RNS Number : 9078P
Shearwater Group PLC
06 September 2017

6 September 2017

SHEARWATER GROUP PLC

("Shearwater" or the "Company" and, together with its subsidiaries, the "Group")

Final Results for the year ended 31 March 2017

Shearwater Group plc (AIM: SWG), the digital resilience group, is pleased to announce its audited results for the year ended 31 March 2017, a period prior to the acquisitions of SecurEnvoy and Newable Consulting.

Highlights (including activities after the financial year end)

- Established Shearwater's senior leadership team and launched the Group's digital resilience strategy
- Raised £16.5 million in gross proceeds to be used for acquisitions and organic growth initiatives
- Successfully completed the first two acquisitions under the Group's new strategy
    - In May 2017, acquired SecurEnvoy for £20 million
    - In July 2017, acquired Newable Consulting for £0.6 million, subsequently rebranded Xcina Consulting
- Established the Group's new information security and assurance solutions business, Xcina

Commenting on the results, David Williams, Chairman of Shearwater Group said: "2017 and the start of the new financial year have been transformational for the Company. Following our interims in December 2016 we have established the foundations which have supported the launch of our new digital resilience strategy and we are now ideally positioned to realise the benefits of the considerable market opportunities we are seeing as a business.

"We are delighted to have completed the first two acquisitions of what we expect to be many under our new strategy and these have now fully transitioned across to the Group. As we move through the new financial year, we continue to focus on securing new acquisition and investment opportunities from our pipeline alongside delivering the ambitious growth plans we have for our first two portfolio companies."

The Annual Report and Financial Statements for the year ended 31 March 2017 and the Notice of Annual General Meeting will be posted to shareholders shortly and will be available immediately on the Company's website www.theshearwatergroup.co.uk.

The Annual General Meeting will be held at 11.00 a.m. on 29 September 2017 at the offices of the Company's solicitors, Mayer Brown International LLP, 201 Bishopsgate, London EC2M 3AF.

Contacts:

Shearwater Group plc	*www.theshearwatergroup.co.uk*
David Williams	+44 (0) 797 014 8016
Michael Stevens	+44 (0) 780 171 2582
WH Ireland Limited - *Nominated Adviser & Broker*	*www.whirelandcb.com*
Mike Coe, Ed Allsopp	+44 (0) 117 945 3470
Powerscourt - *Financial PR*	*shearwater@powerscourt-group.com*
Ben Griffiths, Andy Jones	+44 (0) 20 7250 1446

BUSINESS REVIEW OF ACTIVITIES

Overview

The financial year ended 31 March 2017 and the start of the new financial year have been transformational for Shearwater Group plc (the "Company"), as the Board has transitioned the Company away from natural resources to the information security, cyber and cyber security sectors. Through the implementation of this new strategy, the Company aims to build a UK based group focused on the provision of advanced digital resilience solutions for its customers, which in turn the Board believes will deliver enhanced returns to the Company's shareholders.

Since the beginning of the financial year ended 31 March 2017, considerable progress has been made, including the appointment of a new senior leadership team with substantial experience operating within the high technology, cyber, information security, digital and communication sectors, and the launch of the Company's new digital resilience strategy. In May 2017, the Company completed its first transaction as Shearwater Group plc through the acquisition of SecurEnvoy Limited ("SecurEnvoy"), which established the Company's presence within the large and rapidly growing identity and access management sector. In July 2017, the Company completed its second transaction through the acquisition of Newable Consulting. Rebranded Xcina Consulting, this now forms a core component of the Company's newly launched information security and assurance solutions business, Xcina.

Market opportunity

As digitalisation and the interconnectivity of enterprises, people and devices continues apace, organisations are rethinking traditional approaches to cyber security, which are aimed at meeting minimum levels of compliance to ways in which cyber security can be embedded within operational processes to protect core data and information assets, while still enabling businesses to compete effectively in an increasingly globalised and interconnected world. Developing this digital resilience will be key for all organisations and presents a significant market opportunity for those providers of digital resilience solutions which maintain trust between users, provide assurance around the protection of critical information assets, and support operational effectiveness.

Business strategy

The Company is focused on building a UK based group providing digital resilience solutions and services. Through the application of its "buy, focus, grow" strategy, the Company aims to identify investment and acquisition opportunities where the target company has a leading product, solution, service or consulting capability whose potential can be unlocked through active management and capital investment.

In line with this approach, in May 2017, the Company completed its first acquisition under its new digital resilience strategy, by acquiring SecurEnvoy, a leading provider of multifactor authentication software solutions. In July 2017, the Company made its second acquisition by acquiring the business and assets of Newable Consulting, a specialist risk, technology, governance, cyber security assurance and advisory consultancy. As innovative, UK based businesses, both companies are led by exceptional operators and are prime examples of the type of organisations which the Board believes will benefit from the Company's clear strategy for growth, access to capital and to industry expertise through the Company's experienced leadership team.

The Company also holds a number of legacy mining assets, which it is looking to divest of. These include two gold projects, which are held through a joint arrangement with Ormonde Mining plc ("Ormonde") (AIM: ORM), a 20% carried interest in the Morille tungsten project and 715,000 ordinary shares (0.55%) held by the Company in ASX listed Plymouth Materials Limited (ASX: PLH) ("Plymouth").

Business progress

During the financial year ended 31 March 2017, the Company's key transformation milestones have included:

- In October 2016, the Company established its new senior leadership team and raised a total of £1.5 million of gross proceeds before expenses through two placings in September 2016 and November 2016.
- In January 2017, the Company implemented its new operating structure and established its operational management team, raised a further £6.0 million of gross proceeds before expenses

through a further placing and launched its new digital resilience strategy, which included the Company's change of name to Shearwater Group plc.

Following the end of the financial year, the Company's key transformation milestones have been:

- In April 2017, the Company announced it had secured its first transformational acquisition under its new strategy by conditionally agreeing to acquire SecurEnvoy for £20 million.
- In May 2017, the Company raised £9.0 million of gross proceeds before expenses to support the acquisition of SecurEnvoy and provide further growth capital, and also received shareholder approval to complete the acquisition of SecurEnvoy.
- In July 2017, the Company acquired the business and assets of Newable Consulting for £0.6 million, which was subsequently rebranded Xcina Consulting. The acquisition has provided a core component of Xcina, the Company's newly launched information security and assurance solutions business.

Key financials

For the twelve months to 31 March 2017 (and prior to the acquisition of SecurEnvoy and launch of Xcina), the Company reported a loss of £1,584k compared to a loss of £243k for the same period in 2016.

After adjusting for exceptional items of £429k associated with the Company's growth strategy, depreciation and amortisation of £1k and share based payments of £79k, the Company generated a loss before interest, tax, depreciation and amortisation for the period ("Underlying EBITDA") of £1,076k (2016: £179k). The significant driver of this increase is higher administrative costs, reflecting the establishment of the new Board, operational team and launch of the Company's new digital resilience strategy.

Cash management and cost control remain key priorities for the Company and the Board believes it now has an appropriate platform which will support the accelerated growth of the business over the coming years without any material increases in central administrative costs.

Key performance indicators (KPIs)

Revenue, costs and profit before tax, before one-off items, share based payment charges, finance charges, depreciation and amortisation ("Underlying EBITDA"): The Board and management monitor actual against budgeted revenue / costs / Underlying EBITDA on a monthly basis.

Finance: Control of bank and cash balances is a priority for the Company and these are budgeted and monitored closely to ensure that the Company maintains adequate liquidity to meet financial commitments as they arise.

Qualified person

As the Company continues to hold its legacy mining assets pending their disposal, Sean Finlay, Professional Geologist, Chartered Engineer, Consultant to the Company, and a qualified person as defined in the Guidance Note for Mining, Oil and Gas Companies, June 2009, of the London Stock Exchange, has reviewed and approved the technical mining information contained in this report.

Summary and outlook

As a result of the new transformation strategy, the Company now has the ideal foundations in place from which to drive further growth across the business. The Board will continue to identify acquisition targets which have a leading product, solution, service or consulting capability whose full potential can be unlocked through active management and capital investment, and while there can be no guarantee that all of the acquisition targets identified will come to fruition, the Company's current pipeline of organic and inorganic growth opportunities is considerable and would provide a broad mix of capabilities across complementary end user markets.

This next year will see the Company focus on securing these growth opportunities as it progresses its strategy towards delivering on its objective of becoming a leading UK based group providing digital resilience solutions.

On behalf of the Board, I would like to thank our employees, our existing shareholders and our new shareholders for their continued support as we enter what is expected to be another incredibly exciting year in the Company's development.

David Williams
Chairman

5 September 2017

STATEMENT OF COMPREHENSIVE INCOME YEAR ENDED 31 MARCH 2017

	Note	2017 £'000	2016 £'000
Impairment charge		-	(64)
Administrative expenses			
Exceptional items		(429)	-
Share based payments		(79)	-
Other administrative expenses		(1,077)	(179)
Total administrative expenses		(1,585)	(179)
Operating loss		(1,585)	(243)
Finance Income		1	-
Loss for the year before taxation		(1,584)	(243)
Taxation		-	-
Loss for the year after taxation		(1,584)	(243)
Loss after taxation		(1,584)	(243)
Other comprehensive income:			
Items that may be reclassified to profit or loss:			
Change in fair value of available-for-sale financial assets		76	27
Total comprehensive loss for the year		(1,508)	(216)
Loss per share expressed in pence per share			
Basic and Diluted	2	(0.54p)	(0.14p)

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2017

	2017	**2016**
	£'000	**£'000**
Assets		
Non-current assets		
Intangible assets	935	926
Investment in subsidiary	-	-
Property, plant and equipment	1	-
Investments	118	42
Total non-current assets	1,054	968
Current assets		
Receivables	86	11
Cash and cash equivalents	7,073	45
Total current assets	7,159	56
Total assets	8,213	1,024
Liabilities		
Current liabilities		
Convertible Loan	-	50
Trade and other payables	737	67
Total current liabilities	737	117
Total liabilities	737	117
Net assets	7,476	907
Capital and reserves attributable to the equity holders of the company		
Share capital	5,353	1,719
Share premium	15,957	11,593
Available for sale reserve	103	27
Capital reserve	39	-
Retained deficit	(13,976)	(12,432)
Total Equity	7,476	907

STATEMENT OF CHANGES IN EQUITY YEAR ENDED 31 MARCH 2017

	Share capital	Share premium	Available for sale reserve	Capital reserve	Shares to be issued	Retained deficit	Total Equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 April 2015	1,461	11,596	-	-	140	(12,189)	1,008
Total loss for the year	-	-	-	-	-	(243)	(243)
Other comprehensive income							
Fair value adjustment on available for sale investment	-	-	27	-	-	-	27
Total comprehensive loss for the year	-	-	27	-	-	(243)	(216)
Issue of shares net of issue costs	118	(3)	-	-	-	-	115
Shares to be issued	140	-	-	-	(140)	-	-
At 31 March 2016	1,719	11,593	27	-	-	(12,432)	907
Total loss for the year	-	-	-	-	-	(1,584)	(1,584)
Other comprehensive income							
Fair value adjustment on available for sale investment	-	-	76	-	-	-	76
Total comprehensive loss for the year	-	-	76	-	-	(1,584)	(1,508)
Share based payments	-	-	-	39	-	40	79
Issue of shares net of issue costs	3,634	4,364	-	-	-	-	7,998
At 31 March 2017	5,353	15,957	103	39	-	(13,976)	7,476

STATEMENT OF CASH FLOWS YEAR ENDED 31 MARCH 2017

	2017 £'000	2016 £'000
Cash flows from operating activities		
Loss for the year before tax	(1,584)	(243)
Adjustments for:		
Impairment charge	-	64
Depreciation of fixed assets	1	-
Finance income	(1)	-
Share based payments	79	-
Cash flow from operating activities before changes in working capital	(1,505)	(179)
(Increase)/decrease in other receivables	(75)	2
Increase/(decrease) in trade and other payables	670	(22)
Net cash flow used in operating activities	(910)	(199)
Investing activities		
Purchase of fixed assets	(2)	-
Interest income	1	-
Ormonde joint arrangement payments	(9)	(27)
Net cash flow used in investing activities	(10)	(27)
Financing activities		
Proceeds from issue of share capital	8,084	118
Expenses paid in connection with share issues	(236)	(3)
Proceeds from convertible loan	100	50
Net cash flow from financing activities	7,948	165
Net increase (decrease) in cash and cash equivalents	7,028	(61)
Cash and cash equivalents at the beginning of the year	45	106
Cash and cash equivalents at the end of the year	7,073	45

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

1. Basis of preparation

The financial statements are presented in Great Britain Pounds Sterling, which is also the Company's functional currency. All values are rounded to the nearest thousand Pounds (£'000), unless otherwise stated.

These financial statements for the year ended 31 March 2017 have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations as adopted by the European Union (collectively EU IFRS). It is required of Group management to exercise judgement in applying the Group's accounting policies. The areas where significant judgments and estimates have been made in preparing the financial statements and their effect are disclosed in note 2 of the Annual Report.

The Financial statements have been prepared on the going concern basis, following the Directors review of the Company's operations, current financial position and cash flow forecasts and future financing requirements and based on the Company's new strategic expansion plan and recent successful fundraises to support this strategy. The Directors are satisfied that sufficient cash resources are available to meet the financial commitments as they arise and for at least twelve months from the date of signing the financial statements.

The financial information for the year ended 31 March 2017 and the year ended 31 March 2016 does not constitute the company's statutory accounts for those years.

The statutory accounts for the year will be delivered to the Registrar of Companies following the Company's Annual General Meeting. The auditors' reports on those accounts was unqualified, did not draw attention to any matters by way of emphasis, and did not contain a statement under 498(2) or 498(3) of the Companies Act 2006.

2. Loss per share

Basic loss per share is calculated by dividing the loss attributable to the ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

For diluted loss per share, the weighted average number of shares in issue is adjusted to assume conversion of all the dilutive potential ordinary shares. The potential dilutive shares are anti-dilutive in 2016 and 2017 as the Company is loss making.

At the reporting date, there were 3,378,882 (2016: 3,950,000) potentially dilutive ordinary shares. Dilutive potential ordinary shares relate to share options.

	2017 £'000	2016 £'000
Net loss attributable to equity holders of the parent:		
From total operations	(1,584)	(243)

	2017 Number	2016 Number
Weighted average number of shares:		
Weighted average number of shares	291,850,286	170,580,011

3. Events after the reporting period

On 20 April 2017, the Company announced the proposed acquisition of SecurEnvoy for £20 million, proposed placing of up to 200,000,000 new Ordinary Shares at £0.04 per share, proposed open offer of up to 25,488,108 new Ordinary Shares at £0.04 per share, and admission of the Company's enlarged share capital to trading on AIM. Following the Company's General Meeting which took place on 8 May 2017, the Company's shareholders approved the acquisition of SecurEnvoy and the requisite placing and open offer, and the acquisition of SecurEnvoy was completed on 9 May 2017. The £20 million of consideration was satisfied through the payment of £10 million in cash and £10 million through the issuance of 200,000,000 new Ordinary Shares at £0.05 per share. The acquisition of SecurEnvoy established the Company's presence within the large and rapidly growing identity and access management sector.

Certain Directors were issued new Ordinary Shares pursuant to the placing and open offer approved by Shareholders on 8 May 2017. David Williams, Chairman subscribed for 12,500,000 new Ordinary Shares in the placing. In addition, Michael Stevens, Chief Executive Officer and Non-Executive Directors Robin Southwell, Stephen Ball and Giles Willits, each subscribed for 625,000 new Ordinary Shares in the placing. Christopher Eadie (via his wife), Executive Director, applied for 625,000 new Ordinary Shares in the open offer.

The new Ordinary Shares were issued to those Directors at the issue price of £0.04 per share.

On 26 July 2017, the Company announced the acquisition of the business and assets of Newable Consulting for an initial consideration of £600,000. As part of the transaction, Newable Consulting agreed to subscribe for 3,620,806 new Ordinary Shares at £0.04143 per share. Subject to the future financial performance of Newable Consulting, a further payment of up to £100,000 may be made to Newable Consulting, which will be settled through the issuance of new Ordinary Shares.

At the date of authorisation of these financial statements, a detailed assessment of the fair values of the identifiable net assets for both SecurEnvoy and Newable Consulting have not been completed, and therefore are not included within this note.

Post year end the Company incorporated four new companies; Xcina Limited, Xcina Consulting Limited, SecurEnvoy GmbH and SecurEnvoy, Inc. Xcina Limited is a wholly owned subsidiary of Shearwater Subco Limited and is an intermediary holding company of Xcina Consulting Limited. SecurEnvoy GmbH and SecurEnvoy, Inc. are overseas trading subsidiaries of SecurEnvoy Limited.