

Company number 123821



SAFE HARBOUR

Annual Report and Audited Consolidated Financial
Statements
for the Year Ended 31 December 2018

SAFE HARBOUR HOLDINGS PLC

Company number 123821

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SAFE HARBOUR HOLDINGS PLC

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CHAIRMAN'S STATEMENT AND STRATEGIC REPORT



I hereby present to our shareholders the annual report and audited financial statements of Safe Harbour Holdings plc (the “**Company**”) for the year ended 31 December 2018 (the “**Financial Statements**”), consolidating the results of Safe Harbour Holdings plc, Safe Harbour Holdings UK Limited and Safe Harbour Holdings Jersey Limited (collectively, the “**Group**” or “**Safe Harbour**”).

Strategy

Safe Harbour aims to become a global leader in B2B distribution and/or business services, through a well-executed buy-and-build strategy. As a team, we intend to draw upon our managerial and operational experience in consolidation and integration to drive business transformation to achieve attractive, long-term compounding returns for our shareholders.

Safe Harbour initially intends to acquire a controlling stake in a platform asset of scale, which operates in a sector demonstrating a large addressable market opportunity, a steady growth outlook, and a high level of fragmentation allowing the deployment of a meaningful buy-and-build strategy to capitalise on economies of scale. It is likely that this platform asset will have operations in the UK, Europe, or North America with an enterprise value in the region of £250 million to £1.5 billion. We seek businesses that demonstrate stable operating performance and high cash flow conversion, and benefit from competitive barriers to entry. Safe Harbour will prioritise assets outside competitive auction processes and situations where the Directors believe Safe Harbour has a distinct advantage in acquiring the assets at attractive valuations.

We believe that the publicly-listed nature of our vehicle offers us flexibility in structuring transactions and provides us with access to deep pools of capital which will allow us to unlock opportunities that may not otherwise be available to typical financial sponsors.

Overview of the year

Safe Harbour successfully listed on the AIM market of the London Stock Exchange on 15 March 2018, raising £22.7 million before expenses through the placing of 18,916,665 shares at a price of 120 pence per share, in addition to the £10.0 million already raised from funds managed by Marwyn Asset Management Limited. Since admission, the Company has actively pursued its stated strategy exploring several potential Platform Acquisition opportunities.

We have further strengthened our board and corporate governance since Avril Palmer-Baunack's appointment as Non-Executive Chairman in February 2018. Chris Cole joined us in November 2018 as an independent Non-Executive Director, and more recently James Brotherton has agreed to join us as Chief Financial Officer and an Executive Director with effect on or before 1 August 2019. We are delighted to welcome Chris and James to the team. They bring a wealth of experience and expertise to Safe Harbour.

James joins Safe Harbour from Tyman plc, where he has been CFO since 2010, successfully consolidating multiple acquisitions across various geographies and end markets. Chris co-founded WSP Group plc, growing the business into an international engineering and design consultancy, and executing its merger with Toronto-listed Genivar Inc, and has also been the non-executive chairman of various other successful London-listed companies.

Results

The Group's loss after taxation for the year was £2.3 million (for the period from incorporation on 26 August 2016 to 31 December 2017: £2.5 million).

The Group had £26.9 million of aggregate cash reserves as at 31 December 2018 (2017: £7.8 million). Having raised gross proceeds of £32.7 million from equity issuances since incorporation in 2016, this represents a £5.8 million cash spend to 31 December 2018, with £2.4 million of this relating to non-recurring project costs including diligence expenses, advisory fees and costs related to the IPO and establishment of Safe Harbour.

Dividend policy

The Company has not yet acquired a trading business and the Directors therefore consider it inappropriate to make a forecast of the likely level of any future dividends. The Directors intend to determine the Company's dividend policy following completion of the Company's first acquisition and, in any event, will only commence the payment of dividends when it becomes commercially prudent to do so. There are no arrangements in place under which future dividends are to be waived or agreed to be waived.

Risks

The Directors have carried out an assessment of the principal risks facing the Group including those that would threaten its business model, future performance, solvency or liquidity. Further detail in relation to the risks faced by the Group is set out in the Corporate Governance Report.

Outlook

In accordance with our mandate as an acquisition vehicle, we have evaluated multiple assets that meet Safe Harbour's investment criteria. We have a disciplined approach to asset selection and require completion of thorough due diligence prior to making investments. As such, while we have yet to conclude terms on a Platform Acquisition, we remain active in pursuing targets across our broad global mandate and remain confident about acquiring an attractive platform business for our shareholders. We expect to provide further updates in due course.

Avril Palmer-Baunack

Chairman

11 June 2019

Rodrigo Mascarenhas

Chief Executive Officer

11 June 2019

Principal activities

The Company has been formed to acquire a platform trading asset engaged in B2B distribution and/or business services (a “**Platform Acquisition**”). Following completion of a Platform Acquisition, the Directors intend to implement an operating strategy focused on generating shareholder value through organic and inorganic growth, including potential complementary bolt-on acquisitions. The Company has raised £32.7 million, in aggregate, since incorporation and those funds are being used to carry out due diligence on potential Platform Acquisitions and for general working capital purposes.

Results and dividends

For the year ended 31 December 2018, the Group made a loss of £2,324,006 (for the period from incorporation on 26 August 2016 to 31 December 2017: £2,537,970).

It is the policy of the Company’s board of Directors (the “**Board**”) that, prior to the Platform Acquisition, no dividends will be paid. Following the Platform Acquisition, and subject to the availability of distributable reserves, dividends will be paid to shareholders when the Directors believe it is appropriate and commercially prudent to do so.

Statement of going concern

The Group had cash resources of £26.9 million at 31 December 2018. The Directors have considered the financial position of the Group and have reviewed forecasts and budgets for a period of 12 months following the approval of the Financial Statements. As a result, the Directors have concluded that, at the date of approval of the Financial Statements, the Company and the Group have sufficient resources for the next 12 months and can continue to execute its stated strategy. Accordingly, it is appropriate to adopt the going concern basis in the preparation of the Financial Statements.

Substantial shareholdings

At 31 December 2018 and at the date of this report, the following interests in 3% or more of the issued ordinary shares had been notified to the Company.

Shareholders	Ordinary shares held	Percentage of shareholding
Marwyn Asset Management Limited	8,333,336	30.58%
Invesco Asset Management Limited	7,083,333	25.99%
Woodford Investment Management Limited	7,041,666	25.84%
Marathon Asset Management Limited	2,666,666	9.79%
Consulta Limited	1,250,000	4.59%
MSD Partners Europe LLP	833,333	3.06%

Stated capital

Details of shares issued by the Company during the year are set out in note 15 to the Financial Statements.

Directors

The Directors of the Company who served during the year and/or subsequent to the date of this report are:

Avril Palmer-Baunack, Non-Executive Chairman

Date of appointment: 20 February 2018

Avril Palmer-Baunack has over 20 years of executive experience with leading businesses in the automotive, support services, industrial engineering and insurance services sectors. Through a number of high profile industry roles, Avril has acquired significant experience in acquisitive growth strategies and a track record of delivering shareholder value in a public environment.

Since July 2014, Avril has been Executive Chairman of BCA Marketplace plc (“**BCA**”) Europe’s leading B2B car auction and vehicle buying service operator. Under Avril’s management, BCA has successfully executed an ambitious growth plan based on substantial organic and inorganic growth with five acquisitions completed to date as well as numerous operational enhancements.

Avril was also Non-Executive Chairman of Redde plc, a UK-based, market leading accident management company, a position she held from September 2011 until her resignation on 1 May 2019 with three months’ notice. Avril has led the turnaround of this business, which included a refinancing concluded in February 2013.

Avril has also held a broad range of executive roles in other sectors, with experience in companies engaged in vehicle salvage, car hire, auctions, transportation, distribution, logistics, vehicle processing and infrastructure. Avril was previously Executive Chairman and Deputy Chief Executive Officer of Stobart Group plc, one of the largest British multimodal logistics companies with interests in transport, distribution and infrastructure.

Prior to this Avril was Chief Executive Officer of Autologic Holdings plc, the largest finished vehicle logistics company in the UK and Europe. She joined Autologic from Universal Salvage plc, where she held the position of Chief Executive Officer from March 2005 until the sale of the company to Copart UK Ltd in June 2007 achieving a share price increase of almost two and a half times.

Rodrigo Mascarenhas, Chief Executive Officer

Date of appointment: 26 May 2017

Rodrigo has a 17-year track record in the B2B distribution sector. His experience includes international expansion and consolidation, integration and turn-around strategies in emerging markets.

Rodrigo joined Safe Harbour from his role as Business Area Head and Managing Director for LATAM (Latin America, Spain & Israel), of Bunzl plc (“**Bunzl**”), the FTSE-100 UK distribution conglomerate. During Rodrigo’s tenure at Bunzl he was responsible for both the M&A and operational strategy of the division, successfully integrating over 30 acquisitions into the business and delivering double-digit revenue growth.

Rodrigo began his career in 1999 as a co-founder of Americanas.com, one of the first e-commerce start-ups in Latin America and today listed as B2W Inc. in Brazil, initially backed by its parent company Lojas Americanas, the leading Brazilian retail chain.

In 2002, Rodrigo moved to Goodyear to become the Truck Business Director for Spain and Portugal. Based in Madrid, he completed the turnaround of the division, successfully merging the Goodyear and Dunlop brands. In 2004, he became the General Manager in Central Eastern Europe and was based in the Czech Republic.

Rodrigo holds a Business Management degree from Faculdade de Ciencias Economicas (Brazil), an MBA in Finance, Economics and Management from Case Western Reserve University and an Owner’s President Management Program Certificate from Harvard Business School.

James Brotherton, Chief Financial Officer Designate (effective on or before 1 August 2019)

Date of announcement of appointment: 14 March 2019

James joins Safe Harbour from Tyman plc, where he was CFO since 2010. Tyman is a leading international supplier of engineered components to the door and window industry and has more than doubled in size and profitability during James' tenure as CFO.

While in his executive role with Tyman plc, James delivered and successfully integrated numerous acquisitions across multiple jurisdictions that have created significant value for Tyman shareholders as part of Tyman's international growth strategy. Prior to Tyman, James was a director in the investment banking division of Citigroup, having also worked for HSBC and Ernst & Young.

Since 2017, James has also been a director of the Quoted Companies Alliance.

James has a Bachelor of Science degree in Economics and Politics from Loughborough University and is a Chartered Accountant.

Mark Brangstrup Watts, Executive Director

Date of appointment: 26 August 2016

As co-founder of Marwyn in 2002, Mark has many years of experience deploying private equity investment strategies in the public markets. Marwyn's highly acquisitive portfolio companies have delivered approximately 100 bolt-on acquisitions with Mark offering significant M&A, ECM and corporate finance experience.

Mark brings his background in strategic consultancy to the management team having been responsible for strategic development projects for international clients including Ford Motor Company (US), Cummins (Japan) and 3M (Europe).

Mark is a Managing Partner in Marwyn Capital LLP and Marwyn Investment Management LLP. Mark is currently an Executive Director of Le Chateau Group plc, Safe Harbour Holdings plc and Wilmcote Holdings plc. Mark is also a Non-Executive Director of Marwyn Asset Management Limited and Zegona Communications plc and was previously a Non-Executive Director of BCA, Advanced Computer Software plc, Entertainment One Ltd, Melorio plc, Inspicio plc and Talarius plc, amongst others.

It is currently intended that, following the completion of the Company's Platform Acquisition, Mark will adopt a non-executive role.

Mark is a member of the Audit and Risk Committee and a member of the Nomination and Remuneration Committee.

James Corsellis, Executive Director

Date of appointment: 26 August 2016

James has over 15 years of investment management and corporate finance expertise. Marwyn's 16 portfolio platforms to date have generated approximately £2.7bn of proprietary deal flow, with James having experienced a broad array of sectors and developed an extensive network of relationships with co-investors, advisers and other business leaders.

James brings an entrepreneurial mind-set to the management team, having co-founded Marwyn alongside Mark Brangstrup Watts, and prior to that founded one of the earliest strategic technology consultancies. James was also previously Chief Executive Officer of icollector plc, a leading provider of live auction trading platforms, later negotiating its joint venture with eBay.

James is a Managing Partner of Marwyn Capital LLP and Marwyn Investment Management LLP, and is a Non-Executive Director of Marwyn Asset Management Limited. Portfolio level executive directorships include Wilmcote Holdings plc and Le Chateau Group plc.

James was previously on the board of BCA, Breedon Aggregates Ltd and Advanced Computer Software plc, and was Chairman of Entertainment One Ltd, amongst others.

It is currently intended that, following the completion of the Company's Platform Acquisition, James will adopt a non-executive role.

James is the Chairman of the Audit and Risk Committee and a member of the Nomination and Remuneration Committee.

Chris Cole, Independent Non-Executive Director

Date of appointment: 14 November 2018

Chris co-founded WSP Group plc in 1974, growing the company into an international engineering and design consultancy business focused on the built environment, and driving its merger with Toronto listed Genivar Inc. Chris was appointed Non-Executive Chairman of the enlarged group, WSP Global Inc., in 2012. Chris was Non-Executive Chairman of Ashtead Group plc, stepping down in September 2018.

Since 2014, Chris has also held Non-Executive Chairman roles at: Redcentric plc, a managed services provider; Applus Services S.A., a testing, inspection and certification business; and Tracsis plc, a provider of software and services for the transport sector.

Chris has a degree in Environmental Engineering from London South Bank University and is a UK qualified Chartered Engineer.

Chris is the Chairman of the Nomination and Remuneration Committee and a member of the Audit and Risk Committee.

Directors' interests

The Directors have no direct interests in the ordinary shares of the Company but have interests in the Incentive Shares, as detailed in note 19 to the Financial Statements.

James Corsellis and Mark Brangstrup Watts are Non-Executive Directors and ultimate beneficial owners of Marwyn Asset Management Limited, which is the manager of the Marwyn funds which held approximately 30.6% of the issued share capital as at 31 December 2018. James Corsellis and Mark Brangstrup Watts are also managing partners of Marwyn Capital LLP, a firm which provides corporate finance advice and accounting services to the Company and are the ultimate beneficial owners of Axio Capital Solutions Limited ("**Axio**"), which provides administration and company secretarial services to the Group. Details of the related party transactions which occurred during the year are disclosed in note 20 to the Financial Statements.

Save for the issue of Incentive Shares as disclosed in note 19 and related party transactions as disclosed in note 20, no Director has or has had any interest in any transaction which is or was unusual in its nature or conditions or significant to the business of the Group. There were no loans or guarantees granted or provided by the Company and/or any of its subsidiaries to or for the benefit of any of the Directors.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulation.

The Directors are required to prepare financial statements for each financial period. The Directors have prepared the Financial Statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union. Under company law, the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that period. In preparing the Financial Statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- State whether applicable IFRSs as adopted by the European Union have been followed for the Financial Statements, subject to any material departures disclosed and explained in the Financial Statements;
- Make judgements and accounting estimates that are reasonable and prudent; and
- Prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the Financial Statements comply with the Companies Law (Jersey) 1991 and Article 4 of the IAS Regulation.

The Directors are also responsible for safeguarding the assets of the Group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors consider that the Annual Report and Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's performance, business model and strategy.

Independent auditors

On 20 February 2018, PricewaterhouseCoopers LLP ("PwC") was appointed auditors of the Group for the financial statements for the year ended 31 December 2018, the second year that PwC has audited the Group. The Directors have reason to believe that PwC conducted an effective audit. The Directors have provided the auditors with full access to all the books and records of the Group. PwC has expressed its willingness to continue to act as auditors to the Group and a resolution for PwC's re-appointment will be proposed at the forthcoming annual general meeting.

Directors' confirmations

Each of the Directors, whose names and functions are listed in the Report of the Directors confirm that, to the best of his or her knowledge:

- the Financial Statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and loss of the Group; and
- the Report of the Directors includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

SAFE HARBOUR HOLDING PLC

Company number 123821

GOVERNANCE | REPORT OF THE DIRECTORS



Auditors' information

In the case of the Directors in office at the date the Directors' Report is approved:

- so far as they are aware, there is no relevant audit information of which the Group's auditors are unaware; and
- they have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

On behalf of the Board

Avril Palmer-Baunack

Chairman

11 June 2019

Rodrigo Mascarenhas

Chief Executive Officer

11 June 2019

Overview

This Corporate Governance Report (the “**Report**”) forms part of the Report of the Directors and has been approved by the Board and signed on its behalf as though it were a part of the Report of the Directors. The Directors recognise the importance of sound corporate governance commensurate with the size of the Group and the interests of shareholders and remain committed to evolving the corporate governance arrangements as the business grows.

During the year, the Board adopted the Quoted Companies Alliance Corporate Governance Code (the “**QCA Code**” or the “**Code**”), in line with the London Stock Exchange’s recent changes to the AIM Rules for Companies requiring all AIM-quoted companies to adopt a recognised corporate governance code, explain how the company complies with that code’s requirements and identify and explain areas of non-compliance. The Company intends to re-evaluate its corporate governance framework upon completion of a Platform Acquisition.

The following sections of this Report detail how Safe Harbour applies the QCA Code.

The Board of Directors

The Group is led and controlled by an effective Board. The Board at the date of this Report comprises Non-Executive Chairman Avril Palmer-Baunack, independent Non-Executive Director Chris Cole and three Executive Directors, Rodrigo Mascarenhas (Chief Executive Officer (“**CEO**”)), Mark Brangstrup Watts and James Corsellis. James Brotherton will join the Company as a Chief Financial Officer (“**CFO**”) and Executive Director on or before 1 August 2019.

Biographical details of the Directors appear on pages 5 to 7.

The Chairman is responsible for leading the Board effectively and overseeing the adoption, delivery and communication of the Group’s corporate governance model. The Chairman must display clear vision and focus on strategy, capitalising on the skills, experience, characteristics and qualities of the Board and fostering a positive governance culture throughout the Group. All Board members have full access to the Group’s advisers for seeking professional advice at the Company’s expense and the Group’s culture is to openly discuss important issues and frequently engage with Board members outside of formal meetings. The Group’s wider organisational structure has clear lines of responsibility. Operating and financial responsibility for all subsidiary companies is the responsibility of the Board.

One of the ten principles of the QCA Code is to maintain ‘the board as a well-functioning, balanced team led by the chair’, and Avril has led the Board as Non-Executive Chairman since her appointment on 20 February 2018. The QCA Code requires a balance between Executive and Non-Executive Directors and at least two independent Non-Executive Directors to be in place. The Company deviates from the QCA Code in this respect, as the Board currently only has one independent Non-Executive director, Chris Cole.

The Company has approved the appointment of James Brotherton as CFO, effective on or before 1 August 2019, to provide additional requisite financial expertise. At this stage, the Company does not currently conduct an operating business and therefore its operations, finances and transactions are relatively simple, and the requisite administrative functions have been effectively outsourced.

The Board believes that the Board composition is appropriate for the Company’s current operations and provides an appropriate mix of experience, expertise and skills to support the business of the Group in its current form as it pursues a Platform Acquisition. The Board remains committed to regularly reviewing its composition to ensure it remains appropriate. At or around the time of the Platform Acquisition, it is anticipated that the composition of the Board will be re-evaluated in the context of the corporate governance framework of the enlarged group.

Board interaction

The Board meets formally at least six times a year but also meets on an ad hoc basis where necessary. Meetings are prepared for using a standing agenda capturing all of the ongoing corporate governance requirements which is updated to incorporate all relevant and ad hoc business or matters of interest. The Board is presented with papers from management to support its discussions including financial information, shareholder analysis and investor relations information, subsidiary management reporting and details of acquisition targets and deal progress.

The Board's culture is to openly discuss any important issues and frequently engage and constructively challenge each other, both at and outside of formal meetings, with all the Board members actively participating at meetings.

Board attendance

Meeting attendance has been shown for each individual. The 'held' columns reflect the number of meetings held during 2018 or since the date of their appointment.

	Board meetings		Nomination and Remuneration Committee Meetings (established on 20 November 2018)	
	Held	Attended	Held	Attended
Rodrigo Mascarenhas	17	16	n/a	n/a
Mark Brangstrup Watts	17	14	1	1
James Corsellis	17	16	1	1
Avril Palmer-Baunack	15	14	n/a	n/a
Chris Cole	1	1	1	1

The ad hoc Board meetings were held principally to discuss and approve the initial public offering of the Company's shares on AIM and the appointment of Chris Cole.

There have been no Audit and Risk Committee meetings held in 2018 following this committee's establishment on 20 November 2018.

Independence of the Board

Under the QCA Code, the Board is required to make a judgement as to its independence. The Code states that "it may not be possible in growing companies to meet all the objective criteria demanded of the largest listed companies. Regardless, it is important for any board to foster an attitude of independence of character and judgement". The Board has considered whether its Directors are independent in character and judgement and whether there are relationships or circumstances which are likely to affect, or could appear to affect, the Director's judgement. The Code also requires the Board to state its reasons why a director may be considered independent if there are grounds to question the independence.

Avril Palmer-Baunack was appointed Non-Executive Chairman on 20 February 2018. Avril has over 20 years' executive experience across the UK automotive, support services, industrial engineering and insurance services sectors. Avril is not deemed to be independent in view of her previous working relationship with James Corsellis and Mark Brangstrup Watts (having all served on the Board of BCA) and her participation in the Transaction Success Fee (as described in further detail in the Company's Admission Document dated 1 March 2018). Notwithstanding this prior working relationship, it is considered that Avril has sufficient experience to lead the Board effectively and provide guidance and challenge with the requisite objectivity.

The Board considers Chris Cole to be independent in character and judgement and strongly believes that he has no relationships or circumstances which are likely to affect, or could appear to affect, his judgement as an independent Non-Executive Director.

Board Committees

The Board has established two committees with effect from 20 November 2018, the Audit and Risk Committee and the Nomination and Remuneration Committee (together, the “Committees”), to assist the Board in the execution of its duties. If the need should arise, the Board may set up additional committees as appropriate. The terms of reference for the Committees are available on the Company’s website. Each of the Committees is authorised, at the Company’s expense, to obtain legal or other professional advice to assist in carrying out its duties. No person other than a Committee member is entitled to attend the meetings of these Committees, except by invitation of the Chairman of that Committee. Axio is the secretary of the Committees. It is anticipated that the Company’s auditors, PwC, will be invited to attend meetings of the Audit and Risk Committee.

Membership of the Committees is as follows:

	Audit and Risk Committee	Nomination and Remuneration Committee
Chairman	James Corsellis	Chris Cole
Member	Chris Cole	Mark Brangstrup Watts
Member	Mark Brangstrup Watts	James Corsellis

The composition of the Committees will be reviewed regularly by the Nomination and Remuneration Committee. The Board recognises that, where possible, the Committees should consist of a majority of independent Non-Executive Directors and, as such, the composition of the Committees will be reviewed on the appointment of any further independent Non-Executive Directors to the Board.

Each Committee has prepared a report which is included on pages 18 and 20.

The Company also recognises the importance of having systems and procedures in place to ensure compliance by the Board, the Company, and its applicable employees in relation to dealings in securities of the Company and the management of inside information in accordance with the EU Market Abuse Regulation (2014/596/EU) (“MAR”). The Board has established a Disclosure Committee, which consists of Rodrigo Mascarenhas, Mark Brangstrup Watts and James Corsellis and adopted a MAR compliance manual and share dealing code for this purpose. The Directors believe that these procedures and policies adopted by the Board are appropriate for the Company’s size and complexity and that it complies with MAR.

Board diversity

The Board considers diversity to be much broader than the traditional definition which focuses on race, gender, age, beliefs, disability, ethnic origin, marital status, religion and sexual orientation. Productive Board discussions require a breadth of experience and perspectives achieved through hiring Board members with diverse backgrounds and experience. Directors shall be appointed in order to bring the required skills, knowledge and experience and are expected to impact the chemistry and dynamics of the Board positively.

The Board is currently led by a female Non-Executive Chairman, with a Brazilian-born CEO who runs the Company with support from two other male Executive Directors along with one male independent Non-Executive Director. Effective on or before 1 August 2019, James Brotherton will join the Board and as such it will comprise of four male Executive Directors. It is believed that the Board has the requisite experience and skills for the Company to achieve its immediate objective of acquiring a business in the B2B distribution and/or business services sector. The composition of the Board will continue to be considered as the Company progresses with its stated strategy. Details of the experience of the current Directors are included on pages 5 to 7.

Around the time of a Platform Acquisition, the Board and Committee composition will be revisited to ensure that they meet the changing needs of the business. During the recruitment process for new Directors, the Nomination and Remuneration Committee will ensure that the diversity of the Board is considered in detail.

Board effectiveness

The Board has not undertaken a Board effectiveness review during the year but, in consideration of the time elapsed since incorporation, the Board believes it will be beneficial to conduct an annual evaluation of its own performance and is committed to undertaking its first evaluation in the twelve months following publication of these Financial Statements.

The Board intends to carry out the initial Board effectiveness review by means of a questionnaire requiring written responses from the Directors. To ensure independence and objectivity, the Board intends for the questionnaire to be designed, administered and reviewed on a confidential basis by the Company Secretary. The questionnaire will have due regard to the balance of skills, experience, independence and knowledge contributed by members of the Board, as well as the successful operation of the Board as a unit, its diversity and other factors relevant to its effectiveness. The questionnaire will ask the Directors a range of questions to provoke an analysis of how Board meetings are run, including an assessment of the meeting agendas and Board materials received, to assess whether the meetings are conducive to effective performance, are flexible and encourage debate. The Directors will be required to assess whether Board members attend and actively contribute to meetings, as well as their thoughts on Board composition, risk management processes, director remuneration, external advisers, performance of the Company Secretary and personal development, among other things.

Principal risks

The Board has carried out robust assessments of the principal risks facing Safe Harbour, including those that threaten its business model, future performance, solvency and liquidity, as set out below. Detailed consideration is given to all of these risk factors by the Audit and Risk Committee and the Board.

Risk title	Risk rating
Unsuccessful transaction costs	High
Timing of investments	High
Key management risk	Moderate
Acquisition of targets	Moderate
Change in investment policy	Moderate
Additional funding requirements	Moderate

Unsuccessful transaction costs

There is a risk that the Company may incur substantial legal, financial and advisory expenses arising from unsuccessful transactions which may include transaction documentation, legal, accounting and other due diligence. The Company may need to raise additional funds in order to continue to pursue its investment strategy if its operating and unsuccessful transaction costs reduce its cash balance below that required to execute a Platform Acquisition in accordance with its investment strategy.

To mitigate this risk, monthly management information is provided to the CEO and material detailing expenses incurred and a forward-looking cash flow forecast is included in the periodic Board meetings. All third party engagements for acquisition-related work are reviewed by the corporate finance advisers and agreed and signed off by the Board. All of the costs incurred during potential acquisitions are closely monitored and updated on a real time basis.

Timing of investments

The Company cannot accurately predict how long it will actually take to deploy the capital available to it or whether it will be able to do so at all. Any significant delay or inability to find a suitable acquisition may have a material adverse effect on the business, financial condition, results of operations and prospects of the Company.

Pursuant to the AIM Rules for Companies, if the Company has not substantially implemented its investment policy within 18 months of admission, the investment policy will be subject to approval by shareholders at the 2020 annual general meeting of the Company and annually thereafter.

The management team of Safe Harbour is fully aware of the time constraints under the AIM Rules. Work is ongoing to identify and acquire a target business before the need for shareholder approval to continue the investment policy. In the event that an acquisition has not been made within this timeframe, the Board will consider the appropriateness of seeking shareholder approval to continue the investment policy and to the extent permitted under MAR, communication will be maintained with the Company's major shareholders throughout.

Key management risk

The Company is highly dependent on the expertise and continued service of the Directors. The commercial insight of Rodrigo Mascarenhas in particular should help provide the Company with a competitive edge. However, subject to any minimum terms included in contracts, the Directors could give notice to terminate their employment agreements at any time and their loss may have an adverse effect on the Company's business.

The management team of Safe Harbour is small and aligned to the business' objectives. The remuneration packages are considered to be appropriate and Rodrigo Mascarenhas is included in the long-term incentive plan to align his potential return with that of shareholders. The Nomination and Remuneration Committee reviews the Executive Directors' salaries on an annual basis to ensure their salaries remain appropriate.

Acquisition of targets

Although the Company has identified a number of potential investment opportunities, it is not currently in formal or exclusive discussions with any asset vendors. The Company's future success is dependent upon its ability to not only identify opportunities but also to execute successful acquisitions and/or investments. There can be no assurance that the Company will be able to conclude agreements with any target business and/or shareholders in the future and failure to do so could result in the loss of an investor's investment. In addition, the Company may not be able to raise the additional funds required to acquire any target business and fund its working capital requirements.

The Directors of Safe Harbour have experience, knowledge and a track record of executing acquisitions. All members of the management team are highly experienced and have excellent knowledge of the B2B distribution and business services market allowing them to focus efficiently on high quality businesses which are fundamentally sound.

The management team of Safe Harbour has good contacts across the sector and maintains close contact with banks and brokers to keep it aware of target availability. The culture within the team facilitates open lines of communication and shareholder relations are maintained increasing the capacity of the business to raise capital.

Change in investment policy

The investment policy may be modified and altered from time to time with the approval of shareholders. It is therefore possible that the approaches adopted to achieve the Company's investment objectives in the future may be different from those the Directors currently expect to use. Any such change may have a material adverse effect on the business, financial condition, results of operations and prospects of the Company.

Should any change in investment policy be considered, this will take into account the skills and knowledge of the Board. An open dialogue will be maintained with shareholders.

Additional fundraising requirements

When a suitable Platform Acquisition or future bolt-on acquisition is identified, it is expected that the Company will need to raise further capital to fund such an acquisition and/or facilitate the development of such acquisition. There is no guarantee that the Company will be able to raise such capital, and this may prejudice the Company's ability to make and develop such acquisitions. This inability to raise further capital may have a material adverse effect on the business, financial condition, results of operations and prospects of the Company.

The ongoing business needs of the platform asset will be fully analysed as part of the acquisition due diligence in order to assess future funding requirements and an open and active dialogue will be maintained with major shareholders.

Internal controls

The Board is responsible for establishing and maintaining the Company's systems for both risk management and internal controls and reviewing the effectiveness of both with the assistance of the Audit and Risk Committee. Internal control systems are designed to meet the particular needs of the Company and Group and the particular risks to which it is exposed. The procedures are designed to manage rather than eliminate risk and, by their nature, can only provide reasonable but not absolute assurance against material misstatement or loss.

The Directors regularly review risks faced by the Company and assess those which they believe have the greatest potential impact on the business in its current form, including those which may jeopardise the successful acquisition of the Company's platform asset and the ongoing liquidity and solvency of the Group.

The recruitment, retention and engagement of an experienced management team is considered central to ensuring the successful acquisition of the Company's platform asset. The Directors have extensive experience and knowledge, and the Company has established an incentive scheme to motivate the Executive Directors and align their interests with those of the shareholders. The Non-Executive Chairman and independent Non-Executive Director provide constructive challenge, expertise and experience to Board discussions which, alongside the Company's prudent approach to pre-acquisition due diligence, is regarded as a further measure to mitigate risks applicable to the acquisition of a platform asset.

The Company has implemented financial procedures including controls over cash management, the safeguarding of cash, and monthly cash forecasting and budgeting to mitigate the risk of insolvency. The Company has in place numerous internal controls in relation to financial reporting, such as the segregation of roles between those preparing and those reviewing financial information. In addition, the Company has established a multi-tier review process with reviews undertaken by individuals with the appropriate level of seniority and experience, reducing the risk of misstatement and fraud. On a monthly basis, summary financial information, including a balance sheet, profit and loss, actual cash flow and detailed cash flow forecast, is reviewed by the CEO. Financial information is also tabled at the periodic Board meetings where it is discussed in detail by the Board.

The Company does not have a separate internal audit function as the Board does not feel this is necessary due to the current size of the business and the simplicity and low volume of transactions, coupled with the nature and the extent of internal controls, management and Board oversight and involvement.

Company culture

The Board promotes a dynamic, entrepreneurial and transparent culture. The recruitment of highly skilled, adaptable, driven and experienced Directors and senior management is fundamental to executing the Company's strategy. The Board therefore fosters a forum whereby openness, constructive challenge and innovation are actively encouraged.

Succession planning

Given the size, composition and nature of the Company at this stage in its evolution, the creation and implementation of succession plans are not considered to be appropriate or relevant and as such no specific individual (or group of individuals) have been identified (or are capable of being identified) to succeed Rodrigo Mascarenhas as CEO.

Rodrigo is central to the Company achieving its immediate goal of acquiring a platform asset; he has exceptional experience and knowledge on which the Company's strategy has been built. Once a platform asset has been acquired, succession planning will be revisited by the Board.

Directors' terms of service

The Articles of Association of the Company require that, at each annual general meeting of the Company, one third of the Directors retire from office and offer themselves for re-election, and each Director shall retire from office and stand for re-election at least every three years. Furthermore, each Director appointed in the period since the previous annual general meeting shall stand for election at the subsequent annual general meeting. Chris Cole and James Brotherton will both stand for election at the next annual general meeting of the Company following their respective appointment dates.

The Directors' service contracts establish the time commitment each Director must devote to the Company. Rodrigo Mascarenhas is required to commit the whole of his time during normal office hours, and such other time as may reasonably be required, in the performance of his role, as will James Brotherton from the date of his appointment. Mark Brangstrup Watts, James Corsellis, Avril Palmer-Baunack and Chris Cole are to devote the time necessary to ensure the proper performance of their duties as detailed in their respective service contracts.

Continued professional development

The Board considers and reviews the requirement for continued professional development. The Board undertakes to ensure that the Directors' awareness of developments in corporate governance and the regulatory framework is current, and that they are up-to-speed with all industry-specific updates. The Company Secretary, Nominated Adviser and specialist external advisers all serve to strengthen this development by providing guidance and updates as required.

Company Secretary

The QCA Code provides details on the roles and responsibilities of the Company Secretary within a Company. The Company Secretary for the Group is Axio.

Axio performs the function of Company Secretary as outlined in the Code. The role includes preparing for and running effective Board meetings, including the timely dissemination of appropriate information. In addition, the Company Secretary is responsible for assisting the Directors in ensuring that group entities are managed, controlled and administered within the parameters of their governing documents and are compliant with regulatory requirements and filing obligations.

Axio has established direct lines of communication with each of the Directors and provides information, advice and guidance as required.

Axio plays an active and central role in ensuring good governance and provides an additional point of contact between the Company and its advisers on matters of governance and investor relations.

External advisers

The Company is currently pursuing its investment strategy and as a result it is expected that further advisers and industry experts will be engaged to help facilitate this. A list of current key external service providers is included on page 46.

Relationships with key resources and external advisers are developed and maintained through an open dialogue to ensure that the Company is able to draw upon their expertise and assistance when required.

Conflicts of interest

The Articles of Association of the Company provide for a procedure for the disclosure and management of risks associated with Directors' conflicts of interest. At each Board meeting, a list of directorships for each Director is tabled to the meeting with any potential conflicts being discussed in detail. Notwithstanding that no material conflict of interest has arisen in the period, the Board considers these procedures to have operated effectively.

Relations with stakeholders

Safe Harbour does not currently have an operating business and therefore has a very limited number of stakeholders given that Safe Harbour has no customers and its suppliers are primarily professional advisers. The Directors have frequent interactions with Safe Harbour's small workforce.

The Board is always available for communication with shareholders, and the Directors frequently engage constructively with current and potential shareholders. The Board stays informed of shareholders' views via regular meetings and through its Nominated Adviser. All shareholders have the opportunity, and are encouraged, to attend and vote at the annual general meeting of the Company during which the Board will be available to discuss issues affecting the Company.

Annual general meeting

The Company has not published the results of historical voting on its website. The Company will disclose this information going forward, beginning with the publication of the results of its 2019 annual general meeting.

Effective from 20 November 2018, the Board established an Audit and Risk Committee to further strengthen the Company's corporate governance framework. The Audit and Risk Committee is delegated responsibility for oversight of Safe Harbour's financial reporting, internal controls, risk management and relationship with the external auditors. Membership of the Audit and Risk Committee is detailed on page 12 and the committee's role and responsibilities are set out in its terms of reference, which are available on the Company's website and from the Company Secretary.

Prior to the establishment of the Audit and Risk Committee, the Board was responsible for all matters normally handled by an Audit and Risk Committee, as set out by the QCA Code, including:

- the review and challenge of the risk identification and risk management process across the business including the risks in connection with a potential acquisition;
- the management of relations with the external auditors to ensure that the annual audit is effective, objective, independent and of high quality;
- the oversight of the relationship with the external auditors to ensure it remains appropriate and that the service is appropriately priced; and
- the review of the Company's draft corporate reporting, including the annual report and audited financial statements.

In particular, the Board undertook the following activities, prior to the establishment of the Audit and Risk Committee:

- Reviewed the 2017 financial statements and 2018 interim financial statements, including the going concern assumption, and considered whether the financial statements are fair, balanced and understandable. As part of the review, the Board received a report from the external auditors on its audit;
- Considered the processes in place to generate forecasts of cash flows, including the reasonableness and consistent use of assumptions;
- Reviewed the effectiveness of the Group's risk management and internal controls and disclosures made in the financial statements on this matter; and
- Reviewed and agreed the scope of the audit work to be undertaken by the external auditors and assessed their independence and approved the fees to be paid.

Since the Committee's formation on 20 November 2018, the Committee has assumed these responsibilities and has been actively involved in the audit process for the year ended 31 December 2018, including having:

- Reviewed the Financial Statements, including the going concern assumption and considered whether the Financial Statements are fair, balanced and understandable. The Committee also reviewed the critical accounting judgements and estimates used in preparing the financial statements and ensured adequate disclosure on the issues and how they were addressed are included in the Financial Statements. As part of the review, the Committee received reports from the external auditors on its audit;
- Reviewed and agreed the scope of the audit work to be undertaken by the external auditors and assessed the audit and non-audit services fees to be paid, as well as the independence and objectivity of the auditors;
- Reviewed and made a recommendation to the Board with regard to the re-appointment of the external auditors, taking into account auditors' effectiveness and independence, partner rotation and other factors which may impact the external auditors' re-appointment; and
- Reviewed management's updates to Safe Harbour's main control document, the Financial Position and Prospects Memorandum, and risk register.

Risk management and internal controls systems

The Board has reviewed the Company's risk management and internal control systems and believes that the controls and risk management approach are satisfactory given the current nature and size of the Company and Group. At or around the time an operating business is acquired, the Board will further review the risks to which the new enlarged group is exposed, and an appropriate risk management process will be put in place.

Independence of external auditors

The Board appointed PwC as external auditors during the year. The auditors' independence, reputation, experience and fee quote (among other factors) were considered by the Committee in determining its recommendation to the Board in relation to the external auditors' appointment.

PwC has been engaged by the Company to provide other services in the year, including the reporting accountant role on both the Company's IPO and due diligence fees in respect of a potential Platform Acquisition target. The reporting accountant role is aligned with that of the Company's auditors and is not considered by the Board to impinge on the independence of the external auditors. PwC has also confirmed that it believes that it has remained independent. The total amount paid for non-audit services during the year was £40,000 (2017: £175,000 of which £55,000 relates to the Company's IPO and £120,000 relates to the due diligence fees in respect of a potential Platform Acquisition target).

James Corsellis

Chairman of the Audit and Risk Committee

11 June 2019

Effective from 20 November 2018, the Board established a Nomination and Remuneration Committee. The roles and responsibilities of the Nomination and Remuneration Committee are set out in its terms of reference, which are available on the Company's website and from the Company Secretary.

Prior to the establishment of the Nomination and Remuneration Committee, the Board was responsible for all Nomination and Remuneration duties as set out in the QCA Code, with the overarching objectives being to:

- Ensure that the Company can recruit and retain high quality executives through packages which are fair and attractive, but not excessive;
- Develop remuneration packages which motivate the Directors and senior management team and support the delivery of the business in the short, medium and long term;
- Align the interests of the Executive Directors and senior management with the interests of medium to long-term shareholders; and
- Encourage executives to operate within the risk parameters set by the Board.

During the year, to help facilitate the objectives of its Nomination and Remuneration related duties, the Board:

- Established the remuneration package for the Executive Directors, including an incentive scheme for Executive Directors and senior management designed to align their interests with those of medium to longer term shareholders;
- Recruited a high-quality candidate for senior management to support the Executive Directors in achieving the Company's stated strategy;
- Considered the composition and balance of the Board in conjunction with the Company's requirements and the provisions of the QCA Code and appointed Chris Cole as an independent Non-Executive Director to further strengthen the Board. The Board believes that the appointment of Chris provides independent challenge, has further strengthened the capabilities of the Board, and demonstrates the positive intent to continue to challenge and enhance the Group's corporate governance framework as the business grows and evolves;
- Decided to establish a Nomination and Remuneration Committee and delegated responsibility to this committee; and
- Reviewed the value of the incentive scheme for the Company's management and core investor.

Since the Committee's formation on 20 November 2018, the Committee has assumed these responsibilities and has approved the annual guaranteed bonus to Rodrigo Mascarenhas.

Remuneration report

The information included in this report is not subject to audit unless specifically indicated. The Nomination and Remuneration Committee Report, including the remuneration report, has been prepared by the Board in conjunction with the Nomination and Remuneration Committee for the year. The objectives of the Board in relation to nomination and remuneration are set out above.

Annual statement

The remuneration policy of the Company is that executive remuneration should be simple and transparent and support the delivery of the business strategy by attracting the highest calibre personnel. This philosophy is reflected in our remuneration structure.

The Board feels very strongly that Directors' remuneration should be linked to the creation and enhancement of shareholder value. Although the Board feels it is important to remunerate senior executives through their basic pay and benefits at market levels commensurate with their peers, the Incentive Share Scheme has been designed to provide ongoing remuneration in alignment with shareholders' interests. The Incentive Share Scheme, described below, has been in place since before the Company's IPO.

Incentive Share Scheme

Subject to shareholders achieving a 10% preferred return per annum on a compounded basis on their net invested capital (the “Preferred Return”), the holders of the Incentive Shares are entitled, on exercise, to an aggregate return of 16%. (of which A1 Shares as a class are entitled to 11% and A2 Shares to 5%) of the excess in the market value of the Company over and above its aggregate paid up share capital, allowing for any dividends and other capital returns.

The purpose of the A3 Shares is to ensure that if an A1 or A2 shareholder exercises their Incentive Shares before the rest of the A shareholders, then any of the 16% growth in value by the first exerciser may be allocated to the remaining A shareholders on a pro rata basis through the A3 Shares. This will result in A shareholders in aggregate receiving 16% of growth in value, provided that the vesting conditions are satisfied.

The Incentive Shares are subject to certain vesting conditions, at least one of which must be (and continue to be) satisfied in order for a holder of Incentive Shares to exercise his or her redemption rights and which ends on the fifth anniversary of the date of the Platform Acquisition or such later date as is agreed between the Company and the holders of at least 90% of the ordinary shares, A1 Shares, A2 Shares and A3 Shares.

The vesting conditions are as follows:

- (i) it is later than the third anniversary of the Platform Acquisition;
- (ii) a sale of all or a material part of the business of Safe Harbour Holdings Jersey Limited (“SHHJL”);
- (iii) a sale of all of the issued ordinary shares of SHHJL or a merger of SHHJL;
- (iv) a winding up of SHHJL occurring; or
- (v) a sale or change of control of the Company.

The Incentive Shares are subject to a three-year vesting period and will lapse after five years. The vesting period commences from the date of the Platform Acquisition. On exercise, it is anticipated that the incentive shares will be settled in ordinary shares of the Company. On issue, Rodrigo Mascarenhas and James Brotherton are required to retain such ordinary shares for a minimum of 6 months subject to provisions in relation to the sale of shares (i) for the payment of tax; (ii) with prior consent from the parent; (iii) pursuant to an order made by court; (iv) pursuant to an offer made by the parent to purchase its own shares which is made on identical terms to all A shareholders; or (v) if there is a cessation of duties where an A shareholder is no longer a director of any group company.

As at 31 December 2018, the following incentive shares were in issue:

Incentive Shareholder	Number of A1/A2 Incentive shares	Number of A3 Incentive shares
PRX Trust (A1)*	540	600
Marwyn Long Term Incentive LP (A2)**	500	500
	1,040	1,100

The Incentive Share Scheme has been designed to align the Company’s shareholders’ interests and the shareholders’ expected typical ownership period. The Board strongly believes that this clear and transparent incentive framework is aligned with the Company’s strategy for growth and provides a strong platform for the future success of the Company.

It is anticipated that the exercise of Incentive Shares will result in management receiving ordinary shares in the Company. Those shareholdings could be substantial and should further align management and shareholders.

* Rodrigo Mascarenhas is beneficially interested in the PRX Trust

**James Corsellis and Mark Brangstrup Watts are beneficially interested in Marwyn Long Term Incentive LP

Directors' basic and performance-related pay:

The below table sets out the remuneration of each Director during the year ended 31 December 2018:

	Rodrigo Mascarenhas	Mark Brangstrup Watts	James Corsellis	Avril Palmer- Baunack	Chris Cole
	£	£	£	£	£
Salary/fee	350,000	14,156	14,156	172,051	10,000
Guaranteed bonus	150,000	–	–	–	–
Taxable benefits	4,640	–	–	–	–
	504,640	14,156	14,156	172,051	10,000

Taxable benefits include private medical, dental and travel insurance.

The annual salary for Rodrigo Mascarenhas is £350,000, paid monthly in arrears, with a guaranteed minimum annual bonus of £150,000 and a discretionary bonus of up to £100,000, paid annually. Mark Brangstrup Watts and James Corsellis are paid fees equal to the prevailing national minimum wage for 35 hours per week. During the year they received fees of £14,156 each. Rodrigo, Mark and James are all incentivised through the Incentive Share Scheme.

In determining Rodrigo's salary, his experience and anticipated contribution to the business were considered. Rodrigo, Mark and James' roles are all expected to change as the business evolves, in particular the expectations, responsibilities and demands are expected to change significantly following the completion of the Platform Acquisition, and as such their remuneration packages will be reviewed at this time.

Rodrigo Mascarenhas' service agreement contains a bonus arrangement, which is dependent on the completion of the Platform Acquisition by the Group (the "**Platform Acquisition Bonus**"). Rodrigo will be entitled to an additional cash bonus of an amount equal to one-third of 1% of the Total Enterprise Value¹ where the Total Enterprise Value is £1 billion or more, two-thirds of 1% where the Total Enterprise Value is less than £250 million and otherwise one third of X, where:

$$X = 2\% - \frac{(\text{Total Enterprise Value} - \text{£250 million}) * 1\%}{\text{£750 million}}$$

Upon completion of the Platform Acquisition, Avril Palmer-Baunack and Marwyn Capital LLP (of which James Corsellis and Mark Brangstrup Watts are managing partners) will each receive a fee equal to Rodrigo's cash bonus referred to in the preceding paragraph.

Avril Palmer-Baunack, who joined the Board on 20 February 2018, received a salary of £172,051 during the year. Avril's fixed annual fee is £200,000, paid monthly in arrears. Chris Cole, who joined the Board on 14 November 2018, received fees of £10,000 during the year. Chris's annual Non-Executive Director fee is £75,000, paid monthly in arrears.

Once the Company has made its Platform Acquisition, the objectives of the enlarged group will be established; at this point the Director's service contracts will be revisited and as part of this process the Nomination and Remuneration Committee will consider the most appropriate key performance indicators for the Directors and senior management.

¹ The total enterprise value of a business or company acquired by the Group calculated as the total value of the consideration paid by the Group for the acquired equity or assets (as the case may be) plus the net debt of the acquired business or company, such net debt to be reduced pro-rata where less than 100 per cent. of the entire issued share capital of the target business or company is acquired, as calculated by the Board acting reasonably and in good faith.

Performance evaluation

The Board is committed to undertaking a Board evaluation within the next 12 months, as set out on page 13. The Nomination and Remuneration Committee will review the results of the evaluation and, where appropriate, make recommendations to the Board.

Risks

The Board is mindful of the potential risks associated with its remuneration policy. The Board aims to provide a structure that encourages an acceptable level of risk-taking (by benchmarking against shareholder returns) and an optimal remuneration mix. Going forward the Nomination and Remuneration Committee intends to undertake annual evaluations to ensure its policy achieves the correct balance and does not encourage excessive risk taking. The Board has considered the risk involved in the Incentive Share Scheme and the Platform Acquisition Bonus and is satisfied that the Company's governance procedures mitigate these risks appropriately.

The Board has sought to ensure that its approach to remuneration drives behaviour aligned to the long-term interests of the Company and its shareholders.

Chris Cole

Chairman of the Nomination and Remuneration Committee

11 June 2019

Report on the audit of the financial statements

Opinion

In our opinion, Safe Harbour Holdings plc's Group financial statements (the "financial statements"):

give a true and fair view of the state of the Group's affairs as at 31 December 2018 and of its loss and cash flows for the year then ended;

have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and

have been prepared in accordance with the requirements of the Companies (Jersey) Law 1991.

We have audited the financial statements, included within the Annual Report and Audited Financial Statements (the "Annual Report"), which comprise: the Group Statement of Comprehensive Income; the Group Statement of Financial Position; the Group Statement of Changes in Equity; the Group Statement of Cash Flows; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' 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 remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our audit approach

Overview



Overall Group materiality: £269,000 (2017: £80,500), based on 1% of total assets.

The Group is comprised of three entities (the Company and two wholly-owned subsidiaries). The engagement was scoped such that all material balances from the Company and its subsidiaries were subject to full scope audit work and tested in the context of our materiality.

- Key audit matter: Valuation of share-based payments

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective 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 evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial

statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter

How our audit addressed the key audit matter

Valuation of share-based payments (Group)

The Group provides benefits to senior management and others in the form of share-based payments, whereby services are rendered by individuals and they receive rights to shares in exchange. This was in the form of incentive shares. On 29 September 2016, the Group issued 540 'A1' incentive shares to the Group's CEO, and 500 'A2' incentive shares to Marwyn Long Term Incentive LP, a related party of the Group. These share-based payment transactions are classified by the Group as equity-settled share-based payments.

On 20 February 2018, 600 new 'A3' incentive shares were issued to the Group's CEO, and 500 A3 shares were issued to Marwyn Long Term Incentive LP. These awards were accounted for in accordance with IFRS 2 Share-based Payments as equity-settled share-based payments. The shares had a par value at £0.01 per share and the total subscription price for these shares was £2,211. This was based on assumptions including size of investment, likelihood of an acquisition, likelihood of an IPO, expected volatility and expected term.

On 16 August 2018, the A1 and A3 shares previously issued to the Group's CEO were bought back by the Group and subsequently cancelled. On 27 September 2018, new replacement A1 and A3 shares were issued by Safe Harbour Holdings Jersey Limited to a trust of which the Group's CEO is beneficiary, which have been treated as replacement awards under IFRS 2.

Whilst considered a cancellation of the original share awards and subsequent re-issuance in legal form, the Group has accounted for this change as a modification as this is considered to be the substance of the matter, and has therefore applied modification accounting. The accounting treatment is therefore to continue to use the original valuation by the Group's external valuation expert as the basis for these A1 and A3 shares.

The accounting for share-based payments incorporates a judgemental option value and in determining the fair value of share-based awards, management have to apply and disclose critical accounting estimates and judgements. The Group originally valued the options, assisted by an external valuation expert, using a Monte Carlo simulation in 2016, where inputs such as volatility rate, risk free rate, probability of IPO and probability of acquisition require judgement. The Group financial statements for the year ended 31 December 2018 reflected a movement within the Statement of Changes in Equity of £9,285.

Refer to notes 2 and 19 in the Group financial statements.

Whilst the total charge to the Group Statement of Comprehensive Income for the year ended 31 December 2018 is not material to the financial statements, we have performed procedures on the valuation ascribed to the awards by management and the resultant charge to the Group Statement of Comprehensive Income, in the context of our significant risk assessment for the year ended 31 December 2018 with respect to valuation of share-based awards. This is based on the fact that there were several judgements made in the prior year around the valuation of the schemes and on the accounting treatment of the newly issued incentive shares.

In spite of the time lag between legal cancellation and reissuance, the new A1 shares were a replacement of the old awards in substance and we validated that the terms of the newly issued A1 and A3 shares did not change.

We concur with management that accounting for the legal cancellation and reissuance of the CEO's awards is appropriately accounted for under IFRS 2 as a modification. Specifically, we have considered whether the Group identified the instrument as a replacement, based on examining the terms of the newly issued awards, and what was communicated to the CEO as a beneficiary of the trust to which the new awards were issued. As such, since the terms of the newly issued A1 and A3 shares are the same (except for the fact that they are now issued to a different party), we are comfortable that the intention of the new shares are as a reissuance rather than a cancellation.

Accounting for the above event as a modification is appropriate for the replacement incentive shares, and the 2018 share-based payment reserve is supportable in the context of the prior period valuation, vesting period and other assumptions.

We performed procedures to agree the issuance of the new A3 shares issued in 2018 to subscription letters, and we have also obtained a valuation memo from management's valuation expert to support assumptions underpinning the valuation of these shares, particularly around the size of the acquisition and the likelihood of IPO. We have evaluated these assumptions for reasonableness and concur with management that the valuation of the incentive shares is supportable. We also validated the appropriateness of the related disclosures in note 19 of the financial statements.

How we tailored the audit scope

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

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective 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 evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud. Procedures designed and executed to address these risks included procedures to test journal entries and post-close adjustments, testing and evaluating management's key accounting estimates for reasonableness and consistency and undertaking cut-off procedures to verify proper cut-off of expenses. In addition, we incorporate an element of unpredictability into our audit work each year.

Materiality

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

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

Overall Group materiality	£269,000 (2017: £80,500).
How we determined it	1% of total assets.
Rationale for benchmark applied	The entity is a special purpose acquisition company and accordingly, has incurred expenses in relation to its flotation on the AIM in 2018. Users are focused on total assets in advance of any potential platform acquisition activity, at which point the entity will be a profit oriented entity and such a basis would be considered more appropriate.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £26,900 (2017: £8,050) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

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

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability 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 Group's trade, customers, suppliers and the wider economy.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

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

With respect to the Strategic Report and Report of the Directors, we also considered whether the disclosures required by the Companies (Jersey) Law 1991 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Report of the Directors

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Report of the Directors for the year ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Report of the Directors.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities set out on page 8, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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 Group'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 Group or to cease operations, or have no realistic alternative but to do so.

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

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

Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies (Jersey) Law 1991 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies (Jersey) Law 1991 exception reporting

Under the Companies (Jersey) Law 1991 we are required to report to you if, in our opinion:

- We have not received all the information and explanations we require for our audit; or
- Certain disclosures of directors' remuneration specified by law are not made.

We have no exceptions to report arising from this responsibility.

Philip Stokes (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
11 June 2019

SAFE HARBOUR HOLDINGS PLC

Company number 123821

GROUP STATEMENT OF COMPREHENSIVE INCOME

		Group year ended 31 December 2018 £	Group period to 31 December 2017 £
Administrative expenses	5	(2,446,602)	(2,537,970)
Operating loss		(2,446,602)	(2,537,970)
Finance income	8	122,596	–
Loss before income tax		(2,324,006)	(2,537,970)
Income tax	9	–	–
Loss for the year/period		(2,324,006)	(2,537,970)
Total other comprehensive income		–	–
Total comprehensive loss for the year/period, attributable to owners of the parent		(2,324,006)	(2,537,970)
Loss per Ordinary Share			
Basic and diluted loss per share attributable to ordinary equity holders of the parent	18	(0.1383)	(0.3272)

The Group's activities derive from continuing operations.

The notes on pages 32 to 45 form an integral part of these Financial Statements.

SAFE HARBOUR HOLDINGS PLC

Company number 123821

GROUP STATEMENT OF FINANCIAL POSITION

	Note	Group as at 31 December 2018 £	Group as at 31 December 2017 £
Assets			
Non-current assets			
Property, plant and equipment		1,302	2,237
Total non-current assets		1,302	2,237
Current assets			
Deferred costs	11	–	177,000
Other receivables	12	73,454	86,843
Cash and cash equivalents	13	26,904,510	7,787,775
Total current assets		26,977,964	8,051,618
Total assets		26,979,266	8,053,855
Capital and reserves attributable to equity holders of the parent			
Stated capital	15	31,447,419	10,000,003
Share-based payment reserve	19	88,069	78,784
Accumulated losses		(4,861,976)	(2,537,970)
Total equity		26,673,512	7,540,817
Current liabilities			
Trade and other payables	14	305,754	513,038
Total liabilities		305,754	513,038
Total equity and liabilities		26,979,266	8,053,855

The notes on pages 32 to 45 form an integral part of these Financial Statements.

The Financial Statements on pages 28 to 45 were approved by the Board of Directors on 11 June 2019 and were signed on its behalf by:

Rodrigo Mascarenhas
Chief Executive Officer

Avril Palmer-Baunack
Chairman

SAFE HARBOUR HOLDINGS PLC

Company number 123821

GROUP STATEMENT OF CHANGES IN EQUITY

	Note	Stated capital £	Share-based payment reserve £	Accumulated losses £	Total equity £
Balance at 1 January 2018		10,000,003	78,784	(2,537,970)	7,540,817
Loss and total comprehensive loss for the year		–	–	(2,324,006)	(2,324,006)
Issue of ordinary shares	15	22,699,998	–	–	22,699,998
Share issue costs	15	(1,252,582)	–	–	(1,252,582)
Share-based payment expense	19	–	9,285	–	9,285
Balance at 31 December 2018		31,447,419	88,069	(4,861,976)	26,673,512
Balance at 26 August 2016		–	–	–	–
Loss and total comprehensive loss for the period		–	–	(2,537,970)	(2,537,970)
Issue of ordinary shares	15	10,000,003	–	–	10,000,003
Share-based payment expense	19	–	78,784	–	78,784
Balance at 31 December 2017		10,000,003	78,784	(2,537,970)	7,540,817

The notes on pages 32 to 45 form an integral part of these Financial Statements.

	Note	Group for the year ended 31 December 2018	Group for the period ended 31 December 2017
		£	£
Operating activities			
Loss before income tax		(2,324,006)	(2,537,970)
Adjustments to reconcile loss before income tax to net cash flows:			
Finance income	8	(122,596)	–
Depreciation expense		935	744
Share-based payment expense	19	8,280	68,148
Working capital adjustments:			
Decrease/(increase) in deferred costs	11	177,000	(177,000)
Decrease/(increase) in other receivables	12	13,389	(86,843)
(Decrease)/increase in trade and other payables ¹	14	(208,490)	505,748
Interest received	8	122,596	–
Net cash flows used in operating activities		(2,332,892)	(2,227,173)
Investing activities			
Purchase of office equipment		–	(2,981)
Net cash flows used in investing activities		–	(2,981)
Financing activities			
Proceeds from issue of share capital	15	22,699,998	10,000,003
Share issue costs	15	(1,252,582)	–
Proceeds from issue of ordinary A Share capital	19	2,211	17,926
Net cash flows generated from financing activities		21,449,627	10,017,929
Net increase in cash and cash equivalents		19,116,735	7,787,775
Cash and cash equivalents at beginning of the period		7,787,775	–
Cash and cash equivalents at the end of the period	13	26,904,510	7,787,775

The notes on pages 32 to 45 form an integral part of these Financial Statements.

¹ £1,206 (2017: £7,290) represents proceeds from issue of A1 and A3 Shares that are classified in trade & other payables in the Statement of Financial Position and as proceeds from the issue of ordinary A Share capital in the Statement of Cash Flows.

1. GENERAL INFORMATION

Safe Harbour Holdings plc (the “**Company**”) is an investing company for the purposes of the AIM Rules for Companies (“**AIM Rules**”), is incorporated in Jersey and domiciled in the United Kingdom (company number: 123821). It is a public limited company and the address of the registered office is One Waverley Place, Union Street, St Helier, Jersey, JE1 1AX, with a UK establishment address of 11 Buckingham Street, London, WC2N 6DF. The Company is the parent company of Safe Harbour Holdings UK Limited (company number: 10348545) (“**SHHUK**”) and Safe Harbour Holdings Jersey Limited (company number: 121981) (“**SHHJL**”), (collectively, the “**Group**”). The activity of the Company is the acquisition and subsequent development of assets engaged in business-to-business distribution and/or business services.

2. ACCOUNTING POLICIES

(a) Basis of preparation

The Financial Statements represent the year ended 31 December 2018, with the comparative period from 26 August 2016 to 31 December 2017, and have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and IFRS Interpretations Committee interpretations (collectively, “**IFRSs**”), and with those parts of applicable law as relevant to companies reporting under IFRSs.

The Financial Statements are prepared under the historical cost convention and are presented in British pounds sterling, which is the presentational and functional currency of the Company.

The principal accounting policies adopted in the preparation of the Financial Statements are set out below. The policies have been consistently applied throughout the periods presented.

(b) New standards and amendments to IFRSs

Standards, amendments and interpretation effective and adopted by the Group:

The accounting policies adopted in the presentation of these Financial Statements reflect the adoption of the standards effective for periods beginning on or after 1 January 2018, none of which had a material effect on the Group.

Standard	Effective Date
Amendments to IFRS 4: Applying IFRS 9 <i>Financial Instruments</i> with IFRS 4 <i>Insurance Contracts</i>	1 January 2018
IFRS 9: <i>Financial Instruments</i>	1 January 2018
IFRS 15: <i>Revenue from Contracts with Customers</i>	1 January 2018
IFRIC 22: <i>Foreign Currency Transactions and Advance Consideration</i>	1 January 2018
Amendments to IFRS 2: <i>Classification and Measurement of Share-based Payment Transactions</i>	1 January 2018
Amendments to IAS 40: <i>Transfers of Investment Property</i>	1 January 2018

IFRS 9 ‘Financial Instruments’ amends the classification and measurement models for financial assets and adds new requirements to address the impairment of financial assets. It also introduces a new hedge accounting model to more closely align hedge accounting with risk management strategy and objectives. The standard requires companies to make an election on whether gains and losses on equity instruments measured at fair value should be recognised in the income statement or other comprehensive income, with no recycling. IFRS 9 has been adopted by the Group but has had no material effect on the Group’s results.

The Group has applied IFRS 15 ‘Revenue from Contracts with Customers’ under the cumulative effect method. IFRS 15 amends the guidance on identifying performance obligations, accounting for licences of intellectual property and the principal versus agent assessment (gross versus net revenue presentation permitted). Adopting IFRS 15 has not had a material impact on the timing of revenue recognition or any material impact on accounting for revenue.

Standards issued but not yet effective:

The following standards are issued but not yet effective. The Group intends to adopt these standards, if applicable, when they become effective. It is not currently expected that these standards will have a material impact on the Group.

Standard	Effective Date
IFRS 16: <i>Leases</i>	1 January 2019
IFRIC 23: <i>Uncertainty over income tax treatments</i>	1 January 2019
Amendments to IFRS 9: <i>Prepayment features with negative compensation</i>	1 January 2019
Amendments to IAS 28: <i>Long-term interests in associates and joint ventures</i>	1 January 2019
Amendments to IAS 19: <i>Plan amendment, curtailment or settlement</i>	1 January 2019*
Amendments to IFRS 3 <i>Business combinations</i>	1 January 2020*
Amendments to IAS 1 and IAS 8: <i>Definition of material</i>	1 January 2020*
IFRS 17: <i>Insurance contracts</i>	1 January 2021*

* subject to EU endorsement

IFRS 16 'Leases' specifies how to recognise, measure, present and disclose leases. The standard provides a single lease accounting model and requires lessees to recognise right of use assets and lease liabilities on the balance sheet for all applicable leases. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Group is currently assessing the impact of IFRS 16 on the relevant accounting policy, including whether exemptions will be applied (such as low-value or short-term exemptions).

There are no other standards, amendments or interpretations in issue but not yet adopted that the Directors anticipate will have a material effect on the reported income or net assets of the Group.

(c) Going concern

The Financial Statements have been prepared on a going concern basis, which assumes that the Group will continue to be able to meet its liabilities as they fall due for the 12-month period from the date of approval of these Financial Statements. As the Group has significant cash reserves, the Directors have concluded it remains appropriate to use the going concern basis.

(d) Basis of consolidation

Subsidiaries are entities controlled by the Company. Control exists when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial information of subsidiaries is fully consolidated from the date that control commences until the date that control ceases.

Intragroup balances, and any gains and losses or income and expenses arising from intragroup transactions, are eliminated on consolidation.

(e) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with a maturity of three months or less.

(f) Deferred costs

Deferred costs are capitalised on the Group Statement of Financial Position if they represent qualifying transaction costs that are incurred in anticipation of, and directly related to an issuance of equity instruments, and span more than one reporting period. These costs are deferred on the Statement of Financial Position until equity instruments are recognised and subsequently reclassified as a deduction from equity. If the equity instruments are not subsequently issued, the costs are reclassified as an expense.

(g) Revenue and expenses

Interest income from financial assets is recognised using the effective interest method as finance income in the Group Statement of Comprehensive Income.

Administrative expenses are recognised on an accrual basis, i.e. when the actual flow of the services they represent occurs, regardless of when the resulting monetary or financial flow arises.

(h) Costs directly attributable to the issue of equity

Share issue costs are placing expenses directly relating to the issue of the Company's shares. These expenses include fees payable under share placement agreements, printing, and distribution costs and legal fees and any other applicable expenses. All such costs are charged to equity and deducted from the proceeds received.

(i) Property, plant and equipment

Property, plant and equipment is measured initially at acquisition cost and subsequently carried net of any accumulated depreciation and any accumulated impairment losses.

Property, plant and equipment is depreciated systematically on the basis of the estimated useful life of the items, and the cost of the assets is distributed on a straight-line basis over the estimated useful lives, which for computer equipment is 3 years.

Items of property, plant and equipment are de-recognised when they are sold or when no future economic benefit is expected to be obtained from their continuing use. The gain or loss arising on the disposal or de-recognition of an item of property, plant and equipment is determined as the difference between the proceeds from the sale and the carrying amount of the asset and is recognised in the Group Statement of Comprehensive Income.

(j) Stated capital

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

(k) Corporation tax

Corporation tax comprises the sum of current and deferred tax for the period.

Current tax is the expected tax payable on the taxable income for the period. Taxable profit differs from profit reported in the Group Statement of Comprehensive Income because some items of income and expense are taxable or deductible in different years or may never be taxable or deductible. The Group's current tax is calculated using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to taxes payable in respect of previous periods.

Deferred tax is the tax expected to be payable or recoverable in the future arising from temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. It is accounted for using the balance sheet liability method.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(l) Loss per Ordinary Share

Basic earnings per share ("EPS") is calculated by dividing the profit or loss attributable to holders of ordinary shares of the Company by the weighted average number of ordinary shares outstanding during the period.

Diluted EPS is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all potentially dilutive ordinary shares.

(m) Share-based transactions

The A1, A2 and A3 Shares issued by SHHJL (the “**Incentive Shares**”) represent equity-settled share-based payment arrangements under which the Company receives services as a consideration for the additional rights attached to these equity shares, over and above their nominal price.

Equity-settled share-based payments to certain of the Directors and others providing similar services are measured at the fair value of the equity instruments at the grant date. The fair value is expensed through administrative expenses, with a corresponding increase in equity through the share-based payment reserve, on a straight-line basis over the period that the Directors or others providing similar services become unconditionally entitled to the awards. Where the equity instruments granted are considered to vest immediately, the services are deemed to have been received in full, with a corresponding expense and increase in equity recognised at grant date.

The dilutive effect of outstanding share-based payments is reflected as share dilution in the computation of diluted EPS.

(n) Retirement benefits

The Group pays contributions to privately-administered pension plans on behalf of employees as contractually agreed, or the equivalent contribution is paid in cash to the employee. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as an expense on the accruals basis and are included within administrative expenses in the Group Statement of Comprehensive Income.

(o) Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Trade and other payables are recognised initially at fair value, net of directly attributable transaction costs, and subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are de-recognised.

Trade and other payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

3. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Financial Statements under IFRSs requires the Directors to consider estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities. Estimates and judgements are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

There are significant estimates and assumptions used in the valuation of the Incentive Shares. Management has considered, at the grant date, the probability of a successful first acquisition by the Company (“**Platform Acquisition**”) and the potential range of value for the Incentive Shares, based on the circumstances on the grant date. The fair value of the Incentive Shares and related share-based payments were calculated using a Monte Carlo valuation model. A summary of the terms is set out in note 19.

For the year to 31 December 2018, the Directors do not consider that they have made any other significant estimates, judgements or assumptions that would materially affect the balances reported in these Financial Statements.

4. SEGMENT INFORMATION

The Board of Directors is the Group's chief operating decision-maker. As the Group had not yet made an acquisition as at 31 December 2018, the Board of Directors considers the Group as a whole for the purposes of assessing performance and allocating resources, and therefore the Group has one reportable operating segment.

5. ADMINISTRATIVE EXPENSES

	For the year ended 31 December 2018	For the period to 31 December 2017
	£	£
Group expenses by nature		
Staff-related costs	901,839	885,259
Office costs	68,503	106,327
Legal and professional fees	1,143,353	714,430
Non-recurring project, diligence and Group establishment costs	176,880	781,546
Depreciation expense	935	744
Other expenses	155,092	49,664
	2,446,602	2,537,970

Non-recurring project costs are those incurred on projects that are considered to be one-off or non-recurring in nature. These projects are usually related to acquisitions where incremental and identifiable external costs are incurred by the Group in order to make or evaluate the potential transaction, even if it is not consummated, or relate to recruitment of Directors.

6. AUDITORS' REMUNERATION

The operating loss is stated after charging auditors' remuneration of £26,900. The total auditors' remuneration related to fees payable for the audit of the Financial Statements was £26,900 (2017: £20,000) and fees payable for non-audit services was £40,000 (2017: £175,000).

7. STAFF-RELATED COSTS

	For the year ended 31 December 2018	For the period to 31 December 2017
	£	£
Salaries, bonuses and staff benefits	761,420	642,528
Social security costs	95,398	81,971
Share-based payment expense	8,280	68,148
Other employment related expenses	36,741	92,612
Total employment costs	901,839	885,259

Compensation of key management personnel

The Board considers the Directors of the Company to be the key management personnel of the Group. Details of the amounts paid to key management personnel are detailed in the Nomination and Remuneration Committee Report on page 22.

There were no share options exercised during the period. The Incentive Shares owned by Directors are described in note 19.

Employed persons

The average monthly number of persons employed by the Group (including Executive Directors but excluding Non-Executive Directors) during the period by activity was as follows:

	For the year ended 31 December 2018	For the period to 31 December 2017
	Number of employees	Number of employees
Operations	3	3
Administration	1	1
	4	4

8. FINANCE INCOME

	For the year ended 31 December 2018	For the period to 31 December 2017
	£	£
Interest on bank deposits	122,596	–
	122,596	–

9. INCOME TAX

	For the year ended 31 December 2018	For the period to 31 December 2017
	£	£
Current tax expense		
Current year/period	–	–
Income tax expense for the year/period	–	–

Reconciliation of effective tax rate

	For the year ended 31 December 2018	For the period to 31 December 2017
	£	£
Loss before tax	(2,324,006)	(2,537,970)
At UK statutory income tax rate (19% (2017: 19.22%))	(441,561)	(487,798)
Effects of:		
Depreciation for the year/period in excess of capital allowance	189	144
Other disallowable expenditure	1,813	41,866
Tax losses not utilised	439,559	445,788
Income tax expense	–	–

The Company is in its pre-acquisition phase and therefore is not recognising any deferred tax assets due to the uncertainty of future taxable income. The Company and all its subsidiaries are tax-resident in the UK. Under English law, there is no expiry for the use of tax losses.

10. INVESTMENT IN SUBSIDIARIES

(a) Subsidiary undertakings of the Group

The Group directly or indirectly owns the whole of the issued and fully paid ordinary share capital of its subsidiary undertakings.

The subsidiary undertakings of the Company as at 31 December 2018 are presented below:

Subsidiary	Nature of business	Country of incorporation	Proportion of ordinary shares held by parent	Proportion of ordinary shares held by the Group
Safe Harbour Holdings UK Limited	Dormant company	England	100%	100%
Safe Harbour Holdings Jersey Limited	Incentive vehicle	Jersey	99.97%	100%

There are no restrictions on the Company's ability to access or use the assets and settle the liabilities of the Company's subsidiaries. SHHJL has issued Incentive Shares to management as detailed in note 19.

11. DEFERRED COSTS

	As at 31 December 2018	As at 31 December 2017
	£	£
Consultancy fees	–	82,000
Legal fees	–	95,000
	–	177,000

Deferred costs were recognised against equity subsequent to 31 December 2017, in connection with the Company's flotation on AIM.

12. OTHER RECEIVABLES

	As at 31 December 2018	As at 31 December 2017
	£	£
Amounts falling due within one year		
VAT recoverable	31,414	71,768
Prepayments	42,040	15,075
	73,454	86,843

13. CASH AND CASH EQUIVALENTS

	<u>As at 31 December 2018</u>	<u>As at 31 December 2017</u>
	£	£
Cash at bank	26,904,510	7,787,775
	<u>26,904,510</u>	<u>7,787,775</u>

Credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions. For banks and financial institutions, only independently rated parties with a minimum short-term credit rating of P-1, as issued by Moody's, are used by the Group.

14. TRADE AND OTHER PAYABLES

	<u>As at 31 December 2018</u>	<u>As at 31 December 2017</u>
	£	£
Amounts falling due within one year		
Trade payables	115,631	149,657
Accruals	151,563	336,692
Other tax and national insurance payable	29,755	19,092
Other creditors	8,805	7,597
	<u>305,754</u>	<u>513,038</u>

There is no material difference between the book value and the fair value of the trade and other payables.

15. STATED CAPITAL

	<u>As at 31 December 2018</u>	<u>As at 31 December 2017</u>
	£	£
Authorised		
Unlimited ordinary shares of no par value		
Issued and fully paid		
8,333,336 ordinary shares of no par value	10,000,003	10,000,003
18,916,665 ordinary shares of no par value	22,699,998	–
Share issue cost	(1,252,582)	–
	<u>31,447,419</u>	<u>10,000,003</u>

On incorporation of SHHUK, 2 ordinary shares of no par value were issued at £1.19 per share for aggregate consideration of £2.38. On 29 September 2016 a further 8,333,334 ordinary shares of no par value were issued at £1.20 for an aggregate consideration of £10,000,000.80.

On incorporation of Safe Harbour Holdings plc ("**SHH plc**"), a contribution agreement was entered into between SHH plc, Marwyn Value Investors LP ("**MVI**") and Marwyn Value Investors II LP ("**MVI II**") under which the shares held by MVI and MVI II in SHHUK were contributed to SHH plc in consideration for 879,252 and 7,454,084 ordinary shares of no par value issued by SHH plc to MVI and MVI II respectively.

Following the Company's admission to AIM on 15 March 2018, a further 18,916,665 ordinary shares of no par value were issued at £1.20 for an aggregate consideration £22,699,998. £1,252,582 of costs directly attributable to the shares issued have been taken against stated capital.

All issued shares are fully paid. The holders of ordinary shares are entitled to receive dividends as declared and are entitled to one vote per share at meetings of the Company.

16. RESERVES

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

Accumulated losses

Cumulative losses recognised in the Group Statement of Comprehensive Income.

Share-based payment reserve

The share-based payment reserve is the cumulative amount recognised in relation to the equity-settled share-based payment scheme as further described in note 19.

17. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The Group has the following categories of financial instruments:

	As at 31 December 2018	As at 31 December 2017
	£	£
Financial assets measured at amortised cost		
Cash and cash equivalents	26,904,510	7,787,775
	26,904,510	7,787,775
Financial liabilities measured at amortised costs		
Trade payables	115,631	149,657
Accruals	151,563	336,692
	267,194	486,349

The Directors consider that the carrying amounts of the financial assets and liabilities recognised in the Financial Statements equate to their fair values.

The Group has exposure to the following risks from its use of financial instruments:

- Market risk;
- Liquidity risk; and
- Credit risk.

This note presents information about the Group's exposure to each of the above risks and the Group's objectives, policies and processes for measuring and managing these risks.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

Treasury activities are managed on a Group basis under policies and procedures approved and monitored by the Board. These are designed to reduce the financial risks faced by the Group which primarily relate to movements in interest rates.

Market risk

The Group's activities primarily expose it to the risk of changes in interest rates due to the significant cash balance currently held; however, any change in interest rates will not have a material effect on the Group. The Group's operations are entirely in their functional currency and accordingly no translation exposures arise.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group currently meets all liabilities from cash reserves. The Group's liability for operating expenses is monitored on an ongoing basis to ensure cash resources are adequate to meet liabilities as they fall due.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The main credit risk relates to the cash held with financial institutions. The Company manages its exposure to credit risk associated with its cash deposits by selecting counterparties with a high credit rating with which to carry out these transactions. The counterparty for these transactions is Barclays Bank plc, which holds a short-term credit rating of P-1, as issued by Moody's. The Company's maximum exposure to credit risk is the carrying value of the cash on the balance sheet.

Capital management

The Board's policy is to maintain a strong capital base so as to maintain creditor and market confidence and to sustain future development of the business. There were no changes in the Group's approach to capital management during the period.

For the purpose of the Group's capital management, capital includes issued capital and all other equity reserves attributable to the equity holders of the Company. The primary objective of the Group's capital management is to maximise shareholder value.

Throughout 2018, the Group had no financial covenants with which it needed to comply.

18. LOSS PER ORDINARY SHARE

Basic earnings per Ordinary Share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period. Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. Incentive Shares (as detailed in note 19) have not been included in the calculation of diluted earnings per share because they are not dilutive for the periods presented.

	For the year ended 31 December 2018	For the period to 31 December 2017
	£	£
Loss attributable to the owners of the parent	(2,324,006)	(2,537,970)
Weighted average number of ordinary shares in issue	16,799,999	7,756,280
Basic and diluted loss per share	(0.1383)	(0.3272)

19. SHARE-BASED PAYMENTS

Implementation of share incentive plan – Incentive Shares

Arrangements have been put in place to create incentives for those who are expected to make key contributions to the success of the Group. Success depends upon the sourcing of attractive investment opportunities, effective execution of transactions, and the subsequent integration and optimisation of target businesses. Accordingly, an incentive scheme has been created to reward the key contributors for the creation of value, once all shareholders have received a preferential level of return. In order to make these arrangements most efficient, they are based around a subscription for shares in SHHJL by the PRX Trust, in which Rodrigo Mascarenhas is beneficially interested, in the A1 & A3 Shares, and by Marwyn Long Term Incentive LP (“**MLTI**”), in which James Corsellis and Mark Brangstrup Watts have an indirect beneficial interest, in the A2 & A3 Shares. The A1, A2 and A3 Shares are collectively referred to as “**Incentive Shares**”. It is intended that future management appointees will also share in the scheme and subscribe for Incentive Shares at a later date. In 2019, Incentive Shares have been issued to James Brotherton.

On being offered, the Company will purchase the Incentive Shares either for cash or for the issue of new ordinary shares at its discretion, with the expectation being that new shares will be issued. The valuation of the Incentive Shares is discussed below. The Incentive Shares may only be sold on this basis if both the growth and at least one of the vesting conditions have been satisfied. If the growth condition has not been satisfied on or before the fifth anniversary of a Platform Acquisition (or such later date as SHHJL and the holders of 90% of the ordinary shares, A1, A2 and A3 Shares in SHHJL agree), the Incentive Shares must be sold to the Company or, at its election, redeemed by SHHJL and in both cases at a price per Incentive Share equal to its subscription price unless and to the extent that the Nomination and Remuneration Committee determines otherwise.

Incentive shares

During the year, SHHJL issued 600 A3 shares to Rodrigo Mascarenhas and 500 A3 shares to MLTI, which have been accounted for in accordance with IFRS 2 *Share-based Payments* (“**IFRS 2**”) as equity-settled share-based payment awards.

On 21 August 2018, the 540 A1 Shares and 600 A3 Shares issued to Rodrigo Mascarenhas (collectively, the “**Old Incentive Shares**”) were bought back by the Group and subsequently cancelled. On 4 September 2018, 540 new A1 Shares and 600 new A3 Shares were issued to the PRX Trust (in which Rodrigo Mascarenhas is beneficially interested) (collectively, the “**New Incentive Shares**”), which have been treated as replacement awards under IFRS 2. The replacement had no impact on the fair value of the Incentive Shares.

Grant date

The date at which the entity and another party agree to a share-based payment arrangement, for accounting purposes, is the grant date. As the New Incentive Shares are treated as replacement awards for the Old Incentive Shares under IFRS 2, the grant date for the New Incentive Shares is the same as the equivalent Old Incentive Shares. The grant date for the Incentive Shares was:

Participant	Grant date
PRX Trust (A1)	26 September 2016
MLTI (A2)	26 September 2016
PRX Trust (A3)	20 February 2018
MLTI (A3)	20 February 2018

Growth Condition

The growth condition is that the compound annual growth of the Company’s equity value must be at least 10% per annum. The growth condition takes into account new shares issued, dividends and capital returned to shareholders.

Service Conditions

Rodrigo Mascarenhas has agreed that if he ceases to be involved with the Group before it completes its Platform Acquisition or in the first three years following such acquisition then in certain circumstances a proportion of his Incentive Shares may be forfeited. The Incentive Shares vest on a straight-line basis over three years from the date of the Platform Acquisition provided he leaves in circumstances in which he is deemed to be a "Good Leaver" (as defined in his subscription agreements). He will be required to redeem his vested Incentive Shares on the later of 180 days following a departure date or on the third anniversary of the Platform Acquisition. If he is deemed to be a "Bad Leaver", he will be required to sell his Incentive Shares back to SHHJL for a total consideration of £1.00.

On 20 February 2018, the subscription agreement with MLTI was amended to include specific service conditions. MLTI has agreed that if Marwyn Capital LLP ceases to have a corporate finance agreement with the Company/Group before it completes its Platform Acquisition or in the first three years following such acquisition, then MLTI will be required to sell its unvested shares back to SHHJL for a consideration of the subscription price plus any capital contribution MLTI has made to SHHJL. The shares vest on a straight-line basis over three years from the date of the Platform Acquisition provided service conditions are met.

Vesting conditions and Vesting period

The Incentive Shares are subject to certain vesting conditions, at least one of which must be (and continue to be) satisfied in order for a holder of Incentive Shares to exercise his, her or its redemption rights and which ends on the fifth anniversary of the date of the Platform Acquisition or such later date as is agreed between the Company and the holders of at least 90% of the ordinary shares in SHHJL, A1, A2 and A3 Shares.

The vesting conditions are as follows:

- (i) a sale of all or a material part of the business of the Group;
- (ii) a sale of all of the issued ordinary shares of the Group occurring;
- (iii) a winding up of the Group occurring;
- (iv) a sale, merger or change of control of the Company; or
- (v) it is later than the third anniversary of the date of the Platform Acquisition.

The Incentive Shares are subject to a three-year vesting period and will lapse after five years. The vesting period commences from the date of completion of the Platform Acquisition.

Value

Subject to the provisions detailed above, the Incentive Shares can be sold to the Company for an aggregate value equivalent to 16% (of which A1 shares as a class are entitled to 11% and A2 shares to 5%) of the excess in the market value of the Company over and above its aggregate paid up share capital, allowing for any dividends and other capital movements.

Holding of Incentive Shares

Incentive Shares have been created and shares have been allocated and issued as shown in the table below.

	Nominal price per share	Number of Incentive shares	Subscription price	Fair value at grant date
	£		£	£
PRX Trust (A1)	1.00	540	13.50	47,191
PRX Trust (A3)	0.01	600	2.01	1,206
MLTI (A2)	0.02	500	21.27	68,836
MLTI (A3)	0.01	500	2.01	1,005
		2,140		118,238

No Incentive Shares were exercisable at 31 December 2018.

Valuation of Incentive Shares

The value of the Incentive Shares granted under the schemes has been calculated using a Monte Carlo model. The fair value uses an ungeared volatility of 24% and is based on a weighted average share price over the vesting period. An expected term input of four years has been used, being the midpoint of the period of time between the date on which an acquisition is expected to take place and the start and end of the redemption period. The Incentive Shares are subject to a preferred return, which is a market performance condition, and as such has been taken into consideration in determining their fair value. The risk-free rate is taken from zero-coupon UK Government bonds with a redemption period in line with the expected term. The model incorporates a range of probabilities for the likelihood of an acquisition being made of a given size.

Expense related to Incentive Shares

£8,280 (2017: £9,948) has been recognised in the Group Statement of Comprehensive Income in the year and in a share-based payment reserve within the Group Statement of Financial Position as at 31 December 2018 in relation to the A1 and A3 Shares together with liabilities as at 31 December 2018 of £7,290 and £1,206 respectively.

The full A2 Share expense of £58,200, being the fair value amount less the subscription proceeds, was recognised in the Group Statement of Comprehensive Income in 2017, with the total fair value of the A2 Shares of £68,836 recognised in the share-based payment reserve within the Group Statement of Changes in Equity as at the year end. The consideration paid by MLTI for its A3 Shares in 2018 was equal to the fair value at the grant date; therefore £1,005 was recognised in the share-based payment reserve within the Group Statement of Changes in Equity for the year ended 31 December 2018, and no additional expense was recognised.

20. RELATED PARTY TRANSACTIONS

In the opinion of the Directors, there is no single controlling party.

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party, or the parties are under common control or influence, in making financial or operational decisions.

James Corsellis and Mark Brangstrup Watts are the managing partners of Marwyn Capital LLP which provides corporate finance advice and various office and finance support services to the Company. During the year, Marwyn Capital LLP charged £864,665 (2017: £608,454) (excluding VAT) in respect of services supplied and was owed an amount of £64,764 (2017: £58,401) at 31 December 2018.

James Corsellis and Mark Brangstrup Watts are the ultimate beneficial owners of Marwyn Partners Limited which incurred costs on behalf of the Group which it recharged. During the year, Marwyn Partners Limited charged £9,054 (2017: £96,064) in respect of recharged costs and was owed £nil (2017: £307) at 31 December 2018.

James Corsellis and Mark Brangstrup Watts are the ultimate beneficial owners of Axio Capital Solutions Limited which provides company secretarial services to the Group. During the year, Axio Capital Solutions Limited charged £270,546 (2017: £254,218) in respect of services supplied and was owed £25,046 (2017: £8,527) at 31 December 2018.

James Corsellis and Mark Brangstrup Watts are the ultimate beneficial owners of Marwyn Investment Management LLP which incurred costs on behalf of the Group which it recharged. During the year, Marwyn Investment Management LLP charged £10,297 (2017: £102,522) in respect of recharged costs at 31 December 2018.

Compensation of key management personnel of the Company is included in note 7. Holdings of Incentive Shares are detailed in note 19.

21. COMMITMENTS AND CONTINGENT LIABILITIES

There were no commitments or contingent liabilities outstanding at 31 December 2018 (2017: none) that require disclosure or adjustment in these Financial Statements.

22. POST BALANCE SHEET EVENTS

On 14 March 2019, James Brotherton was appointed as Chief Financial Officer and an Executive Director of the Company effective on or before 1 August 2019. On appointment, he was issued 270 A1 Shares and 300 A3 Shares.

SAFE HARBOUR HOLDINGS PLC

Company number 123821

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