

RNS Number : 9117Z  
SAPO PLC  
23 September 2020

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**SAPO plc  
("SAPO" or "the Company")**

### **Notice of Extraordinary General Meeting**

**Proposed acquisition of Secure Web Services Limited, Proposed Placing and Proposed Subscription to raise £2,500,000, Proposed Issue of Warrants, Admission of the Enlarged Share Capital to trading on the AQSE Growth Market and Proposed Change of Name to Rural Broadband Solutions Plc**

SAPO plc (AQSE: SAPO) is pleased to announce that on 23 September 2020, the Company entered into a binding share purchase agreement to acquire conditionally 100% of the share capital of Secure Web Services Limited ("SWS"). The Consideration for the Acquisition is approximately £1.6 million and will be satisfied by (i) the payment of the Cash Consideration of approximately £1.2 million to the Vendors and (ii) the issue of the Consideration Shares, which are to be allotted and issued by the Company on Completion to New Developments Limited, one of the Vendors. On Completion, New Developments Limited will use £236,500 of the Cash Consideration to subscribe for further new Ordinary Shares as part of the Subscription.

As the Acquisition is being made by an Investment Vehicle (as defined in the AQSE Rules), the Acquisition constitutes a Reverse Takeover under the AQSE Rules and is therefore conditional, amongst other things, on the approval of Shareholders at the Extraordinary General Meeting. The Company intends that, subject to Shareholder approval of the Acquisition at the Extraordinary General Meeting, the Enlarged Share Capital will be admitted to trading on the AQSE Growth Market.

As a result, the Company announces the posting today of an admission document ("Admission Document"), containing a notice convening an Extraordinary General Meeting of the Shareholders, to be held at the registered office of the Company at Millennium House, 46 Athol Street, Douglas, Isle of Man IM1 1JB, on 19 October 2020 at 11 a.m.

Alongside the Acquisition, the Company has conditionally raised £2.5million (before fees and expenses) by way of a placing and subscription of 100,000,000 Placing and Subscription Shares at an Issue Price of 2.5 pence per New Ordinary Share ("Issue Price"). The Placing Shares and Subscription Shares will represent approximately 32.88 per cent. of the Enlarged Share Capital. The Issue Price represents a discount of approximately 22 per cent. to the equivalent closing mid-market price of 3.2 pence per Ordinary Share on 22 September 2020. The Placing and Subscription are not being underwritten. The Placing and Subscription has been carried out to fund the Acquisition and provide working capital for further expansion. The Placing has been undertaken by Hybridan LLP, the Company's lead broker, alongside the Company's Subscription.

#### **Enlarged Share Capital Table Post Approval at the Extraordinary General Meeting**

Existing Ordinary Shares in Issue	<b>187,292,810</b>
Placing and Subscription Shares	<b>100,000,000</b>
Shares in consideration for services	<b>800,000</b>
Consideration Shares (New Developments Limited)	<b>16,000,000</b>
<b>Enlarged Share Capital on Admission</b>	<b>304,092,810</b>

The Placing Shares and the Subscription Shares together with the Consideration Shares and shares issued in consideration for services will, on Admission, rank *pari passu* in all respects with the Existing Ordinary Shares, including the right to receive dividends and other distributions declared, made or paid in respect of the Ordinary Shares.

SWS is a rural broadband supplier servicing the Shropshire region. SWS has been built by providing super-fast broadband alternatives of 30 Mbps+ to customers who have otherwise been reliant on the limited speed and latency of the Openreach (copper) infrastructure. The company has insignificant churn across its customer base, which the Directors believe indicates high levels of customer satisfaction.

SWS has over 2,300 customers, and in 2019 (Year to 31st December) the business posted a turnover of circa £730k and EBITDA of circa £240k.

The business has a proven track record in deploying the latest mixed fibre / wireless technologies. The business of SWS has developed significant expertise in the deployment of mixed fibre / wireless technologies potentially capable of delivering Gigabit services.

Targets that SWS would be looking to acquire would be established operators within their own rural zone which would have a similar level of "entrenchment"

as SWS, so again competition within those areas would be limited. The situation would also be similar where SWS would look to work in partnership with existing niche operators, for example, providing infrastructure.

Following Completion, the Company intends to increase the portfolio of clients across poorly-served areas of the UK, through a buy and build strategy, utilising shareholder capital and Government funding. It is estimated that over a three-year term, SWS should be able to increase its monthly recurring customer base from the current 2,300 to in excess of 5,000, as a result of this strategy. The Directors anticipate that the Company's strategy will primarily drive capital growth with the potential for dividend income.

Further information on SWS is set out below and in the Admission Document.

Dr Keith Harris, Executive Chairman of the Company, together with his wife, intends to subscribe for a total of 9,460,000 Subscription Shares at the Issue Price. Following this, Dr Keith Harris will have beneficial interests in 29,460,000 Ordinary Shares, representing approximately 9.69% of the Enlarged Share Capital.

#### **QUOTE FROM DR. KEITH HARRIS**

"Since I joined the Board earlier this year, we have remained committed to execute our investment mandate in capitalising on the developing market of rural broadband. The advent of Covid-19 has only exacerbated the challenge of providing fast and cost-efficient broadband to our rural communities. I am delighted to inform shareholders of our acquisition of SWS which we believe will maximise shareholder returns through their continued efforts in delivering super-fast broadband to rural communities in Shropshire and beyond.

I would like to thank SAPO shareholders for their support as well as the welcome addition of new institutional and other investors. I look forward to updating the market on our progress in due course."

#### **QUOTE FROM CHRIS NEW**

"I am excited to take SWS through this important milestone of becoming a listed company. The landscape is certainly changing as more and more people work from home and the average family requirements of broadband speed in this rapidly changing digital world is only increasing. We currently provide super-fast broadband (30mbps+) to customers in rural areas who otherwise would struggle to achieve 1 mbps from Openreach partners. We are now ready to build on our 2,300 strong customer base and upgrade our network to deliver Gigabit services across Shropshire and further afield into other rural areas."

A copy of the Admission Document will shortly be available at: [www.sapoinvest.com](http://www.sapoinvest.com)

A copy of the Executive Chairman's letter, definitions and the expected timetable of principal events sections contained in the Admission Document are set out in full below of this announcement, without material amendment or adjustment.

The Directors of the Company accept responsibility for this announcement.

For further information please contact:

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## LETTER FROM THE EXECUTIVE

### CHAIRMAN

### SAPO PLC

*(Incorporated and registered in the Isle of Man under the Isle of Man Companies Acts  
1931 to 2004 with registered number 117001C and subsequently re-registered  
under the Isle of Man Companies Act 2006 with registered number 006491V)*

Registered Office:

Millennium House

46  
Athol  
Street  
Douglas  
Isle  
of  
Man  
IM1  
1JB

Directors:

Dr Keith Harris (Executive Chairman)  
Selwyn Lewis (Non-Executive Director)

Michael Langoulant (Independent Non-Executive Director)

23  
September  
2020

Dear Shareholders

**Proposed acquisition of Secure Web Services  
Limited**

**and**

**Proposed Placing and Proposed Subscription to raise  
£2,500,000**

**and**

**Proposed Issue of Warrants**

**and**

**Admission of the Enlarged Share Capital to trading on the AQSE  
Growth Market**

**and**

**Proposed Change of Name to Rural Broadband  
Solutions PLC**

**and**

**Notice of Extraordinary General Meeting**

## 1. Introduction

I am writing to inform you of the Extraordinary General Meeting of the Company to be held at the registered office of the Company at Millennium House, 46 Athol Street, Douglas, Isle of Man, IM1 1JB at 11 a.m. on 19 October 2020. The notice of the Extraordinary General Meeting is set out at the end of the Admission Document.

On 23 September 2020, the Company entered into a binding share purchase agreement to conditionally acquire 100% of the share capital of SWS. The Consideration for the Acquisition is approximately £1.6million and will be satisfied by (i) the payment of the Cash Consideration of approximately £1.2million to the Vendors and (ii) the issue of the Consideration Shares, which are to be allotted and issued by the Company on Completion to New Developments Limited, one of the Vendors. On Completion, New Developments Limited will use £236,500 of the Cash Consideration to subscribe for further new Ordinary Shares as part of the Subscription.

As the Acquisition is being made by an Investment Vehicle (as defined in the AQSE Rules and set out below), the Acquisition constitutes a Reverse Takeover under the AQSE Rules and is therefore conditional, amongst other things, on the approval of Shareholders at the Extraordinary General Meeting. The Company intends that, subject to Shareholder approval of the Acquisition at the Extraordinary General Meeting, the Enlarged Share Capital will be admitted to trading on the AQSE Growth Market.

Alongside the Acquisition, the Company is also conducting the Placing and the Subscription to raise gross proceeds of £2.5million to fund the Acquisition

and provide working capital for further expansion. The Placing has been undertaken by Hybridan LLP, the Company's lead broker. In order to issue shares pursuant to the Placing, the Subscription and the Warrant Instrument, the Company's authorised share capital needs to be increased and, accordingly, shareholders will be asked to vote on a Resolution to amend the Articles to increase the Company's authorised share capital at the Extraordinary General Meeting. The Board has decided to increase the authorised share capital from £4,000,000 to £8,000,000 in order to provide greater flexibility for future fundraisings which may have a dilutive effect on Shareholders in the future. Under Isle of Man law, the unissued shares in the capital of the Company are at the disposal of the Directors to allot at such times and on such conditions as they think proper.

The purpose of the Admission Document is to explain the background to and reasons for the Proposals and the matters described above and to explain why the Directors consider them to be in the best interests of the Company and Shareholders as a whole, and to seek your approval for the Resolutions being proposed at the Extraordinary General Meeting.

## **2. Investment Strategy of the Company and Background to the Proposals**

The Company was admitted to the NEX Exchange Growth Market on 3 December 2019, having raised net funds of approximately £138,000 pursuant to a conditional placing. The Company was admitted as an investment vehicle for the purpose of identifying investment opportunities and acquisitions in the developing market for rural broadband in the UK. The Company seeks to provide Shareholders with an attractive total return achieved primarily through capital appreciation.

An Investment Vehicle is defined in the AQSE Rules as:

*"An issuer whose actual or intended principal activity is to invest in the securities of other businesses (whether publicly traded or not), or to acquire a particular business, in accordance with specific investment criteria."*

As an Investment Vehicle, any substantial acquisition or investment by the Company in accordance with its investment strategy is likely to be treated as a Reverse Takeover under Rule 55 of the AQSE Rules and will therefore be subject, inter alia, to approval by Shareholders.

The Directors of SAPO believe large broadband players are ignoring rural areas and, for economic factors, remaining focused on cities. As a result of this, it is estimated there are still around 155,000 premises in the UK without access to a decent (10 MEG as defined by Ofcom) fixed-line broadband service. SWS aims to continue to provide this decent level of broadband service to customers (it already offers 30 MEG download speeds), and uplift those in rural areas to receive either ultrafast (100 MEG+) or gigabit capable broadband. This presents an opportunity to develop a significant customer base (with an estimated average revenue of £30 per premises per month).

BT estimates that to reach the final 10% of UK premises with 1Gbps capable Fibre-to-the-Premises (FTTP) broadband ISP technology is likely to require an "outlay of around £4,000 each per premises" and is therefore not considered to be economical.

As a result of these factors, the Directors believe that the market for products and services which provide good quality broadband and mobile connections in rural areas is significant and therefore, the Directors intend that the Company will be principally focused on making investments in private businesses and projects in this sector.

The Directors' primary objective is to achieve the best possible value over time for Shareholders, primarily through capital growth but potentially, in the future and only when considered prudent by the Directors, dividend income. The Directors also believe that capital growth will best be achieved by growing the number of customers making monthly payments to the Enlarged Group for its broadband services, through both organic means and via targeted acquisitions.

The Directors believe that their collective experience, together with their extensive network of contacts, will assist them in the identification, evaluation, and funding of appropriate investment opportunities. When necessary, other external professionals will be engaged to assist in the due diligence on prospective targets and their management teams. The Directors will also consider appointing additional directors and / or advisors with relevant experience if the need arises.

There will be no limit on the number of projects into which the Company may invest, and the Company may invest in a number of propositions or in just one investment, which may be deemed to be a reverse takeover pursuant to Rule 55 of the AQSE Rules. The Company may need to raise additional funds for these purposes and may use both debt and/or equity.

It is anticipated that returns to Shareholders will be delivered initially through appreciation in the price of the Ordinary Shares rather than via dividends or other forms of capital distribution. In addition, there may be opportunities to spin out businesses privately or via IPO where Shareholders may be able to benefit via distributions of cash and/or shares and/or rights to subscribe in listings. It is anticipated that the Company will hold investments for the medium to long term, although where opportunities exist for shorter term gains the Company may take advantage of such opportunities.

The Directors believe that the Acquisition falls within the Company's stated investment strategy that provides Shareholders with a UK-based operating business, with considerable organic growth potential in the rural broadband area.

### **3. Summary Information on Secure Web Services Limited**

In late 2019, the Company identified the opportunity to build a strong presence in delivering broadband services to rural areas of the UK. The initial step in seeking to fulfil this opportunity is the acquisition of SWS, a rural broadband supplier servicing the Shropshire region. The Directors believe that an investment in this telecommunications services company could potentially lead to capital gains and profitability for the Company and would be an ideal acquisition opportunity in line with the Company's investment strategy. After Completion, the Directors anticipate that SWS will seek to make active investments into the developing market for rural broadband, with a focus on private businesses and projects servicing the sector.

Following Completion, the Company intends to increase the portfolio of clients across poorly-served areas of the UK, through a buy and build strategy, utilising shareholder capital and Government funding. It is estimated that over a three-year term, SWS should be able to increase its monthly recurring customer base from the current 2,300 to in excess of 5,000, as a result of this strategy. The Directors anticipate that the Company's strategy will primarily drive capital growth with the potential for dividend income.

Further information on SWS is set out below and in the Admission Document.

#### **4. Principal terms of the Acquisition Agreement**

On 23 September 2020, the Company entered into the Acquisition Agreement with the Vendors to acquire the entire issued share capital of SWS. The Acquisition is conditional, inter alia, on the Acquisition being approved by the Shareholders and on Admission becoming effective by 6.00p.m. on 2 November 2020.

The Consideration for the Acquisition is approximately £1.6 million and will be satisfied by (i) the payment of the Cash Consideration of approximately £1.2 million to the Vendors and (ii) the issue of the Consideration Shares by the Company on Completion to New Developments Limited, one of the Vendors. On Completion, New Developments Limited will use £236,500 of the Cash Consideration to subscribe for 9,460,000 further Ordinary Shares at £0.025 per share.

The Acquisition Agreement does not make provision for the Company to appoint a representative from SWS to the Board but, on Completion, a consultancy agreement shall be entered into with New Developments Limited, further details of which are set out in the Admission Document and it is anticipated that, from Completion, Christopher New will become an integral part of the management team of the Enlarged Group as Chief Strategist and Technical Officer. As at the date of the Admission Document, New Developments Limited is 100% owned by Christopher New.

#### **5. Future Strategy and Prospects of the Enlarged Group**

The Directors believe that the Proposals are in accordance with the investment strategy of the Company referred to in paragraph 2 of Part I of the Admission Document, and the Company intends to continue to seek investments in accordance with its Investment Strategy once the Acquisition has been completed.

#### **6. Historical Financial Information**

Part IV of the Admission Document contains:

- the accountant's report on the Company's audited financial information for the period from 1 July 2017 to 31 December 2019;
- the accountant's report on the SWS's audited financial information for the period from 1 July 2017 to 31 December 2019; and
- an unaudited pro-forma statement of net assets of the Enlarged Group.

## **7. Directors**

Brief biographical details of the Directors are set out below.

### ***Directors***

#### **Dr Keith Harris, Executive Chairman (aged 67)**

Dr Keith Harris is an investment banker and financier with over 35 years' experience as a senior corporate finance and takeover advisor, and as chairman and chief executive of private and public companies in a variety of business sectors. He has held senior executive positions at leading financial institutions in the UK and US, including Morgan Grenfell, Drexel Burnham, and was chief executive of HSBC Investment Bank and principal owner and chairman of Seymour Pierce Holdings. He has also held a number of non-executive positions in wide-ranging industries, including Wembley National Stadium and the Football League (as Chairman) and Everton FC (as Deputy Chairman), Benfield Group and Sellar Property (the developer of The Shard). In his various roles, Dr Harris has been an advisor and principal in many high-profile debt and equity issues as well as complex cross-border merger and acquisition transactions.

Since 2013, Dr Harris has concentrated on developing his consultancy business, principally focusing on advising and financing football clubs, as well as becoming chairman of a NASDAQ listed gene therapy company.

#### **Selwyn Lewis, Non-Executive Director (aged 71)**

Selwyn Lewis spent 25 years in the world of banking and financial services in London (focussing on emerging markets, and then trading in distressed debt instruments issued by third world countries/banks). During this time, he helped to structure a number of significant debt buy-back programmes, major investments through debt/equity conversions, and many other inventive uses of this distressed debt.

He then returned to South Africa and became the Founder and Chairman of Treble Entertainment (Pty) Ltd, a company specialising in Sport Sponsorship, Marketing and Leveraging, dealing with a number of global passion brands and major international companies. He has held a number of direct advisory positions to a number of blue-chip sporting institutions including Manchester United and Springbok Rugby.

#### **Michael Langoulant, Independent Non-Executive Director (aged 63)**

Michael Langoulant is a Chartered Accountant, corporate and financial advisor who specialises in providing corporate financial services to public companies. He has over 30 years' experience in public company M&A, corporate administration, and fundraising. He has acted as finance director, CFO, company secretary and non-executive director with a number of publicly listed companies. He was previously Chairman of ASX listed White Cliff Minerals Limited.

## **8. Management (not on the Board)**

Brief biographical details of the members of the Enlarged Group's management team are set out below.

**Christopher New, Chief Strategist and Technical Officer (to be effective from Completion) (aged 50)**

Christopher New is a software engineer, big data, and network designer with over 30 years' commercial experience in designing and implementing solutions for the IT and Telecoms sectors. He was responsible for designing and implementing the national data cleansing and pricing model solutions for BT. He was also responsible for designing and implementing international data acquisition and analysis solutions for BAE Systems and the Big Data platform and framework for international E-commerce, SCADA and IoT. He conceived and implemented the SWS network and has instrumented its organic growth over the past 15 years.

**Simon Hersh, Chief Financial Officer (aged 57)**

Simon Hersh is an experienced Financial Director / CFO and corporate finance specialist with extensive micro accounting experience across the entrepreneurial SME sector. He has broad experience in company restructurings, mergers, acquisitions, and fund raisings spanning over the last three decades. Corporate finance experience also includes business planning, financial modelling, and due diligence. His specialist sector knowledge includes IT products and services to schools, Specialist Pharmaceutical Consultancy, Media, and Debt management. He benefits from access to a wider team with expertise in financial modelling and forensics.

**9. Details of the Placing, the Subscription, the Warrants and Use of Proceeds**

The Company is proposing to raise £2.5million (approximately £2,233,000 net of expenses) by the conditional placing of 70,040,000 Ordinary Shares at the Placing Price pursuant to the Placing, and by the conditional subscription for 29,960,000 Ordinary Shares at the Subscription Price pursuant to the Subscription.

In addition, Placees and Subscribers will be issued with Warrants to subscribe for further Ordinary Shares at a subscription price of 4 pence per share on the basis of one new Ordinary Share for each Placing Share or Subscription Share. The subscription rights under the Warrants must be exercised within two years and are not transferable. Further details of the Warrants are set out in the Admission Document.

The net proceeds of the Placing and the Subscription are intended to be applied to fund some of the Cash Consideration and the professional fees and expenses relating to the Acquisition and Admission, as well as to provide general working capital for further expansion in line with the Company's strategy as set out in paragraph 2.

The Placing Shares and the Subscription Shares will represent approximately 32.88% per cent. of the Enlarged Share Capital on Admission.

The Placing Shares and the Subscription Shares will, on Admission, rank *pari passu* in all respects with the Existing Ordinary Shares, including the right to receive dividends and other distributions declared, made or paid in respect of the Ordinary Shares.

Each of the Placing and the Subscription, neither of which is underwritten or guaranteed, is conditional, *inter alia*, upon Admission.

Further details of the Placing Agreement are contained in the Admission Document.

## **10. Change of Name**

The Directors believe that a change of name to Rural Broadband Solutions Plc would be most likely to promote the success of the Company as it describes more accurately the Enlarged Group's business operations post-Admission.

## **11. Long Term Incentive Plan/Option Scheme for Directors/Senior Management**

Following Admission and subject to the approval of the Shareholders at a subsequent extraordinary general meeting of the Company, the Company intends to establish a long term incentive plan or option scheme for the executive Directors and the senior management team of the Enlarged Group. Potential participants may be invited to participate in any such plan or scheme but any award shall be subject to the absolute discretion of the Company's remuneration committee (or, if no such committee has been constituted at the relevant time, the Directors) and the terms and conditions of the relevant plan or scheme for the time being.

## **12. Dissemination of Regulatory News**

The Company has arrangements in place to disseminate regulatory information to the market in accordance with the AQSE Rules and applicable laws and regulation. Regulatory information relating to the Company is also available to the general public through the Aquis Stock Exchange website [www.aquis.eu/aquis-stock-exchange](http://www.aquis.eu/aquis-stock-exchange).

## **13. Admission and CREST**

An application will be made for the Enlarged Share Capital to be admitted to trading on the AQSE Growth Market. It is expected that Admission will become effective and dealings in the Enlarged Share Capital will commence on 21 October 2020.

The Ordinary Shares are eligible for CREST settlement and settlement of transactions in the Ordinary Shares may take place within the CREST system if a Shareholder so wishes. CREST is a voluntary system and Shareholders who wish to receive and retain share certificates in respect of their Ordinary Shares are able to do so. CREST is a paperless settlement system enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by a written instrument in accordance with the CREST Regulations. For more information concerning CREST, Shareholders should contact their brokers or Euroclear at 33 Canon Street, London EC4M 5SB, United Kingdom or by telephone on +44 (0)207 849 0000.

The Ordinary Shares will have the ISIN number GB00B16GQJ90. The Ordinary Shares are not dealt on any other recognised investment exchange and no application has been or is being made for the Ordinary Shares to be admitted to any other such exchange.

## **14. Corporate Governance**

The Directors are committed to maintaining high standards of corporate governance, and propose, so far as is practicable given the Company's size, stage of development and resources, to comply with the QCA Code.

Following Admission, as soon as is practically possible, the Board intends to establish an audit and risk management committee and a remuneration committee and will consider developing further policies and procedures, which reflect the principles of good governance.

The Company has adopted a share dealing code for dealings in securities of the Company by the Directors and Persons Discharging Managerial Responsibility which is appropriate for a company whose shares are traded on the AQSE Growth Market. This will constitute the Company's share dealing policy for the purpose of compliance with UK legislation including the Market Abuse Regulation and Rule 67 of the AQSE Rules. It should be noted that the insider dealing legislation set out in the UK Criminal Justice Act 1993, as well as provisions relating to market abuse, apply to the Company and dealings in Ordinary Shares.

The Directors have established financial controls and reporting procedures, which are considered appropriate given the size of and structure of the Company. These controls have been reviewed in the light of the Acquisition and adjusted accordingly.

## **15. City Code**

The City Code, which is issued and administered by the Takeover Panel, applies to all takeover and merger transactions, however effected, where the offeree company is, *inter alia*, a company resident in the UK, the Channel Islands or the Isle of Man, the securities of which are admitted to trading on a regulated market or a multilateral trading facility (such as the AQSE Growth Market) in the United Kingdom or on any stock exchange in the Channel Islands or the Isle of Man. The City Code applies to the Company.

## **16. Taxation**

Information regarding UK taxation in relation to the Ordinary Shares is set out in paragraph 11 of Part V of the Admission Document. These details are, however, intended only as a general guide to the current tax position under UK taxation law, which may be subject to change in the future.

**If you are in any doubt as to your tax position you should consult your own independent financial adviser immediately.**

## **17. Dividend Policy**

The Directors recognise the importance of dividends to investors and as the Group's business matures, will keep under review the desirability of paying dividends in accordance with the solvency test set out in the IOM Act alongside the need to maintain a consistent level of earnings cover and the Group's on-going working capital requirements. The Directors do not anticipate paying dividends in the foreseeable future.

## **18. The Extraordinary General Meeting**

The Notice convening the Extraordinary General Meeting at which the Resolutions together with the other Proposals contained therein will be proposed and considered, is set out at the end of the Admission Document.

## **19. Irrevocable undertakings**

The Company has received irrevocable undertakings to vote in favour of the Resolutions from Dr Keith Harris, Barry Hersh and Placifor Investment Corporation, holding, in aggregate, 93,809,262 Existing Ordinary Shares, representing, in aggregate, 50.09 per cent. of the Existing Ordinary Shares.

## **20. Action to be Taken**

Shareholders will find a Form of Proxy enclosed with the Notice of Extraordinary General Meeting contained within the Admission Document for use at the Extraordinary General Meeting. The Form of Proxy should be completed and signed in accordance with the instructions thereon and returned to the Company's registered agents, Mainstream Fund Services (IOM) Limited, Millennium House, 46 Athol Street, Douglas, Isle of Man IM1 1JB, by not later than 11 a.m. on 17 October 2020. The completion and return of a Form of Proxy will not preclude Shareholders from attending the Extraordinary General Meeting and voting in person should they so wish (subject to the current restrictions imposed by the Isle of Man Government in response to the global COVID-19 pandemic).

Shareholders are advised that, given current restrictions imposed by the Isle of Man Government in response to the global COVID-19 pandemic, it may not be possible for shareholders or appointed third party proxies to attend the Extraordinary General Meeting in person. Shareholders are therefore strongly encouraged to complete and return the Form of Proxy to appoint the chairman of the meeting as their proxy.

## **21. Additional Information and Risk Factors**

**You should read the whole of the Admission Document which provides additional information on the Company and SWS and not rely on summaries or individual parts only. Your attention is drawn to the further information in the Admission Document and particularly to the risk factors set out the Admission Document. Potential investors should carefully consider the risks described in the Admission Document before making a decision to invest in the Company.**

## **22. Recommendation**

The Directors believe that the Proposals are fair and reasonable and in the best interests of the Company and Shareholders as a whole.

Accordingly, the Directors recommend that Shareholders vote in favour of the Resolutions to be proposed at the General Meeting, as those Directors who are Shareholders have irrevocably undertaken to do in respect of their own beneficial holdings representing, in aggregate, 55,309,262 Existing Ordinary Shares, representing approximately 29.53 per cent. of the Existing Ordinary Shares.

Your sincerely

Dr Keith Harris  
Executive Chairman

## DEFINITIONS

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

"Acquisition"	the proposed acquisition of the entire issued share capital of SWS pursuant to the terms of the Acquisition Agreement
"Acquisition Agreement"	the conditional share purchase agreement dated 23 September 2020 between (1) the Company and (2) the Vendors setting out the terms of the Acquisition, further details of which are set out in paragraph 10.15 of Part V of the Admission Document
"Acquisition Resolution"	the resolution numbered 2 set out in the Notice of Extraordinary General Meeting which, if passed, will approve the Acquisition as a Reverse Takeover for the purposes of the AQSE Rules
"Admission"	the admission of the Enlarged Share Capital to trading on the AQSE Growth Market and such admission becoming effective in accordance with the AQSE Rules
"Admission Document" or "Document"	the admission document to be issued by the Company on the date of this Announcement
"Alfred Henry"	Alfred Henry Corporate Finance Limited, AQSE Corporate Adviser to the Company, which is authorised and regulated by the FCA
"AQSE Growth Market"	the primary market segment operated by AQSE for dealings in unlisted securities
"AQSE Rules"	the AQSE Growth Market - Rules for Issuers, which set out the admission requirements and continuing obligations of companies seeking admission to and whose securities are admitted to trading on the AQSE Growth Market
"Aquis Stock Exchange" or "AQSE"	Aquis Stock Exchange, a Recognised Investment Exchange under FSMA

"Articles"	the articles of association of the Company, as amended from time to time
"Board" or "Directors"	the board of directors of SAPO, whose names are set out on page 5 of the Admission Document
"Business Day"	a day other than Saturday or Sunday or a public holiday in England and Wales and/or the Isle of Man
"City Code"	the City Code on Takeovers & Mergers
"Cash Consideration"	the sum of approximately £1.2million payable to the Vendors in the proportions set out in the Acquisition Agreement
"Company" or "SAPO"	SAPO PLC, a company incorporated in the Isle of Man under the Isle of Man Companies Acts 1931 to 2004 on 27 June 2006 as a public limited company with registered number 117001C, and then subsequently, on 7 January 2011 with the approval of Shareholders in a general meeting, reregistered as a company under the Isle of Man Act with registered number 006491V
"Completion"	completion of the Acquisition Agreement in accordance with its terms
"Consideration"	the consideration comprising approximately £1.6million to be paid by the Company to the Vendors as consideration for the Acquisition through the Cash Consideration and the Consideration Shares pursuant to the Acquisition Agreement
"Consideration Shares"	means the 16,000,000 Ordinary Shares to be issued by the Company upon Completion to New Developments Limited, one of the Vendors, as part of the Consideration pursuant to the Acquisition Agreement
"CREST"	the Relevant System (as defined in the CREST Regulations) for paperless settlement of share transfers and the holding of shares in uncertificated form which is administered by Euroclear
"CREST Regulations"	the Uncertificated Securities Regulations 2006 (SD 743/06) of the Isle of Man, as amended from time to time
"EBITDA"	earnings before interest, taxes, depreciation, and amortization which is a measure of a company's overall financial performance
"Enlarged Group"	the Company and its wholly owned subsidiary, SWS, with effect from Completion
"Enlarged Share Capital"	

	the Existing Ordinary Shares, the Placing Shares, the Subscription Shares, the Ordinary Shares issued in consideration for services and the Consideration Shares
"EU"	the European Union
"Euroclear"	Euroclear UK & Ireland Limited, a company incorporated in England and Wales and the operator of CREST
"Existing Ordinary Shares"	the 187,292,810 Ordinary Shares of £0.01 each in the capital of the Company in issue at the date of this Announcement
"Extraordinary General Meeting"	the extraordinary general meeting of the Company which is to be held at 11 a.m. on 19 October 2020 at the registered office of the Company, notice of which is set out on page 163 of the Admission Document
"FCA"	the United Kingdom Financial Conduct Authority, the statutory regulator under FSMA responsible for the regulation of the United Kingdom financial services industry
"FSMA"	the Financial Services and Markets Act 2000 (as amended)
"FTTC"	fibre to the cabinet
"Group"	the Company and its subsidiaries for the time being
"HMRC"	Her Majesty's Revenue & Customs
"Hybridan"	Hybridan LLP, the Company's broker
"Hybridan Warrant"	the warrant in favour of Hybridan to subscribe for 1,622,400 Ordinary Shares at £0.025 per share, further details of which are set out in Part V of the Admission Document
"IOM Act"	the Isle of Man Companies Act 2006
"ISIN"	international security identification number
"London Stock Exchange"	London Stock Exchange PLC
"Market Abuse Regulation"	the EU Market Abuse Regulation (No. 596/2014) of the European Parliament and the Council of 16 April 2014, as may be amended from time to time
"MEG"	megabits per second
"New Developments Limited"	New Developments Limited, a company incorporated and registered in England and Wales as a private limited company with registered number 03123751
"NEX Admission"	the admission of the entire issued share capital of the Company to trading on the NEX Exchange Growth Market on 3 December 2019
"NEX Exchange" or "NEX"	NEX Exchange Limited, a Recognised Investment Exchange under section 290

	of FSMA which was renamed Aquis Stock Exchange following its acquisition by Aquis Exchange Plc
"NEX Exchange Growth Market"	the primary market segment operated by NEX Exchange for dealings in unlisted securities
"Notice of Extraordinary General Meeting"	the notice of the Extraordinary General Meeting set out in the Admission Document
"Orderly Market Agreement"	the agreement to be entered into on Completion between (1) the Company, (2) New Developments Limited, (3) Alfred Henry and (4) Hybridan, further details of which are contained in Part V of the Admission Document
"Ordinary Shares"	ordinary shares of the Company of £0.01 par value
"p" or "penny"	one hundredth part of one-pound sterling
"Placees"	the private and institutional investors who have conditionally subscribed for the Placing Shares at the Placing Price pursuant to the Placing
"Placing"	the placing of the Placing Shares at the Placing Price conditional on Admission
"Placing Agreement"	the placing agreement between the Company, Hybridan and the Directors setting out the terms of the Placing, further details of which are set out in Part V of the Admission Document
"Placing Price"	£0.025 per Ordinary Share
"Placing Shares"	the 70,040,000 new Ordinary Shares to be subscribed for by Placees pursuant to the Placing and allotted and issued by the Company, conditional on Admission
"Proposals"	together, the Acquisition, Placing, Subscription and Admission
"QCA Code"	the Corporate Governance Code for Small and Mid-sized Quoted Companies 2018, published in May 2018 by the Quoted Companies Alliance, as amended from time to time
"Registrars"	Link Market Services (Isle of Man) Limited
"Resolutions"	the resolutions to be proposed at the Extraordinary General Meeting, as set out in the Notice of Extraordinary General Meeting
"Reverse Takeover"	an acquisition which constitutes a reverse takeover for the purposes of the AQSE Rules
"RGC Scheme"	rural gigabit connectivity scheme

"Share Capital"	the number of Ordinary Shares in issue
"Shareholders"	persons registered as the holders of any part of the share capital of the Company
"Subscription"	the conditional subscription for the Subscription Shares pursuant to the Subscription Letters
"Subscription Letters"	the conditional subscription letters to be entered into by the Company in connection with the subscription for the Subscription Shares
"Subscription Price"	£0.025 per Ordinary Share
"Subscription Shares"	the 29,960,000 new Ordinary Shares to be issued pursuant to the Subscription
"Subscribers"	the private and institutional investors who have been sourced by the Company and conditionally subscribed for the Subscription Shares at the Subscription Price pursuant to the Subscription
"SWS"	Secure Web Services Limited, a company incorporated and registered in England and Wales as a private limited company with registered number 03923463
"UK" or "United Kingdom"	the United Kingdom of Great Britain and Northern Ireland
"UK Listing Authority" or "UKLA"	the FCA acting in its capacity as the competent authority for the purposes of Part VI of FSMA
"Uncertificated"	a security recorded on the Company's relevant register as being held in uncertificated form in CREST, and title to which, by virtue of the CREST Regulation, may be transferred by means of CREST
"VAT"	value added tax
"Vendors"	Christopher Raymond New and New Developments Limited
"Warrant Instrument"	the instrument creating warrants to subscribe for up to 100,000,000 Ordinary Shares at a price of £0.04 per share, further details of which are set out in Part V of the Admission Document
"Warrants"	the warrants to subscribe for Ordinary Shares constituted by the Warrant Instrument
"£" or "Pound"	pounds sterling

## EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Publication of the Admission Document and Form of Proxy	23 September 2020
Latest time and date for receipt of Forms of Proxy	11 a.m. on 17 October 2020
Extraordinary General Meeting	11 a.m. on 19 October 2020
Admission and commencement of dealings in the Enlarged Share Capital on the AQSE Growth Market	21 October 2020
Completion of the Acquisition	21 October 2020

*(1) All of the above timings refer to London time unless otherwise stated.*

*(2) All future times and/or dates referred to in the Admission Document are subject to change at the discretion of the Company and Alfred Henry. If any of the above times or dates should change, the revised times and/or dates will be notified by an announcement on regulatory information service.*

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