

PME African Infrastructure Opportunities plc

Interim Report

Period ended 30 June 2020

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Directors and Advisers

Directors

Paul Macdonald (Executive Chairman)
Lawrence Kearns (Executive Director)
all of the registered office below

Registered Office

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

Administrator and Registrar

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

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" or "Directors") of PME African Infrastructure Opportunities plc ("PME" or the "Company" and together with its subsidiaries the "Group"), I am pleased to present the unaudited interim results for the Company for the six months ended 30 June 2020.

The remit of the Company's 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.

At the EGM of the Company held on 7 April 2020, the resolution put to Shareholders in respect of the proposed delisting from AIM described in the circular sent to Shareholders on 5 March 2020 was duly passed by the requisite majority. As a result, the delisting became effective at 7.00 a.m. on 17 April 2020.

Investments

The Company 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 19 year lease, is currently 70% let. The investment continues to trade profitably and generate cash.

In previous reports we advised shareholders of the police enquiry arising from the complaint by a representative from First Seal Ltd, the company who had acquired the Dovetel (T) Limited. In early 2020 the police again questioned both the company's local legal adviser and property manager. We are aware that the police investigation has not been closed.

The Dar-es-Salaam Property has three tenants. The activities of all tenants have been affected by the coronavirus but their operations are getting back to normal. Trading conditions are difficult.

The Directors have concluded that the fair value of the Dar-es-Salaam Property is US\$3.2m. This valuation is in line with the value assessed by the local expert as at 31 December 2019 as tenants' circumstances, vacancy levels and local market conditions are relatively unchanged since that date.

The economic position of Tanzania remains uncertain. The market for high-end office accommodation is still depressed with a significant level of vacant properties. The prospect of selling the building in the short term for a reasonable price remains uncertain.

The caveat on the land register had not been removed. The formal process to remove the caveat started with an application submitted to the High Court in Tanzania. This process continues to be postponed due to the ongoing police enquiries.

PME had been working with its local bank to have the inter group loan between PME Properties Limited and PME TZ Property (Mauritius) Limited re-registered with the Bank of Tanzania. In order to bring this matter to a quicker solution the Tanzanian subsidiary, PME Properties Limited, has engaged a consultant who has experience in this area. The revised application with supporting documentation has been prepared by the consultant and presented to the local bank. The consultant will now work with the local bank in the resubmission to the Bank of Tanzania.

Until the registration of the intergroup loan is resolved, PME Properties Limited is not able to pass funds through to the Company. Delays in the Group's ability to provide upstream funding to the Company has resulted in a lack of working capital at the holding company level. Optas GmbH ("Optas"), a company of which I am a 50% shareholder, is assisting the Company with its cash flow requirements. On 3 May 2019 the Company entered into a secured loan agreement with Optas to provide a loan facility of up to €400,000 to assist with general working capital requirements after the Company's independent Director, Lawrence Kearns, having consulted with the Company's nominated adviser, confirmed that the terms of the loan were fair and reasonable insofar as the shareholders of PME were concerned. 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.

Chairman's Statement (continued)

On 29 November 2019, the Company announced that it had entered an amendment agreement with Optas pursuant to which the Lender had agreed to increase the amount of the initial loan of €400,000 to €600,000 as well as extending the repayment of the increased loan facility to May 2021. On 1 June 2020 the Company entered into an amendment agreement with Optas to increase the loan facility from €600,000 to €670,000. All other terms of the loan remain unchanged. The loan has been fully drawn down.

As I hold 50% of Optas's issued share capital, Optas is deemed to be a related party of the Company and the loan is classified as a related party transaction.

Financial Results

The loss for the six months ended 30 June 2020 was US\$0.173 million (2019: loss of US\$0.081 million), representing US\$.0070 loss per Ordinary Share (2019: loss per Ordinary Share US\$0.0033). The loss for the period was made up of the net gain in the fair value of financial assets less ongoing operating and administrative costs.

The Directors, having considered the latest valuation of the Dar-es-Salaam Property as at 31 December 2019, are of the opinion that the Dar-es-Salaam Property is reflected in the balance sheet at a realistic fair value.

As at 30 June 2020, PME's net asset value attributable to ordinary shareholders in accordance with IFRS was US\$2.7 million (US\$0.11 per Ordinary Share), compared to the US\$2.8million (US\$0.12 per Ordinary Share) that was reported as at 31 December 2019.

Return of Cash and Outlook

The coronavirus has affected Tanzania. The economic position in the country has not improved. The police enquiries have not been closed. The removal of the caveat cannot be followed through until the police enquiries are concluded. There remains little prospect of the building being sold in the short term.

The new consultant with experience of dealing with the Bank of Tanzania has completed his work. The amended loan agreement has been finalised in July 2020 and a resubmission is being made to the Bank of Tanzania through the local bank. An answer from the Bank of Tanzania is expected in the next couple of months.

The Company has also entered into an agreement with a partnership specialising in dispute resolution and political risk. The agreement covers three stages. The first and second stage was reviewing the company's current position and recommending a way forward in respect of selling the building and releasing the blocked funds in Tanzania. The final stage will involve a visit to Tanzania and the implementation of the proposed solution. A decision to instigate the visit to Tanzania will be taken at a later date.

Paul Macdonald

Chairman

9 September 2020

Statement of Comprehensive Income

	Note	(Unaudited) Period from 1 January 2020 to 30 June 2020 US\$'000	(Unaudited) Period from 1 January 2019 to 30 June 2019 US\$'000
Net gains on financial assets at fair value through profit or loss	3	110	187
Operating and administration expenses	10	(266)	(259)
Foreign exchange gain/(loss)		2	(7)
Operating loss		(154)	(79)
Finance costs	4	(19)	(2)
Loss before income tax		(173)	(81)
Income tax	14	-	-
Loss and total comprehensive expense for the period		(173)	(81)
Basic and diluted loss per share (cents) attributable to the equity holders of the Company during the period	6	(0.70)	(0.33)

The accompanying notes on pages 8 to 14 form an integral part of these interim financial statements

Balance Sheet

	Note	(Unaudited) As at 30 June 2020 US\$'000	(Audited) As at 31 December 2019 US\$'000
Assets			
Current assets			
Financial assets at fair value through profit or loss	3	3,530	3,391
Prepayments		6	22
Cash and cash equivalents		119	46
Total current assets		3,655	3,459
Total assets		3,655	3,459
Equity and liabilities			
Equity			
Issued share capital	7	246	246
Capital redemption reserve	8	1,559	1,559
Retained earnings		871	1,044
Total equity		2,676	2,849
Non-current liabilities			
Secured loan	4	-	481
Total non-current liabilities		-	481
Current liabilities			
Secured loan	4	783	-
Trade and other payables	9	196	129
Total current liabilities		979	129
Total liabilities		979	610
Total equity and liabilities		3,655	3,459

The interim financial statements on pages 4 to 14 were approved and authorised for issue by the Board of Directors on 9 September 2020 and signed on its behalf by:

Paul Macdonald
Director

Lawrence Kearns
Director

The accompanying notes on pages 8 to 14 form an integral part of these interim financial statements

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 2019	246	1,559	1,852	3,657
Comprehensive loss				
Loss for the period	-	-	(81)	(81)
Total comprehensive loss for the period	-	-	(81)	(81)
Balance at 30 June 2019	246	1,559	1,771	3,576
Balance at 1 January 2020	246	1,559	1,044	2,849
Comprehensive loss				
Loss for the period	-	-	(173)	(173)
Total comprehensive loss for the period	-	-	(173)	(173)
Balance at 30 June 2020	246	1,559	871	2,676

The accompanying notes on pages 8 to 14 form an integral part of these interim financial statements

Cash Flow Statement

	Note	(Unaudited) Period from 1 January 2020 to 30 June 2020 US\$'000	(Unaudited) Period from 1 January 2019 to 30 June 2019 US\$'000
Cash flows from operating activities			
Purchase of financial assets – loans to investee companies	3	(25)	(24)
Operating and administration expenses paid		(187)	(270)
Net cash used in operating activities		(212)	(294)
Financing activities			
Proceeds from drawdown of secured loan from related party	4	294	201
Net cash generated from financing activities		294	201
Net increase/(decrease) in cash and cash equivalents		82	(93)
Cash and cash equivalents at beginning of period		46	139
Foreign exchange losses on cash and cash equivalents		(9)	-
Cash and cash equivalents at end of period		119	46

The accompanying notes on pages 8 to 14 form an integral part of these interim financial statements

Notes to the Interim 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 therefore 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 (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, 180,450,000 Ordinary Shares with 36,090,000 Warrants were issued on 12 July 2007. The Warrants lapsed in July 2012.

Financial Year End

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

Dividends

In the period to 30 June 2020 the Company declared and paid dividends of US\$nil (2019: US\$nil).

Going concern

In assessing the going concern basis of preparation of the financial statements for the period ended 30 June 2020, 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 €670,000 as explained in note 4. The Directors consider that the Group has and generates sufficient cash funds from its ongoing operations to support the Group's activities. However the majority of these cash funds are held, and blocked in the Company's Tanzanian subsidiary, PME Properties Limited.

The Company had been working with its local bank to have the inter group loan between PME Properties Limited and PME TZ Property (Mauritius) Limited re-registered with the Bank of Tanzania. In order to bring this matter to a quicker solution the Tanzanian subsidiary, PME Properties Limited, has engaged a consultant who has experience in this area. Until the re-registration of the inter group loan is completed, PME Properties Limited is not able to pass funds through to the Company. Delays in the Group's ability to provide upstream funding to the Company has resulted in a lack of working capital at the holding company level subsequent to the year end.

These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to settle its future liabilities as they fall due and thus continue as a going concern.

The Company has received the offer of additional financial support from a related party, Optas GmbH (refer note 4), however such financial support would be conditional upon factors outside of the Group's control. These conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. However the Directors expect to successfully progress the registration process in 2020 and thus to provide the Company with access to the necessary funds for its ongoing operations for the foreseeable future. Therefore the Directors have continued to adopt the going concern basis in preparing these financial statements.

Notes to the Interim Financial Statements

2 Summary of Significant Accounting Policies

2.1 Basis of preparation

The accounting policies applied by the Company in the preparation of these condensed financial statements are the same as those applied by the Company in its financial statements for the year ended 31 December 2019.

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 financial statements of the Company as at and for the year ended 31 December 2019, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union.

In accordance with IFRS 10, 'Consolidated financial statements', the Directors have concluded that the Company meets the definition of an investment entity and therefore it does not consolidate its subsidiaries, instead it accounts for its subsidiaries at fair value through profit or loss in accordance with IAS 39, 'Financial instruments: recognition and measurement' and prepares separate company financial statements only.

The interim financial statements for the six months ended 30 June 2020 are unaudited. The comparative interim figures for the six months ended 30 June 2019 are also unaudited.

3 Financial Assets at Fair Value through Profit or Loss

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:

	30 June 2020 US\$'000	31 December 2019 US\$'000
Start of the period/year	3,391	3,584
Increase in loans to investee companies	25	36
Subsidiary expenses to be paid by the Company*	4	-
Movement in fair value of financial assets	110	(229)
End of the period/year	3,530	3,391

*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 period end (note 9).

Notes to the Interim 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 current period or prior year. The valuation techniques and the significant unobservable inputs are shown below.

	Fair value as at 30 June 2020 US\$'000	Fair value as at 31 December 2019 US\$'000	Valuation techniques and inputs	Significant unobservable inputs	Sensitivity to significant unobservable inputs
Real estate investments (PME TZ Property (Mauritius) Limited)	3,522	3,388	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\$14,000 (2019: 1% US\$18,000)
Other (PME Locomotives (Mauritius) Limited)	8	3	Fair value of net assets	N/A	N/A
Total	3,530	3,391			

4 Secured Loan

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 was secured on the Company's cash receivables, was repayable within 18 months and attracted interest at a rate of 6% per annum on the utilised facility and 1% on the remaining unutilised facility. On 28 November 2019 the Company entered into an amendment agreement with Optas to increase the amount of the initial loan from €400,000 to €600,000 and extending the date of repayment of the increased loan facility to 28 May 2021. All other terms of the initial loan remain unchanged. On 1 June 2020 the Company entered into an amendment agreement with Optas to increase the amount of the loan facility from €600,000 to €670,000. All other terms of the loan remain unchanged.

Interest payable by the Company for the six months ended 30 June 2020 amounted to US\$18,831 (2019: US\$1,623). The loan has been fully drawn down.

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.

Notes to the Interim Financial Statements (continued)

5 Net Asset Value per Share

	As at 30 June 2020	As at 31 December 2019
Net assets attributable to equity holders of the Company (US\$'000)	2,676	2,849
Shares in issue (thousands)	24,584	24,584
NAV per share (US\$)	0.11	0.12

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.

6 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 period.

	Period ended 30 June 2020	Period ended 30 June 2019
Loss attributable to equity holders of the Company (US\$'000)	(173)	(81)
Weighted average number of Ordinary Shares in issue (thousands)	24,584	24,584
Basic loss per share (cents) from loss for the period	(0.70)	(0.33)

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

7 Share Capital

Ordinary Shares of US\$0.01 each	31 December 2019 and 30 June 2020 Number	31 December 2019 and 30 June 2020 US\$'000
Authorised	500,000,000	5,000
Ordinary Shares of US\$0.01 each	30 June 2020 US\$'000	31 December 2019 US\$'000
24,583,942 (31 December 2019: 24,583,942) Ordinary Shares in issue, with full voting rights	246	246
C Shares of US\$1 each	31 December 2019 and 30 June 2020 Number	31 December 2019 and 30 June 2020 US\$'000
Authorised	5,000,000	5,000
Issued	-	-

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.

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

Notes to the Interim Financial Statements (continued)

8 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.

9 Trade and Other Payables

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

	30 June 2020 US\$'000	31 December 2019 US\$'000
Administration fees payable	34	17
Audit fee payable	59	41
CREST service provider fee payable	6	6
Subsidiary expenses to be paid by the Company (note 3)	18	14
Directors fees payable	69	6
Other sundry creditors	10	45
	196	129

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

10 Operating and Administration Expenses

	Period ended 30 June 2020 US\$'000	Period ended 30 June 2019 US\$'000
Administration expenses	43	58
Administrator and Registrar fees	34	39
Audit fees	20	20
Directors' fees	99	103
Professional fees	43	20
Other	27	19
Operating and administration expenses	266	259

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 period ended 30 June 2020 amounted to US\$30,403 (30 June 2019: US\$35,020).

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 is charged. The fees payable by the Company for general secretarial services for the period ended 30 June 2020 amounted to US\$3,698 (30 June 2019: US\$3,811).

Administration fees of the Mauritian subsidiaries for the period ended 30 June 2020 amounted to US\$6,443 (30 June 2019: US\$6,458).

Administration fees of PME Properties Limited for the period ended 30 June 2020 amounted to US\$31,868 (30 June 2019: US\$26,087).

Notes to the Interim Financial Statements (continued)

10 Operating and Administration Expenses (continued)

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 period ended 30 June 2020 amounted to US\$99,012 (30 June 2019: US\$103,278) and was split as below. Directors' insurance cover payable amounted to US\$16,102 (30 June 2019: US\$14,877).

	Period ended 30 June 2020 US\$'000	Period ended 30 June 2019 US\$'000
Paul Macdonald	46	48
Lawrence Kearns	52	53
Expense reimbursement	1	2
	99	103

11 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 leasehold property.

Six months ended 30 June 2020	Leasehold Property US\$'000	Other* US\$'000	Total US\$'000
Net gains/(losses) on financial assets at fair value through profit or loss	110	-	110
Profit/(loss) for the period	110	(283)	(173)

* 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.

Six months ended 30 June 2019	Leasehold Property US\$'000	Other** US\$'000	Total US\$'000
Net gains/(losses) on financial assets at fair value through profit or loss	187	-	187
Profit/(loss) for the period	187	(268)	(81)

** 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.

Notes to the Interim Financial Statements (continued)

11 Operating Segments (continued)

30 June 2020	Leasehold Property US\$'000	Other* US\$'000	Total US\$'000
Segment assets	3,530	125	3,655
Segment liabilities	-	(979)	(979)

* Other assets comprise cash and cash equivalents US\$119,280 and other assets US\$6,436.

31 December 2019	Leasehold Property US\$'000	Other** US\$'000	Total US\$'000
Segment assets	3,391	68	3,459
Segment liabilities	-	(610)	(610)

** Other assets comprise cash and cash equivalents US\$46,130 and other assets US\$21,307.

12 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. There has been no material change in the market, credit or liquidity risk profile since the year ended 31 December 2019.

There have been no changes in risk management policies or responsibilities since the year end. The risk management is carried out by the Executive Directors.

These interim financial statements do not include all financial risk management information and disclosures required for full annual financial statements and should be read in conjunction with the financial statements of the Company as at and for the year ended 31 December 2019.

13 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 10 and the related party loan is disclosed in note 4.

14 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 (2019: zero per cent).