investment Manager they both became Executive Directors and are entitled to receive annual basic salaries of £75,000. The remaining investment still takes up a lot of time. The directors are monitoring how much time is being spent and will reduce their fees when the ongoing commitment reduces.

No other remuneration or compensation was paid or payable by the Company during the period to any of the Directors.

Directors' and officers' liability insurance cover is in place in respect of the Directors.

Lawrence Kearns
Chairman of the Remuneration Committee
9 May 2019

Statement of Directors' Responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. The Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial statements are required by law to give a true and fair view of the state of affairs of the Company and the profit or loss of the Company for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Isle of Man Companies Acts 1931 to 2004. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

On behalf of the Board

Paul Macdonald
Chairman
9 May 2019

Independent auditor's report to the members of PME African Infrastructure Opportunities plc

Report on the audit of the financial statements

Our opinion

In our opinion, PME African Infrastructure Opportunities plc's financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2018 and of its loss and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union; and
- have been properly prepared in accordance with the requirements of the Isle of Man Companies Acts 1931 to 2004.

What we have audited

PME African Infrastructure Opportunities plc's financial statements comprise:

- the balance sheet as at 31 December 2018;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the cash flow statement for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Our audit approach

Overview

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent auditor's report to the members of PME African Infrastructure Opportunities plc (continued)

Key audit matter	*How our audit addressed the key audit matter*
Valuation of real estate investment The valuation of the real estate investment is significant to our audit due to its magnitude and because the valuation is complex and highly dependent on a range of estimates made by the Directors as well as the external appraisers. The Directors use external appraisers to support their determination of the individual fair value of the underlying investment property and adjust this valuation to take account of the value of other net assets. For more information on the valuation of the real estate investment reference is made to note 3 of the financial statements.	Our procedures in relation to the valuation of the real estate investment included: • evaluation of the objectivity, independence and expertise of the external appraisers; • assessing the methodologies used and the appropriateness of the key assumptions, based on our knowledge of the status of legal proceedings and the local property market; • assessing the appropriateness of the estimates used in the calculation of the fair value of the underlying investment property; and • checking on a sample basis, the appropriateness of the inputs. The main inputs consist of the property related data (such as rental income, operating costs, vacancy and discount rate). We found that property related data and the key valuation assumptions were supported by available evidence, including contracts and external market evidence.

Other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

Responsibilities of the Directors for the financial statements

The Directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and Isle of Man law, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The Directors are responsible for overseeing the Company's financial reporting process.

Independent auditor's report to the members of PME African Infrastructure Opportunities plc (continued)

Auditor's responsibilities for the audit of the financial statements

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

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear and it is difficult to evaluate all of the potential implications on the Company and the wider economy.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 15 of the Isle of Man Companies Act 1982 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Independent auditor's report to the members of PME African Infrastructure Opportunities plc (continued)

Report on other legal and regulatory requirements

Adequacy of accounting records and information and explanations received

Under the Isle of Man Companies Acts 1931 to 2004 we are required to report to you by exception if, in our opinion:

- we have not received all the information and explanations we require for our audit;
- proper books of account have not been kept, or proper returns adequate for our audit have not been received from branches not visited by us;
- the financial statements are not in agreement with the books of account and returns; and
- certain disclosures of Directors' loans and remuneration specified by law have not been complied with.

We have no exceptions to report arising from this responsibility.

Nicholas Mark Halsall
On behalf of PricewaterhouseCoopers LLC
Chartered Accountants
Douglas, Isle of Man
9 May 2019

Statement of Comprehensive Income

	Note	Year ended 31 December 2018 US$'000	Year ended 31 December 2017 US$'000
Net losses on financial assets at fair value through profit or loss	3	(1,220)	(204)
Dividend income		270	226
Operating and administration expenses	9	(552)	(898)
Foreign exchange (loss)/gain		(11)	1
Loss before income tax		**(1,513)**	**(875)**
Income tax	13	-	-
Loss and total comprehensive expense for the year		**(1,513)**	**(875)**
Basic and diluted loss per share (cents) attributable to the equity holders of the Company during the year	5	**(6.15)**	**(2.41)**

The accompanying notes on pages 22 to 32 form an integral part of these financial statements

Balance Sheet

	Note	As at 31 December 2018 US$'000	As at 31 December 2017 US$'000
Assets			
Current assets			
Financial assets at fair value through profit or loss	3	3,584	4,687
Prepayments		26	26
Cash and cash equivalents		139	554
Total current assets		**3,749**	**5,267**
Total assets		**3,749**	**5,267**
Equity and liabilities			
Equity			
Issued share capital	6	246	246
Capital redemption reserve	7	1,559	1,559
Retained earnings		1,852	3,365
Total equity		**3,657**	**5,170**
Current liabilities			
Trade and other payables	8	92	97
Total current liabilities		**92**	**97**
Total liabilities		**92**	**97**
Total equity and liabilities		**3,749**	**5,267**

The financial statements on pages 18 to 32 were approved and authorised for issue by the Board of Directors on 9 May 2019 and signed by:

Paul Macdonald
Director

Lawrence Kearns
Director

Statement of Changes in Equity

	Share capital	Capital redemption reserve	Retained earnings	Total
	US$'000	US$'000	US$'000	US$'000
Balance at 1 January 2017	410	1,395	7,682	9,487
Comprehensive expense				
Loss for the year	-	-	(875)	(875)
Total comprehensive expense for the year	**-**	**-**	**(875)**	**(875)**
Transactions with owners				
Tender offer (note 6)	(164)	164	(3,442)	(3,442)
Total transactions with owners	**(164)**	**164**	**(3,442)**	**(3,442)**
Balance at 31 December 2017	**246**	**1,559**	**3,365**	**5,170**
Balance at 1 January 2018	246	1,559	3,365	5,170
Comprehensive expense				
Loss for the year	-	-	(1,513)	(1,513)
Total comprehensive expense for the year	**-**	**-**	**(1,513)**	**(1,513)**
Balance at 31 December 2018	**246**	**1,559**	**1,852**	**3,657**

The accompanying notes on pages 22 to 32 form an integral part of these financial statements

Cash Flow Statement

	Note	Year ended 31 December 2018 US$'000	Year ended 31 December 2017 US$'000
Cash flows from operating activities			
Purchase of financial assets – loans to investee companies	3	(40)	(14)
Proceeds from sale of financial assets – return of capital	3	-	4,400
Dividends received		188	226
Operating and administration expenses paid		(562)	(879)
Net cash (used in)/generated from operating activities		**(414)**	**3,733**
Financing activities			
Tender offer	6	-	(3,442)
Net cash used in financing activities		**-**	**(3,442)**
Net (decrease)/increase in cash and cash equivalents		**(414)**	**291**
Cash and cash equivalents at beginning of year		554	261
Foreign exchange (losses)/gains on cash and cash equivalents		(1)	2
Cash and cash equivalents at end of year		**139**	**554**

The accompanying notes on pages 22 to 32 form an integral part of these financial statements

Notes to the Financial Statements

1 General Information

PME African Infrastructure Opportunities plc (the "Company") was incorporated and is registered and domiciled in the Isle of Man under the Isle of Man Companies Acts 1931 to 2004 on 19 June 2007 as a public limited company with registered number 120060C. The investment objective of PME African Infrastructure Opportunities plc and its subsidiaries (the "Group") was to achieve significant total return to investors through investing in various infrastructure projects and related opportunities across a range of countries in sub-Saharan Africa. On 19 October 2012 the shareholders approved the revision of the Company's investing policy which is now to realise the remaining assets of the Company and to return both existing cash reserves and the proceeds of realisation of the remaining assets to shareholders.

The Company's investment activities were managed by PME Infrastructure Managers Limited (the "Investment Manager") to 6 July 2012. No alternate has been appointed and the Board of Directors has assumed responsibility for the management of the Company's remaining assets. 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 its AIM admission document dated 6 July 2007, there was an original placing of up to 180,450,000 Ordinary Shares with Warrants attached on the basis of 1 Warrant for every 5 Ordinary Shares. Following the close of the placing on 12 July 2007, 180,450,000 Shares and 36,090,000 Warrants were issued. The Warrants lapsed in July 2012. The Shares of the Company were admitted to trading on AIM, a market of the London Stock Exchange, on 12 July 2007 when dealings also commenced.

Financial year end
The financial year end for the Company is 31 December in each year.

Dividends
In the year to 31 December 2018 the Company declared and paid dividends of US$nil (2017: US$nil).

Going concern
In assessing the going concern basis of preparation of the financial statements for the year ended 31 December 2018, the Directors have taken into account the status of current negotiations on the realisation of the remaining assets and the general working capital facility of up to €400,000 as explained in note 14. The Directors consider that the Group has sufficient funds for its ongoing operations for the foreseeable future and therefore have continued to adopt the going concern basis in preparing these financial statements.

2 Summary of Significant Accounting Policies

This note provides a list of the significant accounting policies adopted in the preparation of these financial statements to the extent that they have not already been disclosed in the other notes 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 under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss, and the requirements of the Isle of Man Companies Acts 1931 to 2004. The preparation of financial statements in conformity with IFRS requires the use of accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

Notes to the Financial Statements (continued)

2 Summary of Significant Accounting Policies (continued)

2.1 Basis of preparation (continued)

In accordance with IFRS 10, 'Consolidated financial statements', the Directors have concluded that the Company falls under the definition of an investment entity because the Company has the following characteristics:

- the Company has obtained funds for the purpose of providing investors with investment management services;
- the Company's investing policy, which was communicated directly to investors, is investment solely for returns from capital appreciation and investment income; and
- the performance of investments is measured and evaluated on a fair value basis.

As a result, the Company does not consolidate its subsidiaries, instead it is required to account for these subsidiaries at fair value through profit or loss in accordance with IFRS 9, 'Financial instruments' and prepares separate company financial statements only.

a) New and amended standards and interpretations adopted by the Company

IFRS 9, 'Financial instruments', final version issued July 2014. This standard replaces the guidance in IAS 39, 'Financial instruments: recognition and measurement' that relate to the recognition, derecognition, classification, measurement and impairment of financial assets and financial liabilities.

The standard became applicable and was adopted by the Company from 1 January 2018. The adoption of the revised standard resulted in changes in accounting policies, but these had no material impact on the amounts recognised in the financial statements and did not require any retrospective adjustment.

The Company classifies its financial assets in the following categories: at fair value through profit or loss, and at amortised cost. The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows.

Assets that are debt instruments held for collection of contractual cash flows where those cash flows represent solely payment of principal and interest are measured at amortised cost. The Company's financial assets at amortised cost comprise 'cash and cash equivalents' in the balance sheet.

The Company classifies its equity investments as financial assets at fair value through profit or loss upon initial recognition as it has not taken the option to irrevocably designate any as fair value through other comprehensive income. Related loans and similar debt instruments are also measured at fair value through profit or loss if they do not meet the criteria for amortised cost and the business model for holding the financial assets does not include the collection of contractual cash flows. The business model is for selling the financial assets in accordance with the Company's investing policy.

There has been no change to the Company's measurement policies for financial assets or financial liabilities. However from 1 January 2018, a provision for impairment is established by the Company assessing, on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. There has been no material impact as a result of the adoption of this standard.

Notes to the Financial Statements (continued)

2 Summary of Significant Accounting Policies (continued)

2.2 Foreign currency translation

a) *Functional and presentation currency*
Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). These financial statements are presented in US Dollars, which is the Company's functional and 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 year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

2.3 Revenue and expense recognition

Dividend income is recognised when the right to receive payment is established.

Expenses are accounted for on an accruals basis.

2.4 Financial assets and financial liabilities

The Company classifies its financial assets in the following categories: at fair value through profit or loss, and at amortised cost. The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows. Management determines the classification of its financial assets at initial recognition.

Assets that are debt instruments held for collection of contractual cash flows where those cash flows represent solely payment of principal and interest are measured at amortised cost. The Company's financial assets at amortised cost comprise 'cash and cash equivalents' in the balance sheet.

The Company classifies its equity investments as financial assets at fair value through profit or loss upon initial recognition as it has not taken the option to irrevocably designate any as fair value through other comprehensive income. Related loans and similar debt instruments are also measured at fair value through profit or loss if they do not meet the criteria for amortised cost and the business model for holding the financial assets does not include the collection of contractual cash flows. The business model is for selling the financial assets in accordance with the Company's investing policy.

Financial assets at amortised cost are included in current assets, except for maturities greater than 12 months after the balance sheet date which are classified as non-current assets. The Company's financial assets at amortised cost comprise 'cash and cash equivalents' in the balance sheet. Financial assets at amortised cost are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. From 1 January 2018, a provision for impairment is established by the Company assessing, on a forward-looking basis, the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Company classifies its financial liabilities as other liabilities. Other liabilities are 'trade and other payables' in the balance sheet (note 8).

2.5 Cash and cash equivalents

Cash and cash equivalents comprise cash deposited with banks held with original maturities of less than three months.

Notes to the Financial Statements (continued)

3 Financial Assets at Fair Value through Profit or Loss

Investments are classified at fair value through profit or loss. Such investments are initially recorded at fair value, and transaction costs for all financial assets carried at fair value through profit or loss are expensed as incurred. Gains and losses arising from changes in the fair value of financial assets, including foreign exchange movements, are recognised in the statement of comprehensive income.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. 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 in relation to the financial assets at fair value through profit or loss.

Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The fair value of financial assets that are not traded in an active market is determined using valuation techniques. The Company uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Valuation techniques used include the use of comparable recent or proposed arm's length transactions, discounted cash flow analysis and other valuation techniques commonly used by market participants.

Regular purchases and sales of financial assets are recognised on the trade date, being the date on which the Company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or the Company has transferred substantially all risks and rewards of ownership.

The following subsidiaries of the Company which are classified as financial assets at fair value through profit or loss are held at fair value in accordance with IFRS 10:

	Country of incorporation	Percentage of shares held
PME Locomotives (Mauritius) Limited	Mauritius	100%
PME TZ Property (Mauritius) Limited	Mauritius	100%

The following company is an indirect investment of the Company and is included within the fair value of the direct investments:

	Country of incorporation	Percentage of shares held	Parent company
PME Properties Limited	Tanzania	100%	PME TZ Property (Mauritius) Limited

The following table shows a reconciliation of the opening balances to the closing balances for fair value measurements:

	31 December 2018 US$'000	31 December 2017 US$'000
Start of the year	4,687	9,260
Increase in loans to investee companies	40	14
Subsidiary expenses to be paid by the Company*	(4)	17
Dividend**	81	-
Return of capital	-	(4,400)
Movement in fair value of financial assets	(1,220)	(204)
End of the year	**3,584**	**4,687**

* The bank account for PME Locomotives (Mauritius) Limited was closed during 2017 and all money transferred to the Company's bank account. The Company is therefore responsible for its subsidiary's creditors at the year-end (note 8).

** PME TZ Property (Mauritius) Limited declared a dividend of US$269,640 in August 2018 of which US$81,198 was offset against the intercompany loan with the Company.

Notes to the Financial Statements (continued)

3 Financial Assets at Fair Value through Profit or Loss (continued)

Assets carried at amounts based on fair value are defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The fair values of all financial assets at fair value through profit or loss are determined using valuation techniques which include significant unobservable inputs. The principal asset remaining in the group is the Dar-es-Salaam property. Accordingly, the fair values are classified as level 3. There were no transfers between levels during the year. The valuation techniques and the significant unobservable inputs are shown below.

	Fair value as at 31 December 2018 US$'000	Fair value as at 31 December 2017 US$'000	Valuation techniques and inputs	Significant unobservable inputs	Sensitivity to significant unobservable inputs
Real estate investments (PME TZ Property (Mauritius) Limited)	3,581	4,683	Discounted cash flow property valuation (inputs including rental income, operating costs, vacancy and discount rate) plus fair value of other net assets	Discount rate	If the discount rate were 1% higher/lower the estimated fair value would (decrease)/increase by US$18,000
Other (PME Locomotives (Mauritius) Limited)	3	4	Fair value of net assets	N/A	N/A
Total	**3,584**	**4,687**			

The Dar-es-Salaam property was revalued at 31 December 2018 by independent professionally qualified valuer, M&R Agency Limited who has recent experience in the locations and categories of the respective investment property valued. The details of key assumptions used by the valuer are as follows:

Rental income wherein potential income is US$600,220 per annum (2017: US$ 877,815), rent reviews are assumed to be after every 3 years at 5% (2017: assumed to be after every 3 years at 5%) and remaining leasehold term of 20 years (2017: 21 years) from a 30-year lease since 2009 – this is supported by the terms of any existing lease, other contracts or external evidence such as current market rents for similar properties. Decrease in potential income is mainly due to the lower rate of the new rental agreements.

Operating cost at 20% (2017: 25%) of total revenue from the property – this includes necessary expenditure to maintain the property for its expected useful life. This percentage is comparable to the current level of operating cost.

Short and long term vacancy rate at 20% (2017: short term at 30% and long term at 20%) - based on current and expected future market conditions after expiry of any current lease agreements.

Discount rate at 9.05% (2017: 9.66%) - reflects current market assessments of the uncertainty in the amount and timing of cash flows. Calculation of discount rates includes the following inputs:

- Lending rate at 8% (2017: 8.10%) which is annual US$ lending rate by commercial banks;
- Yield: 12% (2017: 12%); and
- Capital mix of 30% equity and 70% loan (2017: 40% equity and 60% loan).

Notes to the Financial Statements (continued)

4 Net Asset Value per Share

	As at 31 December 2018	As at 31 December 2017
Net assets attributable to equity holders of the Company (US$'000)	3,657	5,170
Shares in issue (thousands)	24,584	24,584
NAV per share (US$)	**0.15**	**0.21**

The NAV per share is calculated by dividing the net assets attributable to equity holders of the Company by the number of Ordinary Shares in issue.

5 Basic and Diluted Loss per Share

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

	Year ended 31 December 2018	Year ended 31 December 2017
Loss attributable to equity holders of the Company (US$'000)	(1,513)	(875)
Weighted average number of Ordinary Shares in issue (thousands)	24,584	36,303
Basic loss per share (cents) for the year	**(6.15)**	**(2.41)**

There is no difference between basic and diluted Ordinary Shares as there are no potential dilutive Ordinary Shares.

6 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.

Ordinary Shares of US$0.01 each	31 December 2018 and 2017 Number	31 December 2018 and 2017 US$'000
Authorised	500,000,000	5,000

C Shares of US$1 each	31 December 2018 and 2017 Number	31 December 2018 and 2017 US$'000
Authorised	5,000,000	5,000
Issued	-	-

Ordinary Shares of US$0.01 each	31 December 2018 US$'000	31 December 2017 US$'000
24,583,942 (31 December 2017: 24,583,942) Ordinary Shares in issue, with full voting rights	246	246

At incorporation the authorised share capital of the Company was US$10,000,000 divided into 500,000,000 Ordinary Shares of US$0.01 each and 5,000,000 C Shares of US$1.00 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.

The holders of C Shares would be entitled to one vote per share at the meetings of the Company. The C Shares can be converted into Ordinary Shares on the approval of the Directors. On conversion each C share would be sub-divided into 100 C Shares of US$0.01 each and will be automatically converted into New Ordinary Shares of US$0.01 each.

A tender offer took place in September 2017. Up to 16,389,294 Ordinary Shares were available for tender at a price of US$0.21 per share. A total of 16,389,294 Ordinary Shares with an aggregate nominal value of US$163,893 were validly tendered and were

Notes to the Financial Statements (continued)

6 Share Capital (continued)

cancelled upon completion on 19 September 2017. Retained earnings were reduced by US$3,441,752, being the consideration paid for these shares.

Dividends and tender offers are recognised as a liability in the year in which they are declared and approved.

7 Capital Redemption Reserve

The capital redemption reserve is created on the cancellation of shares equal to the par value of shares cancelled. This reserve is not distributable.

8 Trade and Other Payables

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

	31 December 2018 US$'000	31 December 2017 US$'000
Administration fees payable	17	19
Audit fee payable	40	42
CREST service provider fee payable	6	6
Subsidiary expenses to be paid by the Company (note 3)	13	17
Other sundry creditors	16	13
	92	**97**

The fair value of the above financial liabilities approximates their carrying amounts.

9 Operating and Administration Expenses

	Year ended 31 December 2018 US$'000	Year ended 31 December 2017 US$'000
Administration expenses	117	167
Administrator and Registrar fees	67	84
Audit fees	41	41
Directors' fees	224	222
Professional fees	60	336
Other	43	48
Operating and administration expenses	**552**	**898**

Administrator and Registrar fees
The Administrator receives fees on a time spent basis, subject to a minimum quarterly fee of £8,250, payable quarterly in arrears.

Administration fees expensed by the Company for the year ended 31 December 2018 amounted to US$59,077 (31 December 2017: US$76,313).

The Administrator provides general secretarial services to the Company, for which it receives a minimum annual fee of £5,000. Additional fees for management information can also be charged on a time spent basis. For attendance at meetings not held in the Isle of Man, an attendance fee of £1,000 per day or part thereof will be charged. The fees payable by the Company for general secretarial services for the year ended 31 December 2018 amounted to US$7,785 (31 December 2017: US$7,949).

Notes to the Financial Statements (continued)

9 Operating and Administration Expenses (continued)

Administration fees of the Mauritian subsidiaries for the year ended 31 December 2018 amounted to US$13,991 (31 December 2017: US$17,325).

Administration fees of PME Properties Limited for the year ended 31 December 2018 amounted to US$39,158 (31 December 2017: US$53,405).

Directors' remuneration
The maximum amount of basic remuneration payable by the Company by way of fees to the Directors permitted under the Articles of Association is £200,000 per annum. The Directors are each entitled to receive reimbursement of any expenses incurred in relation to their appointment. The Executive Directors are currently entitled to receive annual basic salaries of £75,000.

Total fees and basic remuneration (including VAT where applicable) and expenses payable by the Company for the year ended 31 December 2018 amounted to US$224,156 (31 December 2017: US$222,143) and was split as below. Directors' insurance cover payable amounted to US$30,000 (31 December 2017: US$30,000).

	Year ended 31 December 2018 US$'000	Year ended 31 December 2017 US$'000
Paul Macdonald	97	99
Lawrence Kearns	109	111
Expense reimbursement	18	12
	224	**222**

10 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 chief operating decision-makers have been identified as the Board of Directors.

The Board reviews the Company's internal reporting in order to assess performance and allocate resources. It has determined the operating segments based on these reports. The Board considers the business on a project by project basis by type of business. The type of business is transport (railway) and leasehold property.

Year ended 31 December 2018	Transport PME Locomotives US$'000	Leasehold Property PME TZ Property US$'000	Other* US$'000	Total US$'000
Net losses on financial assets at fair value through profit or loss	(29)	(1,191)	-	(1,220)
Dividend income	-	270	-	270
(Loss)/profit for the year	(29)	(921)	(563)	(1,513)
Segment assets	3	3,581	165	3,749
Segment liabilities	-	-	(92)	(92)

* Other refers to income and expenses of the Company not specific to any specific sector such as income on un-invested funds and corporate expenses. Other assets comprise cash and cash equivalents US$139,141 and other assets US$26,137.

Notes to the Financial Statements (continued)

10 Operating Segments (continued)

Year ended 31 December 2017	Transport PME Locomotives US$'000	Leasehold Property PME TZ Property US$'000	Other** US$'000	Total US$'000
Net gains/(losses) on financial assets at fair value through profit or loss	116	(320)	-	(204)
Dividend income	-	226	-	226
Profit/(loss) for the year	116	(94)	(897)	(875)
Segment assets	4	4,683	580	5,267
Segment liabilities	-	-	(97)	(97)

** Other refers to income and expenses of the Company not specific to any specific sector such as income on un-invested funds and corporate expenses. Other assets comprise cash and cash equivalents US$554,414 and other assets US$26,460.

11 Risk Management

The Company's activities expose it to a variety of financial risks: market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk. The financial risks relate to the following financial instruments: financial assets at fair value through profit or loss, trade and other receivables, cash and cash equivalents and trade and other payables. The accounting policies with respect to the significant financial instruments are described in notes 2, 3 and 8.

Risk management is carried out by the Executive Directors.

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

The Company's policy is not to enter into any currency hedging transactions.

The table below summarises the Company's exposure to foreign currency risk:

31 December 2018	Monetary Assets US$'000	Monetary Liabilities US$'000	Total US$'000
Euro	-	(1)	(1)
Pound Sterling	20	(77)	(57)
	20	**(78)**	**(58)**

31 December 2017	Monetary Assets US$'000	Monetary Liabilities US$'000	Total US$'000
Euro	-	-	-
Pound Sterling	22	(80)	(58)
	22	**(80)**	**(58)**

The Board of Directors monitors and reviews the Company's currency position on a continuous basis and act accordingly.

Notes to the Financial Statements (continued)

11 Risk Management (continued)

Foreign currency risk (continued)
At 31 December 2018, had the US Dollar weakened/strengthened by 4% (2017: weakened/strengthened by 3%) in relation to Euro and Pound Sterling, with all other variables held constant, the shareholders' equity would have (decreased)/increased by the amounts shown below:

	2018 US$'000	2017 US$'000
Euro	-	-
Pound Sterling	2	2
Effect on net assets	**2**	**2**

Interest rate risk
Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. The Company is not exposed to significant interest rate risk from the cash held in interest bearing accounts at floating rates or short term deposits of one month or less. The Board of Directors monitor and review the interest rate fluctuations on a continuous basis and act accordingly.

During the year ended 31 December 2018 should interest rates have increased by 100 basis points, with all other variables held constant, the shareholders' equity and the result for the year would have been US$nil (2017: increased 100 basis points US$4,000) higher as a result of the impact on bank balances.

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

The carrying amounts of financial assets best represent the maximum credit risk exposure at the balance sheet date. This relates also to financial assets carried at amortised cost. Any change in credit quality of financial assets at fair value through profit or loss is reflected in the fair value of the asset.

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

	31 December 2018 US$'000	31 December 2017 US$'000
Cash and cash equivalents	**139**	**554**

The Company's financial assets at fair value through profit or loss are equity investments of the Company which would not usually be subject to credit risk. Portions of the underlying investments are in the form of loans and receivables, cash and cash equivalents or other instruments that are subject to credit risk, and therefore the value attributable to such instruments is provided in the credit risk table above. None of the financial assets are either past due or impaired. In addition, the Company has indirect credit risk within its financial asset at fair value through profit or loss, whose underlying assets includes cash and cash equivalents of US$235,271 (31 December 2017: US$282,835) and receivables of US$134,528 (31 December 2017: US$100,401).

The Company manages its credit risk by monitoring the creditworthiness of counterparties regularly. Cash transactions and balances are limited to high-credit-quality financial institutions (at least an Aa2 credit rating).

Liquidity risk
Liquidity risk is the risk that the Company will not be able to meet its obligations as they fall due. The Company currently manages its liquidity risk by maintaining sufficient cash. The Company and the Group's liquidity positions are monitored by the Board of Directors.

Notes to the Financial Statements (continued)

11 Risk Management (continued)

Liquidity risk (continued)
The residual undiscounted contractual maturities of financial liabilities are as follows:

31 December 2018	Less than 1 month US$'000	1-3 months US$'000	3 months to 1 year US$'000	1-5 years US$'000	Over 5 years US$'000	No stated maturity US$'000
Financial liabilities						
Trade and other payables	92	-	-	-	-	-
	92	**-**	**-**	**-**	**-**	**-**

31 December 2017	Less than 1 month US$'000	1-3 months US$'000	3 months to 1 year US$'000	1-5 years US$'000	Over 5 years US$'000	No stated maturity US$'000
Financial liabilities						
Trade and other payables	97	-	-	-	-	-
	97	**-**	**-**	**-**	**-**	**-**

Capital risk management
The Company's primary objective when managing its capital base was to safeguard the Company's ability to continue as a going concern in order to realise the remaining assets of the Company at a time and under such conditions as the Directors may determine in order to maximise value on behalf of the shareholders of the Company and to return both existing cash reserves and the proceeds of realisation of the remaining assets to shareholders.

Company capital comprises share capital and reserves.

No changes were made in respect of the objectives, policies or processes in respect of capital management during the years ended 31 December 2017 and 2018.

12 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.

The Directors of the Company are considered to be related parties by virtue of their influence over making operational decisions. Directors' remuneration is disclosed in note 9.

13 Income Tax Expense

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 (2017: zero per cent).

14 Post Balance Sheet Events

On 3 May 2019 the Company entered into a secured loan agreement with Optas GmbH ("Optas") to provide a facility of up to €400,000 to assist with general working capital. The loan is secured on the Company's cash receivables, is repayable within 18 months and attracts interest at a rate of 6% per annum on the utilised facility and 1% on the remaining unutilised facility. Paul Macdonald holds 50% of Optas's issued share capital, therefore Optas is deemed to be a related party of the Company and the loan is a related party transaction.