

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document, or as to the action that you should take, you are recommended to seek your own independent financial advice from your stockbroker, bank manager, solicitor, accountant or other independent professional adviser authorised under FSMA who specialises in advising on the acquisition of shares and other securities.

If you have sold or otherwise transferred all of your Existing Ordinary Shares, you should immediately send this document, together with the accompanying Form of Proxy and (if applicable) Application Form, to the stockbroker, bank or other agency through whom the sale or transfer was effected, for transmission to the purchaser or transferee. However, the Application Form should not be forwarded to, or transmitted in or into, any jurisdiction outside of the United Kingdom. Any failure to comply with such restriction may constitute a violation of the securities laws of any such jurisdiction.

This document is being sent to all Shareholders, but in relation to those Shareholders who are not Qualifying Shareholders it is being sent to them for information purposes only to enable them to exercise their rights as shareholders vis-à-vis the General Meeting.

The Existing Ordinary Shares are currently admitted to trading on AIM. Application has been made to the London Stock Exchange for the Enlarged Share Capital to be admitted to trading on AIM. It is expected that Admission will become effective and that trading in the Enlarged Share Capital will commence on AIM at 8:00 a.m. on 9 May 2017. This document does not contain an offer of transferable securities to the public in the United Kingdom within the meaning of section 102B of FSMA and is not required to be issued as a prospectus pursuant to section 85 of FSMA, but comprises an AIM admission document drawn up in accordance with the AIM Rules for Companies. Accordingly, this document has not been pre-approved by or filed with the FCA nor any other competent authority.

SHEARWATER GROUP PLC

(Incorporated and registered in England and Wales with registered number 05059457)

Acquisition of SecurEnvoy Limited

Placing of up to 200,000,000 Ordinary Shares at £0.04 per share

Open Offer of up to 25,488,108 Ordinary Shares at £0.04 per share

Admission of the Enlarged Share Capital to trading on AIM

and

Notice of General Meeting

WH Ireland Limited

Nominated Adviser and Broker

AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. Each AIM company is required pursuant to the AIM Rules for Companies to have a nominated advisor. The nominated adviser is required to make a declaration to the London Stock Exchange on Admission in the form set out in Schedule Two of the AIM Rules for Nominated Advisers. Neither the London Stock Exchange nor any competent authority has itself examined or approved the contents of this document. The AIM Rules for Companies are less demanding than those which apply to companies whose shares are listed on the Official List. No application is being made for admission of the Ordinary Shares to the Official List or any other recognised investment exchange and no application has been or is being made for the Ordinary Shares to be admitted to trading on any such exchange.

The Directors, whose names, business address and functions appear on page eight and the Company, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors and the Company (having taken all reasonable care to ensure such is the case), the information contained in this document is in accordance with the facts and contains no omission likely to affect the import of such information. In connection with this document, no person is authorised to give any information or make any representation other than as contained in this document.

The notice of a General Meeting to be held at the offices of Mayer Brown International LLP, 201 Bishopsgate, London EC2M 3AF at 10.00 a.m. on 8 May 2017 is set out on pages 140 to 143 of this document. The accompanying Form of Proxy for use in connection with the General Meeting should be completed by Shareholders and returned as soon as possible but, in any event, so as to be received by the Company's registrars, Neville Registrars Limited, at Neville House, 18 Laurel Lane, Halesowen, West Midlands B63 3DA no later than 48 hours before the time appointed for the General Meeting or adjourned meeting or, in the case of a poll taken otherwise than at or on the same day as the General Meeting or adjourned meeting, not later than 48 hours before the time appointed for the taking of the poll at the meeting at which it is to be used. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the General Meeting (and any adjournment thereof) by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider should refer to their CREST sponsors or voting service provider(s), who will be able to take the appropriate action on their behalf. **Whether or not you intend to be present at the General Meeting you are recommended to complete and return the Form of Proxy or complete your CREST electronic proxy appointment (as applicable), as instructed above. Completion and return of a Form of Proxy will not preclude Shareholders from attending and voting at the General Meeting should they so wish.**

Qualifying Shareholders who hold their Existing Ordinary Shares in certificated form should have received an Application Form together with this document. Qualifying CREST Shareholders (who will not receive an Application Form) will receive a credit to their appropriate stock accounts in CREST in respect of the Open Offer Entitlements which will be enabled for settlement on from 8.00 a.m. on 9 May 2017. Applications under the Open Offer may only be made by the Qualifying Shareholder originally entitled or by a person entitled by virtue of a bona fide market claim arising out of a sale or transfer of Existing Ordinary Shares prior to the Ex-Entitlement Date.

The latest time and date for acceptance and payment in full under the Open Offer is 11.00 a.m. on 5 May 2017. The procedure for application and payment is set out in paragraph 3 (*Procedure for application and payment*) of Part IX (*Terms and conditions of the Open Offer*) and, for Qualifying Shareholders who hold their Existing Ordinary Shares in certificated form only, in the accompanying Application Form. If you do not wish to participate in the Open Offer then you should not return your Application Form or send a USE instruction through CREST.

The New Ordinary Shares will, on Admission, rank *pari passu* in all respects with the Existing Ordinary Shares then in issue and will rank in full for all dividends and other distributions declared, paid or made in respect of the Ordinary Shares after Admission.

Your attention is drawn to the discussion of risks and other factors which should be considered in connection with an investment in the Ordinary Shares, set out in Part III (*Risk Factors*). NOTWITHSTANDING THIS, PROSPECTIVE INVESTORS IN THE COMPANY SHOULD READ THE WHOLE TEXT OF THIS DOCUMENT.

WH Ireland is authorised and regulated by the FCA in the United Kingdom and is acting exclusively as nominated adviser and broker to the Company (for the purposes of the AIM Rules for Companies) and no one else in connection with the Acquisition, Admission, the Placing, the Open Offer and the matters set out in this document. WH Ireland will not regard any other person as its customer or be responsible to any other person for providing the protections afforded to customers of WH Ireland nor for providing advice in relation to the transactions and arrangements detailed in this document for which the Company and the Directors are solely responsible and, without limiting the statutory rights of any recipient of this document, no liability is accepted by WH Ireland for the accuracy of any information or opinions contained in this document or for omissions of any material information for which it is not responsible. WH Ireland is not making any representation or warranty, express or implied, as to the contents of this document. **The**

responsibilities of WH Ireland as the Company's nominated adviser and broker solely for the purposes of the AIM Rules for Nominated Advisers are owed solely to the London Stock Exchange and are not owed to the Company or any Director or to any other person in respect of his decision to invest in the Company in reliance on any parts of this document.

This document does not constitute an offer to buy or subscribe for, or the solicitation of an offer to buy or subscribe for, Ordinary Shares in any jurisdiction. The Ordinary Shares have not been, nor will be, registered in the United States under the United States Securities Act of 1933, as amended, or qualified for sale under the laws of any State of the United States or under the securities of any of Canada, Australia, New Zealand, South Africa or Japan and they may not be offered or sold directly or indirectly within the United States, Canada, Australia, New Zealand, South Africa or Japan or to, or for the account or benefit of, US persons or any national, citizen or resident of the United States, Canada, Australia, New Zealand, South Africa or Japan. The distribution of the Application Form outside the UK may be restricted by law and therefore persons outside the UK into whose possession this document comes should inform themselves about and observe any restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

Copies of this document will be available free of charge during normal business hours on any weekday (except Saturdays, Sundays and public holidays) at the offices of WH Ireland, 24 Martin Lane, London EC4R 0DR and the Company's website www.theshearwatergroup.co.uk from the date of this document until the date which is one month from the date of Admission.

FORWARD LOOKING STATEMENTS

This document includes statements that are, or may be deemed to be, “forward-looking statements”. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms “believes”, “estimates”, “forecasts”, “plans”, “prepares”, “anticipates”, “projects”, “expects”, “intends”, “may”, “will”, “seeks”, or “should” or, in each case, their negative or other variations or comparable terminology, or by discussions of strategy, plans, objectives, goals, future events or intentions. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this document and include statements regarding the Company’s and the Directors’ intentions, beliefs or current expectations concerning, amongst other things, the Enlarged Group’s prospects, growth and strategy.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Forward-looking statements are not guarantees of future performance. The Enlarged Group’s actual performance, achievements and financial condition may differ materially from those expressed or implied by the forward-looking statements in this document. In addition, even if the Enlarged Group’s results of operations, performance, achievements and financial condition are consistent with the forward-looking statements in this document, those results or development may not be indicative of results or developments in subsequent periods.

Any forward-looking statements that the Company makes in this document speak only as of the date of such statement, and none of the Company, the Directors or WH Ireland undertakes any obligation to update such statements unless required to do so by applicable law. Comparisons of results for current and any prior periods are not intended to express any future trends or indications of future performance, unless expressed as such, and should only be viewed as historical data.

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ADMISSION AND PLACING AND OPEN OFFER STATISTICS

Number of Existing Ordinary Shares in issue at the date of this document	535,250,286
Number of Placing Shares	Up to 200,000,000
Maximum number of Open Offer Shares to be offered by the Company	25,488,108
Number of Consideration Shares	200,000,000
Open Offer Entitlement under the Open Offer	1 Open Offer Share for every 21 Existing Ordinary Shares
Issue Price in respect of Placing and Open Offer	£0.04
Enlarged Share Capital following issue of the Consideration Shares, the Placing Shares and the Open Offer Shares*	960,738,394 Ordinary Shares
Placing Shares as a percentage of the Enlarged Share Capital*	20.82 per cent.
Consideration Shares as a percentage of the Enlarged Share Capital*	20.82 per cent.
Open Offer Shares as a percentage of the Enlarged Share Capital*	2.65 per cent.
Gross proceeds of the Placing	Up to £8,000,000
Gross proceeds of the Placing (net of expenses)	Up to £6,400,000
Gross proceeds of the Open Offer**	Up to £1,019,524
Anticipated market capitalisation of the Company on Admission*	Approximately £38,400,000
TIDM	SWG
ISIN of the Ordinary Shares	GB00B00T3528
ISIN of the Basic Entitlements	GB00BDD97259
ISIN of the Excess Entitlements	GB00BDD97473
SEDOL	B00T352

* Assuming full take up under the Open Offer and the Placing

** Assuming full take up under the Open Offer at the Issue Price

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Announcement of the Acquisition, the Placing and the Open Offer	7:00 a.m. on 20 April 2017
Record Date for entitlements under the Open Offer	6:00 p.m. on 19 April 2017
Publication and posting of this document (including Notice of General Meeting), Application Form (if applicable) and Form of Proxy	20 April 2017
Ex-Entitlement Date for the Open Offer	8:00 a.m. on 20 April 2017
Open Offer Entitlements credited to stock accounts in CREST of Qualifying CREST Shareholders	as soon as practicable from 8:00 a.m. on 21 April 2017
Recommended latest time and date for requesting withdrawal of Open Offer Entitlements from CREST	4:30 p.m. on 28 April 2017
Latest time and date for depositing Open Offer Entitlements into CREST	3:00 p.m. on 2 May 2017
Latest time and date for splitting of Application Forms <i>(to satisfy bona fide market claims only)</i>	3:00 p.m. on 2 May 2017
Latest time and date for receipt of completed Application Forms and payment in full under the Open Offer and settlement of relevant CREST instructions <i>(as appropriate)</i>	11:00 a.m. on 5 May 2017
Latest time and date for receipt of Forms of Proxy and receipt of electronic proxy appointments via the CREST system	10:00 a.m. on 6 May 2017
General Meeting	10:00 a.m. on 8 May 2017
Announcement of the results of the Open Offer	8 May 2017
Completion of the Acquisition expected	8:00 a.m. on 9 May 2017
Admission effective and trading in the Enlarged Share Capital expected to commence on AIM	8:00 a.m. on 9 May 2017
Expected date for CREST accounts to be credited (where applicable)	8:00 a.m. on 9 May 2017
Despatch on definitive share certificates (where applicable) in respect of Consideration Shares, Placing Shares and Open Offer Shares to be held in certificated form	within ten business days of Admission

Notes:

Each of the dates and times in the above timetable are subject to change at the absolute discretion of the Company and WH Ireland. In this document all references to times and dates are in reference to those observed in London, United Kingdom.

DIRECTORS, SECRETARY AND ADVISERS

Directors	David Jeffrey Williams (<i>Chairman</i>) Michael ("Mo") Joseph Stevens (<i>Chief Executive Officer</i>) Robin Simon Southwell OBE (<i>Independent Non-Executive Director</i>) Stephen Robert Ball (<i>Senior Independent Non-Executive Director</i>) Giles Kirkley Willits (<i>Non-Executive Director</i>) Christopher John Eadie (<i>Executive Director</i>)
Registered Office	22 Great James Street London WC1N 3ES
Principal place of business	6th Floor Octagon Point St Paul's London EC2V 6AA
Company secretary	Christopher John Eadie
Nominated adviser and broker	WH Ireland Limited 24 Martin Lane London, EC4R 0DR
Reporting accountants	KPMG LLP Arlington Business Park Theale Reading, RG7 4SD
Auditors	BDO LLP 55 Baker Street London, W1U 7EU
Solicitors to the Company	Mayer Brown International LLP 201 Bishopsgate London EC2M 3AF
Solicitors to the nominated adviser and broker	Osborne Clarke LLP 2 Temple Back East Bristol BS1 6EG
Financial PR adviser to the Company	Powerscourt Limited 1 Tudor Street London EC4Y 0AH
Registrars and Receiving Agent	Neville Registrars Limited Neville House 18 Laurel Lane Halesowen West Midlands, B63 3DA
ISIN	GB00B00T3528
TIDM	SWG
Company website	www.theshearwatergroup.co.uk

DEFINITIONS

“£” or “UK pounds sterling”	the lawful currency of the United Kingdom
“\$” or “US dollars”	the lawful currency of the United States of America
“2009 B Shares”	the B ordinary shares of £0.33 each in the capital of the Company
“2010 B Shares”	the B ordinary shares of £0.15 each in the capital of the Company
“2016 Placing Agreement”	the agreement dated 21 December 2016 between (1) the Company and (2) WH Ireland relating to a previous placing, the terms of which are summarised in paragraph 15.1(b)(iii) (<i>2016 Placing Agreement</i>) of Part X (<i>Additional Information</i>)
“Acquisition”	the proposed acquisition by the Company of the entire issued share capital of SecurEnvoy pursuant to the Acquisition Agreements
“Acquisition Agreements”	the SPA and the Minority SPA, the terms of which are summarised in paragraphs 15.1(b)(vii) (<i>SPA</i>) and (viii) (<i>Minority SPA</i>) of Part X (<i>Additional Information</i>)
“Admission”	the admission of all the Existing Ordinary Shares, the Consideration Shares, the Placing Shares and the Open Offer Shares to trading on AIM and that admission becoming effective in accordance with the AIM Rules for Companies
“Advisory Panel”	the advisory panel of the Company, as described in paragraph 2 (<i>Advisory Panel</i>) of Part IV (<i>Directors</i>)
“AIM”	AIM, the market of that name operated by the London Stock Exchange
“AIM Rules for Companies”	the rules and guidance for companies whose shares are admitted to trading on AIM entitled “AIM Rules for Companies” published by the London Stock Exchange as amended from time to time
“AIM Rules for Nominated Advisers”	the rules and guidance for nominated advisers entitled “AIM Rules for Nominated Advisers” published by the London Stock Exchange as amended from time to time
“Application Form”	the personalised application form accompanying this document on which Qualifying Non-CREST Shareholders may apply for Open Offer Shares under the Open Offer
“Basic Entitlement”	entitlement to subscribe for Open Offer Shares, allocated to a Qualifying Shareholder pursuant to the Open Offer as described in Part IX (<i>Terms and conditions of the Open Offer</i>)
“Board”	the board of directors of the Company
“Cash Consideration”	the cash element of the Consideration payable by the Company to the Sellers pursuant to the Acquisition Agreements, being £10,000,000 as adjusted pursuant to the terms of the Acquisition Agreements

“certificated” or “in certificated form”	Ordinary Shares which are evidenced by the issue of share certificates and are recorded on the register as being held in certificated form
“Companies Act”	the Companies Act 2006 (as amended)
“Company”	Shearwater Group plc, a public limited company incorporated in England and Wales with registered number 05059457 and with its registered office at 22 Great James Street, London WC1N 3ES
“Completion”	completion of the Acquisition in accordance with the Acquisition Agreements and the Option Holder SPA
“Consideration”	the Cash Consideration and the Consideration Shares
“Consideration Shares”	the 200,000,000 New Ordinary Shares to be allotted and issued to the Sellers pursuant to the Acquisition Agreements
“CREST”	the electronic system for the holding and transferring of shares and other securities in paperless form operated by Euroclear UK & Ireland Limited
“CREST Manual”	the rules governing the operation of CREST consisting of the CREST Reference Manual, the CREST International Manual, the CREST Central Counterpart Service Manual, the CREST Rules, the CCSS Operations Manual, the Daily Timetable, the CREST Application Procedures and the CREST Glossary of Terms (as updated from time to time)
“CREST Regulations”	the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755) (as amended)
“Directors”	the directors of the Company, whose names are set out on page eight and “Director” shall mean any one of them
“Disclosure Guidance and Transparency Rules”	the disclosure guidance and transparency rules issued by the FCA acting in its capacity as the competent authority pursuant to Part VI of FSMA
“Employee Option Plan”	the share option scheme (incorporating enterprise management incentive options) as governed by the rules to the scheme dated 19 April 2017, as more fully described in paragraph 11.4 (<i>Employee Option Plan</i>) of Part X (<i>Additional Information</i>)).
“Enlarged Group”	the Existing Group and, subject to Completion, SecurEnvoy
“Enlarged Share Capital”	the issued share capital of the Company on Admission, comprising the Existing Ordinary Shares and the New Ordinary Shares
“Executive Directors”	Michael (“Mo”) Joseph Stevens and Christopher John Eadie
“Excess Entitlement”	Open Offer Shares in excess of the Basic Entitlement, but not in excess of the total number of Open Offer Shares, allocated to a Qualifying Shareholder pursuant to the Open Offer as described in Part IX (<i>Terms and conditions of the Open Offer</i>)

“Ex-Entitlement Date”	the date on which the Ordinary Shares are marked ‘ex’ for entitlement by the London Stock Exchange under the Open Offer, being 20 April 2017
“Existing Articles”	means the existing articles of association of the Company at the date of this document, details of which are set out in paragraph 5 (<i>Summary of Existing Articles and New Articles</i>) of Part X (<i>Additional Information</i>)
“Existing Issued Share Capital” or “Existing Ordinary Shares”	the Ordinary Shares in issue as at the date of this document being 535,250,286 Ordinary Shares
“Existing Option Deeds”	the option deeds entered into between the Company and various current and former Directors and Lord Reid, as more fully described in paragraph 11.2 (<i>Existing Option Deeds</i>) of Part X (<i>Additional Information</i>)
“Existing Group”	the Company and the Subsidiary
“Founders”	Andrew Kemshall and Stephen Watts
“FCA”	the Financial Conduct Authority
“Form of Proxy”	the form of proxy accompanying this document for use in connection with the General Meeting
“FSMA”	the Financial Services and Markets Act 2000 (as amended)
“General Meeting”	the general meeting of the Company to be held at the offices of Mayer Brown International LLP, 201 Bishopsgate, London EC2M 3AF on 8 May 2017 at 10:00 a.m., notice of which is set out at the end of this document
“HMRC”	Her Majesty’s Revenue & Customs
“IFRS”	International Financial Reporting Standards, as adopted by the European Union
“Issue Price”	£0.04 per Ordinary Share issued pursuant to the Placing and the Open Offer
“Lock-in Deeds”	the lock-in deeds entered into between the Company, WH Ireland and each of the Sellers, the terms of which are summarised in paragraph 15.1(b)(v) (<i>Lock-in Deeds</i>) of Part X (<i>Additional Information</i>)
“London Stock Exchange”	London Stock Exchange plc
“Market Abuse Regulation”	Market Abuse Regulation (<i>Regulation 596/2014</i>), which repealed and replaced the Market Abuse Directive (<i>2003/6/EC</i>) and its implementing legislation with effect from 3 July 2016
“Minority Sellers”	various individual minority shareholders in SecurEnvoy who have entered into the Minority SPA
“Minority SPA”	the conditional agreement dated 20 April between (1) the Minority Sellers; and (2) the Company, the terms of which are summarised in paragraph 15.1(b)(viii) (<i>Minority SPA</i>) of Part X (<i>Additional Information</i>)

“New Articles”	the new articles of association to be adopted by the Company pursuant to Resolution 6 of the General Meeting, as described in paragraph 5.4 of Part X (<i>Additional Information</i>)
“New Option Schemes”	the Employee Option Plan and the Non-Employee Option Plan
“New Ordinary Shares”	the Placing Shares, the Open Offer Shares and the Consideration Shares
“Non-Employee Option Plan”	the share option scheme as governed by the rules to the scheme dated 19 April 2017, as more fully described in paragraph 11.5 (<i>Non-Employee Option Plan</i>) of Part X (<i>Additional Information</i>).
“Non-Executive Directors”	David Jeffrey Williams, Robin Simon Southwell, Stephen Robert Ball and Giles Kirkley Willits
“Notice of General Meeting”	the notice convening the General Meeting, set out on pages 140 to 143 of this document.
“Official List”	The Official List of the UKLA
“Open Offer”	the conditional offer made by the Company to Qualifying Shareholders inviting them to apply for the Open Offer Shares at the Issue Price on the terms and subject to the conditions set out in this document and, in the case of Qualifying Non-CREST Shareholders, in the Application Form
“Open Offer Entitlements”	entitlements to subscribe for shares pursuant to the Basic Entitlement and Excess Entitlement
“Open Offer Shares”	up to 25,488,108 new Ordinary Shares to be issued pursuant to the Open Offer
“Option Holder SPA”	the agreement to be entered into on Completion between (1) the Option Holders and (2) the Company
“Option Holders”	certain employees of SecurEnvoy who hold options over shares in the capital of SecurEnvoy
“Orderly Market Deeds”	the orderly market deeds entered into between the Company, WH Ireland and the Directors, the terms of which are summarised in paragraph 15.1(b)(vi) (<i>Orderly Market Deeds</i>) of Part X (<i>Additional Information</i>)
“Ordinary Shares”	the ordinary shares of £0.01 each in the capital of the Company
“Ormonde”	Ormonde Mining plc
“Placing”	the conditional placing by WH Ireland of the Placing Shares with investors at the Issue Price pursuant to the Placing Agreement
“Placing Agreement”	the agreement dated 20 April 2017 between (1) the Company and (2) WH Ireland relating to the Placing, the terms of which are summarised in paragraph 15.1(b)(iv) (<i>Placing Agreement</i>) of Part X (<i>Additional Information</i>)
“Placing Shares”	up to 200,000,000 new Ordinary Shares to be issued pursuant to the Placing at the Issue Price

“QCA Code”	Corporate Governance Code for Small and Mid-sized quoted companies as published by the Quoted Companies Alliance
“Qualifying CREST Shareholders”	Qualifying Shareholders whose Existing Ordinary Shares are held in uncertificated form
“Qualifying Non-CREST Shareholders”	Qualifying Shareholders whose Existing Ordinary Shares are held in certificated form
“Qualifying Shareholders”	Shareholders on the Record Date that are not resident in a Restricted Jurisdiction
“Record Date”	6:00 p.m. on 19 April 2017 being the latest time by which transfers of Existing Ordinary Shares must be received for registration by the Company in order to allow transferees to be recognised as Qualifying Shareholders
“Registrar” and “Receiving Agent”	Neville Registrars Limited, a company incorporated in England and Wales with registered number 04770411 and with its registered office at Neville House, 18 Laurel Lane, Halesowen, West Midlands B63 3DA
“Resolutions”	the resolutions to be proposed at the General Meeting, each a “Resolution” , as described in paragraph 17 (<i>General Meeting and Resolutions</i>) of Part I (<i>Letter from the Chairman</i>)
“Restrictive Covenant”	the restrictive covenant entered into between the Company and the Founders, the terms of which are summarised in paragraph 15.1(b)(ix) (<i>Restrictive Covenant</i>) of Part X (<i>Additional Information</i>)
“Restricted Jurisdiction”	any jurisdiction except the United Kingdom. Jurisdictions outside the United Kingdom include, but are not limited, to the United States, Australia, New Zealand, the Republic of South Africa and Japan
“SecurEnvoy”	SecurEnvoy Limited, a company incorporated in England and Wales with registered number 04866711 and with its registered office at 1 Commerce Park, Brunel Road, Theale, Reading, Berkshire RG7 4AB
“Sellers”	the Founders, the Minority Sellers and the Option Holders
“Shareholders”	holders of Ordinary Shares, each individually being a “Shareholder”
“SPA”	the conditional agreement dated 20 April 2017 between (1) the Founders and (2) the Company, as more fully described in paragraph 15.1(b)(vii) (<i>SPA</i>) of Part X (<i>Additional Information</i>)
“Subsidiary”	Shearwater Subco Limited, a company incorporated in England and Wales with registered number 10353003
“Subsidiary Incentive Scheme”	the incentive scheme operated by the Subsidiary, as more fully described in paragraph 11.3 (<i>Subsidiary Incentive Scheme</i>) of Part X (<i>Additional Information</i>)
“Takeover Code”	means the City Code on Takeovers and Mergers (as amended)

“Tessera”	Tessera Investment Management Limited, a company incorporated in England and Wales with registered number 08817369 and with its registered office at Suite 4, 9 Jerdan Place, London SW6 1BE
“UKLA”	the FCA acting in the capacity of competent authority for the purposes of Part IV of FSMA
“uncertificated” or “in uncertificated form”	recorded on a register of securities maintained by Euroclear UK & Ireland Limited in accordance with the CREST Regulations as being in uncertificated form in CREST and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST
“Uncertificated Securities Regulations”	the Uncertificated Securities Regulations 2001 (as amended)
“United Kingdom” or “UK”	the United Kingdom of Great Britain and Northern Ireland
“USE”	unmatched stock event
“US Securities Act”	the United States Securities Act of 1933 (as amended)
“WH Ireland”	WH Ireland Limited, a company incorporated in England and Wales with registered number 02002044 and with its registered office at 24 Martin Lane, London EC4R 0DR

GLOSSARY

“Active Directory (AD)”	a directory service that Microsoft developed for Windows domain networks which is included in most Windows Server operating systems as a set of processes and services. Active Directory became an umbrella title for a broad range of directory-based identity-related services
“Advanced Encryption Standard” or “AES”	an encryption algorithm used to protect classified information
“Attack vector”	the method by which a hacker can gain unauthorised access to a computer or network server
“Authentication as a Service” or “AaaS”	a delivery of authentication services to any application, from any device, anywhere
“Backend security server”	client companies internal server, typically used to authenticate users onto the network, for example using “Active Directory”
“BS7799 accreditation”	an international standard that sets out the requirements of good practice for information security management
“BYOC”	bring your own computer
“BYOD”	bring your own device
“Cloud”	internet-based storing, managing and processing data as opposed to local servers or devices
“CoCo”	a code of connection, used when a formally accredited information system wishes to connect to another “unknown” information system
“Cyber security”	preventative methods used to protect information from being stolen, compromised or attacked
“CYOD”	choose your own device
“Encryption”	the process of converting data to an unrecognisable form to prevent unauthorised access unlocked by a unique alphanumerical key
“Federal Information Processing Standard” or “FIPS”	publicly announced standards developed by the United States federal government for use in computer systems by non-military government agencies and government contractors
“FIPS 140-2”	the Federal Information Processing Standard Publication 140-2, a United States government computer security standard for hardware, software and firmware solutions
“GSM”	the Global System for Mobile Communications, a digital cellular technology used for transmitting mobile voice and data service
“HyperText Transfer Protocol” or “HTTPS”	the underlying protocol used by the World Wide Web

“ISO27001”	a framework of policies and procedures that includes all legal, physical and technical controls involved in an organisation’s information risk management processes
“Malware”	malicious software
“Multifactor authentication” or “MFA”	a method of computer access control in which a user is granted access only after successfully presenting several separate pieces of evidence to an authentication mechanism
“Near Field Communication” or “NFC”	a short-range wireless connectivity standard
“One Time Passcodes” or “OTP”	a password that is valid for only one login session or transaction
“Out of Band” or “OOB”	data transferred through a stream that is independent from the main in-band data stream
“PCI DSS”	the Payment Card Industry Data Security Standard
“Quick Response code” or “QR Code”	a type of two-dimensional barcode that can be read using smartphones and other devices that are able to read QR code
“Remote desktop”	a program or an operating system feature that allows a user to connect to a computer in another location and interact with it as if it were local
“Seed records”	a shared secret between an authenticator and an authenticating entity
“Single factor authentication”	a process for securing access to a given system that identifies the party requesting access through only one category of credentials typically a password
“Socks”	an Internet security protocol which allows computers on one network to connect to hosts on another network through a proxy
“Soft tokens”	software-based security tokens that generate a single-use login PIN
“SMS”	a text messaging service which uses standardised communication protocols to enable mobile phone devices to exchange short text messages
“Two factor authentication” or “2FA”	a method of confirming a user’s claimed identity using a combination of two different components which will mean having to present “ <i>something you know</i> ”, such as a password, with “ <i>something you have</i> ”, such as a code sent to a mobile phone or, a physical hardware token
“Virtual Private Network” or “VPN”	a virtualised extension of a private network across a public network enabling safe access anywhere in the world
“Web portals”	a specially designed web site that brings information together from diverse sources in a uniform way

PART I

LETTER FROM THE CHAIRMAN

SHEARWATER GROUP PLC

Shearwater Group plc
22 Great James Street
London
WC1N 3ES

Directors:

Company number: 05059457

David Jeffreys Williams (*Non-Executive Chairman*)
Michael ("Mo") Joseph Stevens (*Chief Executive Officer*)
Robin Simon Southwell (*Independent Non-Executive Director*)
Stephen Robert Ball (*Senior Independent Non-Executive Director*)
Giles Kirkley Willits (*Non-Executive Director*)
Christopher John Eadie (*Executive Director*)

20 April 2017

Dear Shareholders

Acquisition of SecurEnvoy Limited

**Placing of up to 200,000,000 Ordinary Shares at £0.04 per share and
Open Offer of up to 25,488,108 Ordinary Shares at £0.04 per share**

Admission of the Enlarged Share Capital to trading on AIM and Notice of General Meeting

1. Introduction

On 20 April 2017, the Company announced that it had conditionally agreed to acquire the entire issued share capital of SecurEnvoy, a leading multifactor authentication ("**MFA**") software company headquartered in the UK with operations in the US, Europe and Australia, for a total consideration of £20 million. The Consideration will be satisfied on Completion by the payment of £10 million in cash (subject to certain customary adjustments) and the issue of the Consideration Shares which have an aggregate value of £10 million.

The Company also announced that it proposes to undertake the Placing and the Open Offer, pursuant to which it proposes to raise, subject to certain conditions (i) up to £8 million (before expenses) by the conditional placing of 200,000,000 new Ordinary Shares at a price of four pence per Ordinary Share (a discount of 17.95 per cent. to the closing mid-market price of 4.875 pence as at 19 April 2017) to certain institutional and other investors; and (ii) up to £1,019,524 million (before expenses) by way of an Open Offer made to Qualifying Shareholders of up to 25,488,108 new Ordinary Shares at a price of four pence per Ordinary Share (a discount of 17.95 per cent. to the closing mid-market price of 4.875 pence as at 19 April 2017). The Placing and the Open Offer are conditional (amongst other things) upon the passing of certain resolutions in order to ensure that the Directors have the necessary authorities and powers to allot the new Ordinary Shares.

Following the previously announced strategic review of the Company's legacy mining assets, the Directors have been implementing a transformational strategy focused on building a UK based group providing digital resilience solutions to private and public sector organisations. The Company's recently appointed Directors and management team have substantial experience operating within the high technology, cyber,

information security, digital and communication sectors, and a track record of delivering shareholder value through accelerated buy and build processes. The Directors believe that there is an opportunity to build a UK based group providing digital resilience solutions through a combination of acquisition and organic growth and, following the review of a number of potential acquisition targets within the digital resilience sector, the Directors believe that SecurEnvoy fits the Company's target profile and will provide for a compelling first acquisition.

The Acquisition will constitute a reverse takeover pursuant to Rule 14 of the AIM Rules for Companies and as such will require the approval of Shareholders which will be sought at the General Meeting convened for 10:00 a.m. on 8 May 2017 at the offices of Mayer Brown International LLP, 201 Bishopsgate, London EC2M 3AF. The Notice of General Meeting is set out at the end of this document. The Resolutions are described in more detail in paragraph 17 of this Part I.

A Form of Proxy for use at the General Meeting is enclosed with this document. An Application Form in respect of the Open Offer is also enclosed for those Shareholders who are Qualifying Non-Crest Shareholders. Shareholders will also be asked to approve certain other matters at the General Meeting in order to allow the Directors to implement the Acquisition, the Placing and the Open Offer and to approve new articles of association.

Application will be made to the London Stock Exchange for the Enlarged Share Capital to be admitted to trading on AIM and trading is expected to commence in the New Ordinary Shares, and recommence in the Existing Ordinary Shares at 8:00 a.m. on 9 May 2017.

The purpose of this document is to set out the principal terms of the Acquisition and the Placing and the Open Offer and to explain why the Directors believe that the Acquisition, the Placing and the Open Offer are in the best interests of the Company and Shareholders as a whole and to recommend that Shareholders vote in favour of all of the Resolutions at the General Meeting. The Directors intend to vote in favour of the Resolutions in respect of their beneficial holding of Ordinary Shares, comprising an aggregate number of 143,708,995 Ordinary Shares (being 26.85 per cent. of the Existing Issued Share Capital).

You should read the whole of this document and not just rely on the information contained in this letter. In particular, you should consider carefully the "Risk Factors" set out in Part III (*Risk Factors*).

2. Background on the Company

Shearwater Group plc (previously Aurum Mining plc) was admitted to trading on AIM on 7 May 2004 with the strategy of seeking, evaluating and acquiring gold and other mineral extraction projects. Following the acquisition and development of a number of mining assets, the Company engaged in a disposals programme. The Company currently holds the following mining assets:

- a joint venture arrangement entered into with Ormonde on 14 March 2011, in respect of gold and tungsten exploration projects, through which the Company holds a 56.5 per cent. interest in two permit areas in Zamora province and a 51.4 per cent. interest in two permit areas in Salamanca province, both of which are located in North-West Spain. Ormonde is the operator of the joint venture and the Company has veto rights in respect of certain operational matters due to its majority ownership of the interest;
- a 20 per cent. equity investment held in Morille Mining SLU, which is focused on the exploration of Tungsten assets; and
- 715,000 ordinary shares held by the Company in ASX listed Plymouth Materials Limited.

It remains the intention of the Company to dispose of or enter into another arrangement in respect of its currently held mining assets over the coming months.

In 2010, David Williams took a strategic stake in the Company and subsequently joined the Board and assumed his current role of Chairman on 20 April 2015. Since David joined the Board, the Directors have been exploring options for realising value for the legacy mining assets held by the Company whilst seeking to implement a transformation strategy away from natural resources and into a sector through which they believe they can generate increased value for Shareholders.

In 2016 and 2017, the Company appointed four new Directors and have in 2017 assembled an operational team with substantial experience operating within the high technology, cyber, information security, digital and communication sectors, with a track record of delivering shareholder value through accelerated buy and build processes. The Company intends to leverage this experience to create a UK based group providing digital resilience solutions. In support of this strategy, the Company completed two placings in 2016, raising in excess of £7 million of gross proceeds to help fund initial acquisitions, due diligence exercises and the general operating expenses of the Company.

3. Summary information on SecurEnvoy

SecurEnvoy is a leading provider of MFA software solutions, which are used by over 1,000 end users across the UK, US, Europe, Asia and Australia.

SecurEnvoy's core product is *SecurAccess*, which provides mobile phone based tokenless® MFA for access to Virtual Private Network (“VPN”), remote desktop, WiFi, web portals and laptop encryption. The business' authentication apparatus enables a user to leverage their existing personal device to authenticate their identity as an incremental layer of security in addition to a traditional password.

The Founders of SecurEnvoy are pioneers in developing SMS authentication and in 2003 commercialised mobile based tokenless® two factor authentication (“2FA”) technology through the establishment of SecurEnvoy. SecurEnvoy's tokenless® authentication software creates and delivers 'soft' tokens to users. The Founders will remain with the business of SecurEnvoy following Completion and have agreed to enter into new service agreements with the Company.

Alongside *SecurAccess*, SecurEnvoy has a number of other complementary authentication products which can also be implemented as an on-premise software solution, hosted as a managed service or through the cloud.

In 2011 and 2014 the business was awarded the Queen's Award for Innovation and International Trade respectively. SecurEnvoy is also included within Gartner's Magic Quadrant for User Authentication.

The Founders currently hold 87.2 per cent. of the fully diluted share capital of SecurEnvoy with the remaining share capital held by various individual shareholders. Three employees of SecurEnvoy hold options in respect of shares in SecurEnvoy which will be acquired by the Company on Completion.

The table below sets out SecurEnvoy's summary audited financial information for the periods indicated, prepared in accordance with IFRS. As this is only a summary, Shareholders are advised to read the whole of this document, including the accounts of SecurEnvoy as set out in Part VI (*Historical financial information on SecurEnvoy*) and not rely solely on this summarised information.

Summary historical financial information of SecurEnvoy

	<i>Year ended 31 December 2014 £'000</i>	<i>Year ended 31 December 2015 £'000</i>	<i>Year ended 31 December 2016 £'000</i>
Revenue	2,766	3,072	3,224
EBITDA ¹	1,757	1,959	2,163
<i>EBITDA margin</i>	63.5%	63.8%	67.1%
Operating cash flow	1,459	1,602	2,092
Operating cash conversion ²	83.0%	81.8%	96.7%

¹ Calculated as operating profit or loss excluding amortisation of intangibles, depreciation and impairment and share-based payments charge

² Calculated as operating cash flow divided by EBITDA

4. Background to and reasons for the Acquisition

In line with the Company's previously announced transformation strategy, the Board continues to evaluate investment and/or acquisition opportunities within the information and cyber security sectors which the

Directors believe have the potential to deliver enhanced value to Shareholders. Specifically, the Directors are seeking to identify those investment and/or 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 SecurEnvoy, the Directors believe they have identified a business which meets these criteria and would provide a compelling first acquisition as part of the Company's growth strategy. In particular, the Directors believe the Acquisition is in the best interests of the Company and Shareholders for the following reasons:

- SecurEnvoy is a leading UK based provider of award-winning MFA solutions, with a track record of innovation;
- SecurEnvoy operates within a large, high growth market underpinned by strong macro dynamics;
- SecurEnvoy has strong relationships with distributors and channel partners, through which it can access multiple end user corporate customers across a variety of industry verticals, whilst maintaining an efficient operating structure;
- founded in 2003, SecurEnvoy is an established business with strong financial performance year-on-year, high levels of recurring revenue and operating cash flow generation; and
- alongside SecurEnvoy's core product, *SecurAccess*, the business has a number of complementary authentication products with low market penetration, which provide opportunities for growth incremental to geographical expansion into the US.

5. Market overview

Through continued digitalisation and the rapidly growing interconnectivity of enterprises, functions, people, objects and devices, organisations face unprecedented levels of pressure in needing to evolve their business models so that they can digitally engage effectively with all stakeholders and manage and protect their critical data and information assets. All of this is occurring at a time when attack vectors are increasing and the sophistication of threats is outpacing the capability and capacity to respond.

As a result, organisations are having to rethink traditional approaches to cyber security and move beyond standard protection measures aimed at meeting minimum levels of compliance. Organisations now have to consider how cyber security can be embedded within business processes and operations to protect its core data and information assets, while still competing effectively in an increasingly globalised and interconnected world. The Directors believe that developing this digital resilience is key for all organisations irrespective of size and presents an attractive market opportunity for those providers of digital resilience solutions and services which maintain trust between users, provide assurance around the protection of critical information assets, and support operational effectiveness.

(a) Cyber security

The global market for cyber security is estimated to be worth approximately US\$75 billion² and the Directors estimate that the UK market for cyber security is worth approximately US\$7 billion³. Over the next five years, it is expected that the global market for cyber security will grow at approximately 11 per cent. per annum⁴, as it continues to benefit from a number of strong macro dynamics as outlined above. The continued evolution of cybercrime and mainstream awareness of hacking due to high profile data breaches have in turn led to increased legislation and government initiatives, which are also impacting on the growth of the cyber security market.

(b) Identity and access management

A large and growing component of the overall cyber security market is identity and access management. That is, a framework through which a company can facilitate and manage access to the data it holds. The first critical step in this process is the requirement for a company to authenticate access requests received by users. Whether such a request is from a customer, employee, or a supplier, user authentication technologies will enable a company to verify their digital identity which will then determine whether they are

² Source: 'Forecast Analysis: Information Security, Worldwide, 2Q15 Update', Gartner, Inc. (2015).

³ Source: UK government policy paper: 'National Cyber Security Strategy 2016 to 2021' (2016).

⁴ Source: 'Cyber Security Market – global forecasts to 2021', MarketsandMarkets (2016).

granted access to the data being held. In its simplest form, this could be the use of a user name and password when logging on to a website (also known as single factor authentication).

There are, however, clear limitations when utilising passwords as the single form of authentication. Aside from users inadvertently giving them away, they are also easily lost or forgotten. With the proliferation of remote access requirements forming part of everyday life, users increasingly need to remember multiple passwords which itself can lead to the use of the same one password across multiple applications. Even where complex passwords are used, the processing speed of computers, combined with the sophistication of password hacking programmes, means 14-character alpha numeric passwords can be cracked in approximately 160 seconds.

Once breached, the cost to the user and company through unauthorised access to sensitive, protected or confidential data is considerable and well publicised. Whilst it is estimated that the average cost of each corporate data breach is US\$4 million⁵ (up 29 per cent. since 2013), the on-going reputational damage can be significant and can manifest itself through loss of business and destruction in shareholder value.

(c) The move towards MFA

One of the most cost effective ways in which companies can protect their data is through MFA. This is where a user is required to provide one or more factors of information in addition to a simple username and password (single factor authentication) in order to access a protected product or service. Specifically, MFA includes the following factor classifications which, when used in combination or in aggregate, provide additional layers of authentication security:

'Something you know' – knowledge-based authentication, including usernames, passwords, pins or secret questions.

'Something you have' – user and time specific-based authentication, including hardware One Time Passcode (“**OTP**”) tokens, ID cards, soft tokens, key fobs and sim cards. Historically, companies would utilise hardware OTP tokens, which would take the form of a physical fob issued to a user, generating a periodically changing code, which will need to be provided by the user in addition to a username and password.

'Something you are' – biometric-based authentication, including fingerprints, handprints, finger veins, eye or ear lobe geometry, voice or face recognition.

The global MFA market is estimated to be worth US\$3.6 billion, and is expected to reach a value of US\$9.6 billion in 2020 (CAGR of 17.7 per cent.)⁶. The largest component of the MFA market is 2FA, which are authentication applications that combine *'something you know'* and *'something you have'* authentication factors. As the prevalence of the digital economy has grown, so have 2FA authentication applications which have become increasingly embedded as everyday processes. Examples of this include the use of a chip and pin when carrying out internet banking transactions where a user utilises *'something you have'* (i.e. a user name and password) in conjunction with *'something you know'* (i.e. a pin), creating the 2FA process. Within a corporate setting, businesses have been issuing physical tokens to employees for over twenty years which allow them to access the corporate network remotely by providing a periodically changing code alongside their username and password when logging in to a network or application.

There are however, a number of limitations to the use of physical, or hard tokens such as key fobs or card readers. First, they need to be requested by the user and delivered by the service provider thereby delaying access to a user's data. Secondly, the physical tokens are often quite small and easily misplaced, lost or not with the user when access is required.

Acknowledging these issues, SecurEnvoy pioneered the development of mobile-based SMS 2FA technology in order to capitalise on the high levels of global mobile device penetration by turning a user's handset into the authentication device. In doing so, SecurEnvoy was able to patent certain aspects of this tokenless[®] authentication technology, and enabled the 2FA process to become quicker for individual users, and less costly to set up and maintain across many networks for corporate customers.

5 Source: '2016 Cost of Data Breach Study: Global Analysis', Ponemon Institute LLC (2016)

6 Source: 'Global Forecast to 2020', MarketsandMarkets, (2016)

(d) MFA market drivers

The estimated CAGR of 17.7 per cent. in the global MFA market to 2020⁷ is expected to be driven by a number of trends including:

- *Expansion of the network perimeter:* In an era of digitalisation, the growing interconnectivity of objects and people combined with the proliferation of devices has meant businesses need to rapidly evolve their business models to become more agile and efficient enterprises. This includes the adoption of new working practices where employees are now more mobile, operating across multiple sites and sometimes jurisdictions, whilst still requiring access to the enterprise's protected applications from remote locations. Furthermore, the drive for efficiency gains via the personalisation of enterprise IT through bring your own device ("BYOD"), choose your own device ("CYOD") and bring your own computer ("BYOC") approaches means the traditional corporate network boundaries are being replaced by broader more nebulous perimeters with multiple access points. The strength of such perimeters is determined by the enterprise's ability to effectively authenticate its users.
- *Rise in cloud computing:* It is estimated that the global cloud computing market will grow at 27.5 per cent. per annum compounded to a market value in excess of US\$1,250 billion by 2025⁸. Cloud providers are increasingly seeing MFA as an additional layer of protection within the cloud environment to control what a user can access. In particular, the use of soft tokens (e.g. OTP) sent via SMS to a user's personal device has aided the growth of MFA within cloud hosted applications as it removes the cost and administrative burden of managing physical token inventory. As more applications become cloud hosted, and cloud access management systems are utilised in controlling what users can access, the Directors believe that MFA is set to become a mainstream security tool and one that can be used to increase the realisation of the benefits of cloud computing.
- *Critical infrastructure assurance:* As the use of the cloud grows, it is increasingly being seen as the digital nervous system of modern society and it is therefore vital that important data assets are protected and the digital infrastructure remains available and robust. Whilst the internet has enabled the creation of a global society facilitating borderless communication, high levels of interconnectivity, networking and transactions has meant systems are increasingly susceptible to complex and coordinated attacks which have the ability to cause irreparable damage to the economy and to businesses in the event critical data assets are compromised.
- *Growth in Authentication as a Service ("AaaS"):* Through utilising the cloud, AaaS solutions are reducing the costs of deploying enterprise-wide user authentication systems, as customers are no longer required to provide authentication infrastructure in-house. Furthermore, AaaS also shifts the costs of on-going maintenance and management of users and tokens to the AaaS provider which can offer authentication coverage for all users through centrally monitored policies. As the overall costs for user authentication systems fall, simple per user pricing models have enabled the roll out of authentication systems amongst SMEs, which otherwise were precluded from a cost perspective.

6. Further growth opportunities and strategy of the Enlarged Group

On Completion, SecurEnvoy will represent the Company's first acquisition as part of its growth strategy of building a UK based group providing digital resilience solutions.

As a leading provider of MFA software, SecurEnvoy has a strong, stable base from which the Directors believe they and the Founders can drive further growth opportunities within the identity and access management sector. Specifically, these include the following growth objectives:

- establishing further international distribution and reseller relationships, particularly within the US to capitalise on significant growth opportunities within this international territory;
- increasing cloud-based implementations of SecurEnvoy's authentication products and the provision of AaaS;
- greater SecurEnvoy product penetration across all end user markets, including increasing the sales of additional authentication software products alongside SecurEnvoy's core product, *SecurAccess*; and
- evaluation of select, complementary acquisition growth opportunities which could enhance SecurEnvoy's overall user authentication product offering or support the implementation and/or roll out of its authentication products.

⁷ Source: 'Global Forecast to 2020' MarketsandMarkets (2016)

⁸ Source: 'Global Cloud Computing Market Analysis & Trends – Industry Forecast to 2025', Accuray Research LLP (2017)

The Directors intend to identify further acquisition targets from within the information and cyber security markets which have a leading product, solution, service or consulting capability whose full potential can be unlocked through active management and capital investment. The Company has identified other acquisition opportunities which the Directors believe fit this profile and provides a broad mix of capabilities across complementary end user markets. However, there is no guarantee that any of these opportunities will progress to a definitive transaction.

The Directors will seek to deploy the Company's "buy, focus, grow" strategy to create an environment through which to drive enhanced value from any acquisition which it makes.

7. Principal terms of the Acquisition

On 20 April 2017, the Company entered into the Acquisition Agreements with the Founders and the Minority Sellers pursuant to which the Company has conditionally agreed to acquire the entire issued share capital of SecurEnvoy. The Sellers comprise (i) the Founders; (ii) the Minority Sellers (who are individual shareholders); and (iii) the Option Holders (who are certain employees of SecurEnvoy that have been granted options over shares in SecurEnvoy).

The Company entered into the SPA with the Founders on 20 April 2017 and the Minority SPA with the Minority Sellers on 20 April 2017. Pursuant to the terms of the SPA and an undertaking and power of attorney entered into by the Option Holders on 19 April 2017, the options held by the Option Holders will be exercised and the shares issued as a result of that exercise shall be acquired by the Company on Completion pursuant to the Option Holder SPA, which will be entered into by the Company and the Option Holders on Completion.

The total Consideration for the Acquisition is £20 million, which will be satisfied on Completion by the payment by the Company of £10 million in cash and £10 million through the issue of 200,000,000 Ordinary Shares at a price of 5 pence per Ordinary Share, in each case to the Sellers pro rata to their shareholding in SecurEnvoy.

SecurEnvoy is being acquired on a cash free and debt free basis. The Cash Consideration is subject to customary working capital and cash adjustments following Completion.

Completion of the Acquisition Agreements is conditional on the approval of the Resolutions at the General Meeting, Admission occurring and no material adverse change having occurred in respect of SecurEnvoy prior to Completion.

Pursuant to the Acquisition Agreements, the Founders have also agreed to enter into new service agreements with the Company and have entered into the Restrictive Covenant and the Lock-in Deeds.

Further details relating to the Acquisition Agreements and related documents are set out in paragraph 15.1(b)(vii) (SPA) and paragraph 15.1(b)(viii) (Minority SPA) of Part X (Additional Information).

8. Financing of the Acquisition

The Company will utilise its existing cash resources along with the proceeds of the Placing to fund the Cash Consideration and will issue the Consideration Shares to fund the remainder of the Consideration payable to the Sellers pursuant to the Acquisition Agreements.

9. Details of the Placing

Subject to Admission, WH Ireland has, as agent for the Company, conditionally placed 200,000,000 Placing Shares at the Issue Price with institutional and other investors in accordance with the terms of the Placing Agreement, further details of which are set out in paragraph 15.1(b)(iv) (Placing Agreement) of Part X (Additional Information).

The Placing is expected to raise £8 million (before expenses). After the expenses of the Placing, the Open Offer, the Acquisition and Admission, estimated to be £1.6 million (excluding VAT) in total, the Company is expected to receive approximately £6.4 million from the Placing.

Schroder Investment Management Limited (“**Schroders**”) has subscribed for 30,000,000 Placing Shares. Under the AIM Rules for Companies, Schroders’ participation constitutes a related party transaction as it currently holds more than ten per cent. of the Existing Ordinary Shares and is therefore a “substantial shareholder”. Chris Eadie is an independent Director for the purposes of this transaction, and considers, having consulted with WH Ireland, that the terms of Schroders’ subscription are fair and reasonable insofar as the Shareholders are concerned.

The Directors (other than Chris Eadie) intend to subscribe for up to 15,000,000 New Ordinary Shares (a total aggregate amount of £600,000 at the Issue Price), as part of the Placing. This intention is not legally binding and any subscriptions by Directors pursuant to the Placing will be announced through a Regulatory Information Service.

The Placing Shares to be issued pursuant to the Placing will represent approximately 20.82 per cent. of the Enlarged Share Capital (assuming full take up under the Open Offer). The Placing Shares will, following Admission, rank in full for all dividends and *pari passu* in all other respects with the Existing Ordinary Shares and will have the right to receive all dividends and distributions declared, made or paid in respect of the issued Ordinary Share capital of the Company after Admission.

The Ordinary Shares have not been, and will not be registered under the US Securities Act or with any regulatory authority of any state or other jurisdiction of the US and may not be offered or sold within the US.

10. Details of the Open Offer

The Company considers it important that, where reasonably practicable, Shareholders have an opportunity to participate in its equity fundraisings. Accordingly, the Company is proposing to raise up to £1,019,524 (before expenses) by way of the Open Offer. This will provide Qualifying Shareholders with an opportunity to participate in the proposed issue of Open Offer Shares on a pre-emptive basis whilst providing the Company with additional capital to invest in its business.

The Open Offer has been structured such that the maximum gross proceeds that can be raised by the Company under the Open Offer will be £1,019,524, which does not exceed the sterling equivalent of €5 million and therefore ensures that the Company is not required to produce an approved prospectus pursuant to section 85 of FSMA. The issue of a prospectus would considerably increase the costs of the fundraising and it would take much longer to complete, as any such prospectus would require the prior approval of the FCA.

Subject to the terms and conditions of the Open Offer, the Company invites Qualifying Shareholders, being only Shareholders who are resident in the United Kingdom on the Record Date, to apply for their Basic Entitlement of Open Offer Shares at the Issue Price. Each Qualifying Shareholder’s Basic Entitlement has been calculated on the basis of:

1 Open Offer Share for every 21 Existing Ordinary Shares held at the Record Date.

Qualifying Shareholders are also invited to apply for additional Open Offer Shares in accordance with the Excess Entitlement. Any Open Offer Shares not issued to a Qualifying Shareholder pursuant to their Basic Entitlement will be apportioned between those Qualifying Shareholders who have applied for the Excess Entitlement at the sole discretion of the Board, provided that no Qualifying Shareholder shall be required to subscribe for more Open Offer Shares than he or she has specified on the Application Form or through CREST.

Entitlements to apply to acquire Open Offer Shares will be rounded down to the nearest whole number and any fractional entitlement to Open Offer Shares will be disregarded in calculating the Basic Entitlement.

The Open Offer Shares have not been and are not intended to be registered or qualified for sale in any jurisdiction other than the United Kingdom. Accordingly, unless otherwise determined by the Company and effected by the Company in a lawful manner, the Application Form will not be sent to Shareholders with registered addresses in any jurisdiction other than the United Kingdom since to do so would require compliance with the relevant securities laws of that jurisdiction. Applications from any such person will, save with the consent of the Company and provided it is lawful to do so, be deemed to be invalid. If an Application Form is received by any

Shareholder whose registered address is elsewhere but who is in fact a resident or domiciled in a territory other than the United Kingdom, he/she should not seek to take up his/her allocation.

Qualifying Shareholders should note that the Open Offer is not a rights issue and therefore any Open Offer Shares which are not applied for by Qualifying Shareholders will not be sold in the market for the benefit of Qualifying Shareholders who do not apply under the Open Offer. The Application Form is not a document of title and cannot be traded or otherwise transferred.

Shareholders who do not take up their Basic Entitlements in full will experience a dilution to their interests of approximately 44.29 per cent. following the Acquisition, the Placing and the Open Offer (assuming full subscription under the Open Offer). Shareholders who take up their Basic Entitlements in full will suffer a dilution to their interests of 41.64 per cent. on the same basis.

Qualifying Shareholders should note that the Open Offer is not underwritten, and that the Open Offer is not conditional upon the number of applications received under the Open Offer. It should also be noted that the Placing is not conditional on a certain level of acceptances made under the Open Offer.

The Open Offer is subject to the satisfaction, amongst other matters, of the following conditions on or before 9 May 2017 (or such later date, being not later than 8.00 a.m. on 9 June 2017, as the Company and WH Ireland may decide):

- the passing of the Resolutions at the General Meeting (or any adjournment thereof); and
- Admission becoming effective by 8.00 a.m. on 9 May 2017 (or such other later time and date as the Company and WH Ireland may decide but not later than 8.00 a.m. on 9 June 2017).

The Open Offer Shares to be issued pursuant to the Open Offer will (assuming full take up under the Open Offer) represent approximately 2.65 per cent. of the Enlarged Share Capital. The Open Offer Shares will, following Admission, rank in full for all dividends and *pari passu* in all other respects with the Existing Ordinary Shares and will have the right to receive all dividends and distributions declared, made or paid in respect of the issued ordinary share capital of the Company after Admission.

Shareholders should carefully consider the “Risk Factors” set out in Part III (Risk Factors) before deciding whether or not to proceed with an investment in the Company.

If a Qualifying Shareholder does not wish to apply for Open Offer Shares he should not complete or return the Application Form or send a USE message through CREST.

The Directors who intend to participate in the Placing do not intend to subscribe for their Basic Entitlement pursuant to the Open Offer, which in aggregate amounts to 6,599,236 Open Offer Shares, representing 25.89 per cent. of the aggregate Open Offer Shares and which will therefore be available for Shareholders who wish to subscribe for Open Offer Shares pursuant to their Excess Entitlements.

11. Current trading and future prospects

(a) The Existing Group

The Company is currently undergoing its transformation strategy through which it will focus on building a UK based group providing digital resilience solutions. At the date of this document, the Existing Group is not revenue generating. The Company's interim results for the six months ended 30 September 2016, which were announced on 28 December 2016, showed that the Company had net assets of £1,115,000. Since 30 September 2016, the Company has completed two placings raising gross proceeds totalling approximately £7 million, and has incurred expenditure in line with the Directors' expectations.

(b) SecurEnvoy

Since 31 December 2016, being the financial year end for SecurEnvoy and the date of the latest financial information included in this document, SecurEnvoy has continued to trade in line with the Founders' expectations.

(c) The Enlarged Group

The Directors believe that the Acquisition will provide the Enlarged Group with considerable growth opportunities and that it initiates the broader growth strategy of the Company. The Directors look forward

to focusing on delivery of the Company's strategy of building a UK based group providing digital resilience solutions.

12. Lock-in and orderly market arrangements

(a) Sellers

The Company, WH Ireland and the Sellers have entered into the Lock-in Deeds, pursuant to which the Sellers have agreed that subject to certain customary exceptions, (i) for a period of 12 months from the date of Completion, neither they nor their connected persons shall transfer or dispose of the Consideration Shares or shares which they hold upon exercise of any options over Ordinary Shares granted to them; and (ii) for a further period of 12 months, the Sellers shall only be able to transfer or dispose of Ordinary Shares in which they have a beneficial interest through the Company's broker in order to maintain an orderly market in the Ordinary Shares. The Founders are permitted to dispose of their Consideration Shares in order to satisfy certain claims under the SPA provided that the Founders must first settle their liability relating to such claims from their own cash resources up to certain agreed levels, as further described in paragraph 15.1(b)(vii) (SPA) of Part X (*Additional Information*).

(b) Directors

The Directors have entered into the Orderly Market Deeds, pursuant to which the Directors have agreed that subject to certain customary exceptions, for a period of 12 months from the date of Admission, the Directors shall only be able to transfer or dispose of Ordinary Shares in which they have a beneficial interest through the Company's broker in order to maintain an orderly market in the Ordinary Shares.

13. Admission, settlement, CREST and dealings

Application will be made to the London Stock Exchange for the Enlarged Share Capital to be admitted to trading on AIM, conditional on (amongst other things) Shareholder approval at the General Meeting. It is expected that Admission will become effective and that dealings in the Enlarged Share Capital will commence at 8.00 a.m. on 9 May 2017.

Following Admission, share certificates representing the New Ordinary Shares are expected to be despatched by post to subscribers who wish to receive New Ordinary Shares by no later than ten business days following Admission.

In respect of subscribers in the Placing and the Open Offer who wish to receive New Ordinary Shares in uncertificated form, New Ordinary Shares will be credited to their CREST stock accounts at 8:00 a.m. on 9 May 2017. The Company reserves the right to issue any New Ordinary Shares in certificated form should it consider this to be necessary or desirable.

14. Share incentives

The Directors believe that the success of the Company will depend to a high degree on the future performance of key employees in executing the Company's growth strategy. The Company has therefore established equity-based incentive arrangements which are, and will continue to be, an important means of retaining, attracting and motivating key employees and contractors, and also for aligning the interests of the management team with those of Shareholders.

(a) New Option Schemes

On 19 April 2017, the Company established the New Option Schemes comprise the Employee Option Plan and the Non-Employee Option Plan.

The Employee Option Plan is an option scheme for directors and employees of the Company through which it will entitle option scheme participants the right to acquire Ordinary Shares. The exercise price of any options granted under the Employee Option Plan will be at the market price of the Ordinary Shares at the time of grant, and will be subject to certain and time and performance vesting criteria over a five year period. It is anticipated that certain employees of SecurEnvoy, including the Founders, will be granted

options on Completion pursuant to the Employee Option Plan. Further details of the Employee Option Plan are set out in paragraph 11.4 (*Employee Option Plan*) of Part X (*Additional Information*).

The Non-Employee Option Plan is an option scheme for consultants to the Company through which it will entitle option scheme participants the right to acquire Ordinary Shares. The exercise price of any options granted under the Non-Employee Option Plan will be at the market price of the Ordinary Shares at the time of grant, and will be subject to certain and time and performance vesting criteria over a three year period. Further details of the Non-Employee Option Plan are set out in paragraph 11.5 (*Non-Employee Option Plan*) of Part X (*Additional Information*).

(b) Subsidiary Incentive Scheme

On 29 September 2016, the Subsidiary established the Subsidiary Incentive Scheme for certain employees and consultants to the Company in order to align the interests of the scheme participants directly with those of Shareholders. Under the Subsidiary Incentive Scheme, participants are only rewarded if shareholder value is created over a three to five-year period, which is calculated by reference to the growth in market capitalisation of the Company, adjusted for the issue of new Ordinary Shares, and taking into account dividends and capital returns. Participants will be entitled to 16 per cent. of the shareholder value created, only in the event that the Company's market capitalisation has grown at 12.5 per cent. per annum compounded over a period of between three and five years. Further details of the Subsidiary Incentive Scheme are set out in paragraph 11.3 (*Subsidiary Incentive Scheme*) of Part X (*Additional Information*). The Subsidiary Incentive Scheme is now closed, and the Directors do not anticipate making any further grants under the Subsidiary Incentive Scheme.

(c) Existing Option Deeds

Between 3 October 2016 and 27 February 2017, the Company entered into the Existing Option Deeds with various current and former Directors and the Chairman of the Advisory Panel. The exercise price of the options granted under three of the Existing Option Deeds is £0.01, while the options granted under the other two are exercisable at nil cost. The Directors do not intend to grant any further options under the Existing Option Deeds. Further details of the Existing Option Deeds are set out in paragraph 11.2 (*Existing Option Deeds*) of Part X (*Additional Information*).

15. Dividend policy

As the Company is in the early stages of executing its growth plan, the Directors intend to retain any future earnings for the foreseeable future to finance the growth of the Enlarged Group and to provide capital growth for Shareholders. The Directors will however consider the payment of dividends when it becomes commercially prudent to do so in accordance with applicable laws and subject always to the Enlarged Group having sufficient cash and distributable reserves for this purpose.

16. Risk factors and further information

You should read the whole of this document and not just rely upon the information contained in this Part I. In particular, your attention is drawn to the information set out in Part III (*Risk Factors*) and Part X (*Additional Information*).

17. General Meeting and Resolutions

The Notice of General Meeting convenes a general meeting of Shareholders to be held at 10:00 a.m. on 8 May 2017 at the offices of Mayer Brown International LLP, 201 Bishopsgate, London EC2M 3AF. The Notice of General Meeting is set out at the end of this document. The following Resolutions will be proposed at the General Meeting:

(a) Resolution 1: The Acquisition will constitute a reverse takeover pursuant to Rule 14 of the AIM Rules and as such will require the approval of Shareholders. Accordingly, Resolution 1 is an ordinary resolution to approve the Acquisition, subject to Admission.

(b) Resolution 2: The Company does not currently have sufficient authority to allot shares under the Companies Act to effect the Placing and the Open Offer or to issue the Consideration Shares. Accordingly,

Resolution 2 is an ordinary resolution to ensure that the Directors have sufficient authority under s551 of the Companies Act to issue the Consideration Shares, the Placing Shares and the Open Offer Shares. This authority will expire at the earlier of the Company's next annual general meeting and 8 October 2018.

(c) Resolution 3: Resolution 3, is an ordinary resolution to provide the Directors with authority under s551 of the Companies Act to issue further equity securities (in addition to those set out in Resolution 2 above) of up to one third of the Enlarged Share Capital before the Company's next annual general meeting. This authority will expire at the earlier of the Company's next annual general meeting and 8 October 2018 and is in addition to the authority set out at Resolution 2.

(d) Resolution 4: The Company currently does not have sufficient authority to allot shares under the Companies Act to effect the Placing and the Open Offer on a non pre-emptive basis. Accordingly, Resolution 4, is a special resolution conditional upon the passing of Resolution 2, to empower the Directors, pursuant to s570 of the Companies Act, to allot Ordinary Shares up to a maximum aggregate nominal amount of £3,202,462 on a non-pre-emptive basis pursuant to the Placing and the Open Offer. This authority will expire at the earlier of the Company's next annual general meeting and 8 October 2018.

If Resolution 4 is passed, the Directors will have the power, under the Act, to allot the Placing Shares without offering those shares to existing Shareholders and allows the Directors to restrict the Open Offer to only Qualifying Shareholders (i.e. only Shareholders resident in the United Kingdom) and to avoid the need to issue fractional entitlements to shares.

(e) Resolution 5: Resolution 5 is a special resolution conditional upon the passing of Resolution 3, to empower the Directors, pursuant to s570 of the Companies Act, to allot Ordinary Shares up to a maximum aggregate nominal amount of £1,441,108 (which is approximately 15 per cent. of the Enlarged Share Capital) before the Company's next annual general meeting) on a non-pre-emptive basis. This authority is in addition to the authority set out at Resolution 4 above and will expire at the earlier of the Company's next annual general meeting and 8 October 2018.

(f) Resolution 6: The Company intends to adopt the New Articles upon Admission. Accordingly, Resolution 6 is a special resolution to approve the adoption of the New Articles, which are summarised in paragraph 5.4 of Part X (*Additional Information*).

The authorities in Resolutions 1, 2 and 4 are required to enable the Directors to issue the Consideration Shares pursuant to the Acquisition and to effect the Placing and the Open Offer. The authorities in Resolutions 3 and 5 are general authorities. Resolutions 2 and 4 are in addition to, and Resolutions 3 and 5 replace, the general authorities that were granted by Shareholders at the Company's annual general meeting on 29 September 2016, which gave the Directors authority to allot relevant securities up to a maximum aggregate nominal amount of £1,743,502.86 under s551 of the Companies Act and to allot Ordinary Shares up to a maximum aggregate nominal amount of £1,743,502.86 on a non-pre-emptive basis under s570 of the Companies Act (such authorities expire at the next annual general meeting of the Company or 31 October 2017, whichever is earlier).

Resolutions 1, 2 and 3 are ordinary resolutions and require a majority of more than 50 per cent. of the Shareholders voting to be passed. Resolutions 4, 5 and 6 are special resolutions and require the approval of 75 per cent. of the Shareholders voting to be passed.

The Notice of General Meeting is contained at the end of this document and sets out the Resolutions in full.

18. Action to be taken by Shareholders

(a) In respect of the General Meeting

Enclosed with this document is a Form of Proxy for use at the General Meeting. The Notice of General Meeting is set out at the end of this document and a description of the Resolutions proposed at the General Meeting is set out in paragraph 17 of this Part I. Whether or not Shareholders intend to be present at the General Meeting, all Shareholders are recommended to complete, sign and return the Form of Proxy to the Registrars so as to be received as soon as possible and, in any event, not later than 10:00 a.m. on 6 May 2017. Shareholders who complete and return the Form of Proxy may still attend and vote at the General Meeting should they wish to do so. CREST members who wish to appoint a proxy or proxies

through the CREST electronic proxy appointment service may do so for the General Meeting (and any adjournment thereof) by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider should refer to their CREST sponsors or voting service provider(s), who will be able to take the appropriate action on their behalf.

Further details for Shareholders on how to vote can be found in the Notice of General Meeting and the Form of Proxy.

(b) In respect of the Open Offer

(i) Qualifying Non-CREST Shareholders (i.e. holders of Ordinary Shares who hold their shares in certificated form).

If you are a Shareholder who is a Qualifying Non-CREST Shareholder and wish to participate in the Open Offer, you should carefully read the Application Form accompanying this document and send the Application Form along with the appropriate remittance to the Receiving Agent by no later than 11:00 a.m. on 5 May 2017 and in accordance with the procedures set out in the Application Form and in the terms and conditions of the Open Offer in Part IX (*Terms and conditions of the Open Offer*). Qualifying Non-CREST Shareholders should note that their Application Form is not a negotiable entitlement and cannot be traded.

(ii) Qualifying CREST Shareholders (i.e. holders of Ordinary Shares who hold their shares in uncertificated form through CREST).

Shareholders who are Qualifying CREST Shareholders will not receive an Application Form. Qualifying CREST Shareholders will instead receive a credit to their account in CREST in respect of their Basic Entitlement and also in respect of their Excess Entitlement (equal in size to the maximum number of Open Offer Shares available under the Open Offer less an amount equal to the Qualifying Shareholder's Basic Entitlement). Shareholders should refer to the procedure for application set out in the in the terms and conditions of the Open Offer in Part IX (*Terms and conditions of the Open Offer*).

Qualifying CREST Shareholders who are CREST sponsored members should refer to their CREST sponsors regarding the action to be taken in connection with this document and the Open Offer. The latest time and date for settlement of relevant CREST instructions in respect of Open Offer Entitlements is 11:00 a.m. on 5 May 2017.

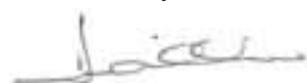
Qualifying CREST Shareholders should note that, although Basic Entitlements will be admitted to CREST and be enabled for settlement, applications in respect of entitlements under the Open Offer may only be made by the Qualifying Shareholder originally entitled or by a person entitled by virtue of a bona fide market claim raised by Euroclear's Claim Processing Unit.

Qualifying Shareholders with holdings of Existing Ordinary Shares in both certificated and uncertificated form will be treated as having separate holdings for the purpose of their applications under the Open Offer.

19. Recommendation

The Directors consider that the Acquisition, Admission, the Placing and the Open Offer are in the best interests of the Company and its Shareholders as a whole and accordingly unanimously recommend that all Shareholders vote in favour of the Resolutions, as the Directors intend to do, or procure, in respect of their own legal and/or beneficial shareholdings, which comprise a total of 143,708,995 Ordinary Shares, representing approximately 26.85 per cent. of the Existing Issued Share Capital.

Yours faithfully



David Williams

Chairman, for and on behalf of the Board

Shearwater Group plc

PART II

INFORMATION ON SECURENVOY

1. Information on SecurEnvoy

As pioneers in developing SMS based authentication, the Founders established SecurEnvoy in 2003 with the aim of developing and commercialising innovative authentication solutions that could leverage a user's mobile phone or personal device as the '*something you own*' component of MFA. These advancements have helped to resolve issues that had previously hindered soft token adoption such as SMS delays, no phone signal or time synchronisation problems.

SecurEnvoy's award-winning portfolio of MFA products are designed to enable the customer to use their existing technology infrastructure, which simplifies the deployment process and enhances overall security.

SecurEnvoy operate a "*channel first*" sales model and sell its products predominantly through distributor and reseller channels, with a limited number of direct to end user sales made through SecurEnvoy operations in the US, UK, Germany and Australia. Through utilising a distributor and reseller model, the end user is able to benefit from in-country support from a local agent and SecurEnvoy is able to maintain an efficient operating structure. Currently, SecurEnvoy's products are used by over 1,000 end users in five continents across the world.

Through distribution and reseller agreements, the business grants a right to the distributor or reseller to sell, market and distribute licence keys for its products to end users. End users typically take out a licence for their authentication products on an annual basis. The cost of each licence is determined by a price per user with banded price points. This licence fee also covers a proportion of technical support provided by the distributor or reseller to the end user. The price which SecurEnvoy charges a distributor or reseller for a licence key is based upon a fixed discount to the price paid for the licence by the end user. This distributor or reseller price includes the provision of some tertiary technical support by SecurEnvoy to the distributor or reseller, with any out-of-scope support requests considered on a case by case basis.

(a) Innovation and awards

Through the pioneering development of an SMS-ready solution for remote authentication, SecurEnvoy has achieved a number of milestones, which underpin its product offering. These include:

<i>Year</i>	<i>Event</i>
2002	Development of recipient MFA for <i>SecurMail</i>
2005	Development of pre-load one time code via SMS
2005	First multi day / week codes via SMS
2006	First tokenless® MFA for password reset
2007	First tokenless® MFA for emergency access
2008	Cloud SAAS program released
2010	Awarded 5* rating from PC Pro
2011	Soft tokens delivered via copy protected QR code Awarded the Queen's Award for Innovation Awarded 9/10 by IT Administrator
2012	First tokenless® MFA of third party disk encryption Included in Gartner's Magic Quadrant for User Authentication
2013	First session locked phone call authentication
2014	Awarded the Queen's Award for International Trade Awarded a 5* rating from SC Magazine
2016	Version eight released with push notification and fingerprint verification App and browser support added for sending <i>SecurMail</i> messages

(b) Authentication products

SecurEnvoy has four authentication products that can be implemented as an on-premise software solution, hosted as a managed service or through the cloud:

- *SecurAccess* – SecurEnvoy’s core product, which provides mobile phone based tokenless® MFA for access to VPN, remote desktop, WiFi, web portals and laptop encryption. SecurEnvoy’s authentication solution enables a user to leverage their existing mobile phone to authenticate using a number of methods of authentication that are available to the user (further detailed in paragraph 1(c) (*Authentication delivery options*) of this Part II). Once a user is in receipt of a six-digit passcode which is sent Out of Band (“**OOB**”), they are able to either enter the passcode into the computing device, or use SecurEnvoy’s *OneSwipe* authentication process to access the protected service or product.
- *SecurICE* – an MFA product for use in the event of an emergency. *SecurICE* was designed to help companies maintain business continuity in the event that an office is closed or staff cannot travel. The product can be deployed rapidly to users so that they can use MFA to gain remote access to company systems. A message is received by the recipient explaining the emergency, what they are to do and how to access the office remotely, alongside a six-digit code required to authenticate them when used in conjunction with their normal username and password. At the end of the incident the company can send an update to each user advising them that the emergency has now finished.
- *SecurMail* – a patented method for sending email securely, where two or more parties that have not had any prior relationships can securely communicate with one another. Both the email content and attachments are delivered securely between recipients by simply knowing the recipients email address and mobile phone number details. A key advantage of this solution is that any recipient on any email system can participate; no special plugins or specific mail software is required. Provided a user has a recipient’s email address and mobile number, *SecurMail* is able to authenticate the recipient through ‘*something they have*’ (their mobile phone) and something emailed to them. Within the email is a pick up Uniform Resource Locator (“**URL**”) to access the message. Only when the recipient has authenticated through accessing the URL and inputting the correct passcode sent to the recipient’s mobile phone, will the user’s encrypted email be presented via a secure HyperText Transfer Protocol (“**HTTPS**”). The sender will then receive a read notification and time stamp. The recipient can also reply across the same secure channel.
- *SecurPassword* – enables a user to remotely reset their Microsoft password without requiring IT helpdesk support. Ordinarily, when a password is lost, forgotten or compromised, a user would need to engage with their IT helpdesk to perform a reset, provided the IT helpdesk is first able to confirm the identity of that user. As a self-service password reset service, *SecurPassword* empowers the user to perform the reset themselves once they have been authenticated via the inputting of a one time six-digit passcode delivered to their mobile device, in addition to answering their standard pre-enrolled secret question. By automating the password reset process combined with MFA security, customers typically see a reduction in IT helpdesk queries and in turn a reduction in helpdesk costs normally associated with identifying and resetting passwords.

(c) Authentication delivery options

As pioneers in developing SMS-based authentication, SecurEnvoy’s core focus has centred on enabling a user to be authenticated by using their mobile device (instead of a traditional hardware token) at any time, using a number of passcode delivery options. These include:

- *SMS* – Delivery of a passcode via SMS. Following the entering of a username and password, a user is prompted for a six-digit passcode. On entering the passcode, the user is then able to access the protected application or service on their desktop, laptop, tablet or mobile. Accessing the SMS passcode can be through any of the following:
 - SecurEnvoy patented *Pre-Load* technology – once a user has completed authentication, the 2FA server is triggered to send a new passcode to the user’s mobile device for use at the next time they are seeking to access a protected application or service. Preloading the passcode message overcomes delays caused by busy GSM networks and allows access even if the user has no network coverage when next authenticating. New passcodes are replaced within existing text messages such that users don’t need to delete old messages.
 - Three preloaded passcode per message – allowing for up to three authentications before requiring a GSM signal to renew these codes.

- o Real time flash passcodes – sent on demand which flash on a user’s screen and expire two minutes after delivery. Codes are locked to particular access sessions.
- o Periodic passcodes – reusable passcodes that change each day or on multiple days.

All of the aforementioned passcodes are also available through an email sent to a user’s device.

- *Soft token app* – Complementary to SMS based authentication, SecurEnvoy’s downloadable app can be used for passcode generation without the need for phone signal or data connectivity. Keys are created at the point of enrolment and are only known by the user’s server. The first part of the key is generated by SecurEnvoy’s server using a Federal Information Processing Standard (“**FIPS**”) 140-2 approved random generator. The second part of the key is derived from unique characteristics of the user’s device. The user’s server stores a copy of these keys with secure Advanced Encryption Standard (“**AES**”) 256-bit encryption.
- *OneSwipe* – SecurEnvoy’s time-based authentication *OneSwipe*, enables a user to access protected products or services without the need for entering in a user name, password and passcode. On initiating the login process, the user then runs the app on their mobile phone, enters a PIN or scans their finger print which delivers an output such as a Quick Response code (“**QRCode**”) (or other local communication such as Near Field Communication (“**NFC**”)) containing the required user name, password and two time-based codes. The login process on the computing device accepts the output and sends the credentials including the time-based codes to the security server which then locates the codes and automatically resynchronises to any time zone plus one hour of clock drift (+/- 13 hours UTC) and allows access. By harnessing technological developments such as NFC, SecurEnvoy has developed the equivalent of ‘tap and go’, with the same efficient and operating characteristics of ApplePay and AndroidPay, including operating without a phone signal or data connection.
- *Voice call* – A user is also able to authenticate and access protected products or services via a voice call facility provided through either a user’s mobile or landline phone. By initiating the login process on a computing device, the user is presented with a passcode on screen. At the same time, a call is generated to the user’s mobile or landline. Upon receipt of that call, the user is asked to key in the displayed OTP. Once the passcode is keyed in, the authentication process is complete and the user is able to access all previously protected products or services and is session locked to this computing device.

(d) Security

Underpinning SecurEnvoy’s authentication products is a security approach which ensures that the passcodes (seed records) cannot be intercepted by any third party organisation requesting such information as customers’ seed records are not stored by SecurEnvoy. Instead, the first part of any seed record is generated locally by a server and stored using AES 256-bit encryption. This is then sent to the user’s phone. The user’s phone has a number of characteristics which gives the phone a unique fingerprint. This information can then be utilised to generate the second part of the seed record which is passed back to the server. The server is now able to predict the same numbers as the phone without needing any communication and on entering the delivered passcode, a user is able to gain access to the protected service or product. Critically, SecurEnvoy’s app running on the phone re-fingerprints every 30 seconds, which means the second part of the seed code doesn’t need to be stored on the phone. If a user’s phone is compromised with malware, the unauthorised software cannot gain access to the whole seed code as the second part is only ever stored on the backend security server.

To help protect the end user from attacks, all user authentication data is encrypted on the server using FIPS 140-2 compliant algorithms, which exceeds key security standards including PCI DSS, HIPAA, Socks, CoCo and ISO27001.

2. Operations

SecurEnvoy is headquartered and has its only office in the UK. SecurEnvoy also has operations via a network of its consultant sales team in the US, Europe and Australia. Across the group, the business employs or contracts with 17 people, of which 13 are UK based.

By selling its products predominantly through distributor and reseller channels, the business is able to maintain an efficient operating structure. Currently, SecurEnvoy has a sales team of seven, which is led by

co-founder, Steve Watts. Steve and the sales team are responsible for liaising with distributors and resellers, and some direct to end user sales activity. Embracing the distributor and reseller channels allows both scale to the market as well as gaining partner skills for integration MFA into other security services and products.

Steve’s co-founder, Andy Kemshall leads the engineering and technical support teams, which consist of seven employees in aggregate, and also oversees finance and administration (two employees). The technical support team provides support to distributors and resellers, with end user support requirements delivered by the channel partners themselves.

3. Markets and end users

SecurEnvoy’s products have a broad applicability to a variety of end user markets, including central and local Government, financial, healthcare, charity, utilities, retail, legal, manufacturing, and construction. Currently, SecurEnvoy’s authentication products are used in five continents by over 1,000 end users.

SecurEnvoy operates a “channel first” sales model and currently sell its products through distributors located in the UK, Europe, Scandinavia, and Australia and single tier resellers in the USA and Africa. For the twelve months ended 31 December 2016, the largest single distributor contract accounted for 55 per cent. of total billings, with the largest single end user accounting for only three per cent. of total billings over the same period.

Over the period covered by the historical financial information of SecurEnvoy provided in this document (as set out in Part VI (*Historical financial information on SecurEnvoy*), SecurEnvoy has on average had a renewal rate per end user contract of 91 per cent..

As SecurEnvoy’s core product, *SecurAccess* represented 97 per cent. of billings for the year ended 31 December 2016. Its other portfolio products are still in the early stages of market penetration.

4. Intellectual property

SecurEnvoy’s intellectual property consists of trademarks, trade secrets, know-how, patents granted and patents pending.

SecurEnvoy has the following patents granted and pending, which cover aspects of their MFA products:

<i>Territory</i>	<i>Application No.</i>	<i>Status</i>	<i>Title</i>	<i>Filing date</i>
Europe	EP03254769.7	Pending	Secure Messaging	30 July 2003
US	US10/886,152	Granted	Secure Messaging	6 July 2004
UK	GB1022002.8	Granted	Preloaded SMS	24 December 2010
Europe	EP09180943.4	Pending	Preloaded SMS	30 December 2009
US	US12/649,485	Granted	Preloaded SMS	30 December 2010
UK	GB1223466.2	Pending	Time Stamp	28 December 2012
Europe	EP13199417.0	Pending	Time Stamp	23 December 2013
US	US14/140,617	Granted	Time Stamp	26 December 2013

SecurEnvoy’s MFA products as set out in paragraph 1(b) of this Part II comprise substantially of in-house developed proprietary software, which is designed, maintained and updated by SecurEnvoy’s UK based engineering team led by Andy Kemshall. SecurEnvoy also utilises some free and open source software, however this is not of fundamental importance to the business of SecurEnvoy, and further, the business is not reliant upon any other third party intellectual property.

SecurEnvoy controls access to and use of its proprietary software through the use of licence keys, download and use controls, and through contractual protections within agreements held with its employees, contractors, distributors, resellers and end users.

5. Financial information

The table below sets out SecurEnvoy's summary audited financial information for the periods indicated, prepared in accordance with IFRS. As this is only a summary, Shareholders are advised to read the whole of this document, including the accounts of SecurEnvoy as set out in Part VI (*Historical financial information on SecurEnvoy*) and not rely solely on this summarised information.

	<i>Year ended 31 December 2014 £'000</i>	<i>Year ended 31 December 2015 £'000</i>	<i>Year ended 31 December 2016 £'000</i>
Revenue	2,766	3,072	3,224
EBITDA ¹	1,757	1,959	2,163
EBITDA margin	63.5%	63.8%	67.1%
Operating cash flow	1,459	1,602	2,092
Operating cash conversion ²	83.0%	81.8%	96.7%

¹ Calculated as operating profit or loss excluding amortisation of intangibles, depreciation and impairment and share-based payments charge

² Calculated as operating cash flow divided by EBITDA

6. Management team

(a) Andy Kemshall, aged 53, (Co-Founder and Chief Technology Officer)

Andy is one of the leading European experts in 2FA. As the co-founder and Chief Technology Officer of SecurEnvoy, he brings nearly 22 years of IT security authentication experience to the business. Andy is responsible for product development, innovation and pre and post sales technical support. Additionally, he also maintains a strong customer focused relationship which is fed-back into product development. He is a pioneer of SMS based authentication and secure mail recipient-based 2FA and more recently, NFC based *OneSwipe* authentication.

Prior to establishing SecurEnvoy, Andy was one of the original customer-facing technical experts at RSA Security Europe (acquired by EMC Corporation (NYSE: EMC) in 2006). While at RSA Security Europe, he served as the sales engineering manager where he managed high-level customer relationships, developed the product and advised the wider RSA Security group on new and emerging technologies from Europe.

On Completion, Andy is entering into a new employment contract with the Company, continuing to lead the SecurEnvoy business as Chief Technology Officer.

Steve Watts, aged 48, (Co-Founder and Sales & Marketing Director)

As a co-founder of SecurEnvoy, Steve works with the R&D teams to assist with the development and direction of SecurEnvoy's suite of security solutions for clients in the government, healthcare, energy, financial services, insurance, manufacturing, marketing, retail, telecommunications, non-profit, legal and construction sectors. As Sales & Marketing Director, Steve developed SecurEnvoy's successful global channel strategy alongside the conception of the Authentication 'Annuity' method of subscription sales, which promotes year-on-year growth by adding new business sales to previous years' renewals. In addition, he oversees SecurEnvoy's global business development and sales initiatives.

Prior to starting SecurEnvoy, Steve was Founder of nonstopIT Security, a dedicated IT security reseller in the UK focusing on organisations of all sizes. nonstopIT Security was the first reseller in the UK to gain BS7799 accreditation. Before this, he was formerly sales director at the networking and IT division of Comtec plc, where he managed high-level relationships with a wide range of end customers.

On Completion, Steve is entering into a new employment contract with the Company. He will continue to lead the SecurEnvoy business as Sales & Marketing Director.

7. Competitors

Within the user authentication market, there is an increasingly wide range of technologies and vendors providing authentication services and products, which are being used instead of, or incrementally to traditional passwords (single factor authentication).

SecurEnvoy's focus on tokenless® authentication means that they compete against a number of other software companies within the UK and also internationally for the provision of soft tokens as part of a MFA product offering. These companies include, EMC (RSA), TeleSign, Gemalto (SafeNet), Vasco Data Security, Duo Security, Swivel Secure, SecureAuth, Entrust, CA Technologies, HID Global, Nexus, and Authentify.

Whilst the market for user authentication products is competitive, SecurEnvoy has been able to differentiate its offering through providing innovative products that are keenly priced and easy to deploy across a customer's user base. This in turn has enabled SecurEnvoy to maintain average renewal rates per end user contract over the period covered by the historical financial information of SecurEnvoy provided in this document (as set out in Part VI (*Historical financial information on SecurEnvoy*), of 91 per cent.

PART III

RISK FACTORS

Any investment in the Ordinary Shares is subject to a number of risks. Prior to concluding any investment decision, prospective investors should carefully consider all the information contained in this document including, in particular, the risk factors described below.

In addition to the usual risks associated with an investment in a company, the Directors consider that the factors and risks described below are the most significant in relation to an investment in the Enlarged Group and should be carefully considered, together with all the information contained in this document, prior to making any investment decision in respect of the Ordinary Shares. The list below is not exhaustive and it is not an explanation of all the risk factors involved in investing in the Company, and other factors, including, in particular, changes in market and/or economic conditions, or in legal, regulatory or tax requirements.

Further, it should be noted that the risks described below are not the only risks faced by the Enlarged Group and there may be additional risks that the Directors currently consider not to be material or of which they are currently not aware.

If any of the following risks relating to the Enlarged Group were to materialise, the Enlarged Group's business, financial condition, results or future operations could be materially and adversely affected. In such circumstances, the market price of the Ordinary Shares could decline and investors could lose all or part of their investment.

1. Risks relating to the Acquisition

1.1 *The Acquisition may not complete*

Completion of the Acquisition is subject to the satisfaction (or waiver) of a number of conditions within the Acquisition Agreements, including the approval of the Acquisition by Shareholders at the General Meeting, Admission occurring and the occurrence of no material adverse event in respect of SecurEnvoy.

There can be no assurances that Shareholder approval will be forthcoming, or that Admission will occur or that there will be no material adverse event in respect of SecurEnvoy.

If the conditions to Completion are not satisfied by 31 May 2017 (or such later date as the Company and the Founders may agree) or any fact occurs which prevents the conditions from being satisfied by that date, the Purchaser may (and in respect of the material adverse change condition only, the Founders may), elect to terminate the Acquisition Agreements. If the conditions to Completion are not satisfied by 31 May 2017 (or such later date as the Company and the Founders may agree), the Acquisition Agreements shall automatically terminate.

In the event that the conditions do not complete by the required date, the Acquisition may not complete and the Placing and the Open Offer will not occur.

1.2 *Future performance*

As SecurEnvoy is expected to be the first acquisition under the Company's new strategy and the only revenue generating asset within the Enlarged Group immediately following Completion, if SecurEnvoy is unable to maintain historical end user renewal rates, or increase sales of products to existing and / or new customers, the business' results and cash flows may not be in line with the Company's expectations, which could adversely affect the Enlarged Group's business, financial condition, results or future operations. Furthermore, this could then lead to the write down of any goodwill which arises on Acquisition that, whilst not having any cash impact on the Enlarged Group, could also have an adverse effect on the financial condition of the Enlarged Group and the price of its Ordinary Shares.

2 Risks relating to the Enlarged Group's business

2.1 *The Enlarged Group is in the early stage of delivering its transformation plan in pursuit of its strategic aims*

The success of the Enlarged Group is dependent upon the Enlarged Group achieving its strategic aims. As detailed in paragraph 2 (*Background on the Company*) of Part I (*Letter from the Chairman*), the Directors are focusing on building a UK-based group providing digital resilience solutions. The achievement of this will be determined by a number of factors, including the availability of suitable acquisition opportunities, the ability of the Enlarged Group to deliver organic growth, and the Enlarged Group's access to appropriate sources of capital to fund its growth initiatives.

Whilst the Directors are confident that there are significant growth opportunities for the Enlarged Group, there can be no assurances that suitable acquisition targets will become available, and that the Enlarged Group is able to secure capital on reasonable terms in order to fund its growth initiatives. If either of these circumstances were to occur, it is unlikely that the Enlarged Group will be able to meet its strategic aims, which could adversely affect the Enlarged Group's business, financial condition, results or future operations.

2.2 *If successful, cyber security attacks may damage the Enlarged Group's products, services and systems*

As a publicly traded provider of digital resilience solutions, the Enlarged Group is a high profile target for third parties wishing to gain unauthorised access to the Enlarged Group's networks, or to bypass or breach its products. Any breach of the Enlarged Group's networks or products, whether through a deliberate hack or unintentional event, may cause significant business disruption to the Enlarged Group or its customers and result in the Enlarged Group incurring the costs of remedying any breach. Furthermore, the Enlarged Group's reputation may be damaged, leading to a loss of customer, industry and investor confidence, which could adversely affect the Enlarged Group's business, financial condition, results or future operations.

2.3 *Vulnerabilities in the Enlarged Group's products*

Upgrades to SecurEnvoy's current and new user authentication products are complex and may contain design errors or defects which are not identified until the product is launched commercially. This could lead to the Enlarged Group's end user customers installing and operating products which are vulnerable to security breaches and may place the users' protected products or services at risk. In the event that an error or defect is identified, there can be no assurances that the Enlarged Group will be able to remedy the issue in an acceptable response period or at all. Furthermore, even if a breach is prevented, the perception of product vulnerability could affect a customer or potential customer's willingness to purchase SecurEnvoy's user authentication products. If the market reputation of SecurEnvoy is negatively impacted, existing or potential customers may turn to competitors' products, which would lead to a loss of revenue for the Enlarged Group, which could adversely affect the Enlarged Group's business, financial condition, results or future operations.

2.4 *Distributor and reseller arrangements*

SecurEnvoy benefits from a number of strong distributor and reseller relationships (the top three of which accounted for 76 per cent. of SecurEnvoy's billings in the year ended 31 December 2016) which enable the business to sell its MFA products to a significant number of end user customers without needing to employ a substantial sales force. Whilst SecurEnvoy's contractual relationships with its distributors and resellers will remain in place immediately following Completion, there can be no guarantees that all or any distributors and resellers will continue their relationships with the business beyond the existing contractual periods currently in place. If SecurEnvoy was to lose one or more of its major distributor or reseller contracts, the resultant loss of sales could adversely affect the Enlarged Group's business, financial condition, results or future operations.

2.5 *The Enlarged Group's technologies or products could infringe patents and other intellectual property rights of third parties*

The Enlarged Group's commercial success will depend upon in part its ability, to use patent-protected technologies or products without infringing the patents of third parties. The Enlarged Group's technologies

or products may infringe or may be alleged to infringe existing patents or patents that may be granted in the future which may result in costly litigation and could result in the Enlarged Group having to pay substantial damages or limit the Enlarged Group's ability to commercialise its products. As some patent applications in Europe and the US may be maintained in secrecy until the patents are issued, patent applications in Europe, the US and many foreign jurisdictions are typically not published until eighteen months after filing, the Enlarged Group cannot be certain that others have not filed patents that may cover its technologies, its products or the use of its products. Additionally, pending patent applications which have been published can, subject to certain limitations, be later amended in a manner that could cover the Enlarged Group's technologies, its products or the use of its products. As a result, the Enlarged Group may become party to, or threatened with, future adversarial proceedings or litigation regarding patents with respect to its products and technology.

Any such claims are likely to be expensive to defend and some of its competitors may be able to sustain the costs of complex patent litigation more effectively than the Enlarged Group can if they have substantially greater resources. Moreover, even if the Enlarged Group is successful in defending any infringement proceedings, it may incur substantial costs and divert management's time and attention in doing so, which could adversely affect the Enlarged Group's business, results of operations or financial condition.

2.6 The Enlarged Group is operating within a high technology environment, where continued technological development is required into order to address the ever-changing cyber security threats faced by customers

The markets in which the Enlarged Group operates (and plans to operate) are characterised by rapid technological development, changes in customer requirements and preferences, frequent new product and service launches incorporating new technologies, and the emergence of new industry standards and practices that could render the Enlarged Group's existing technology and products obsolete.

In order to compete successfully, the Enlarged Group will need to continue to improve its products and to develop and market new products that keep pace with technological change and the threats that its end user customers face. If the Enlarged Group is unable to anticipate and respond to technological changes and customer preferences in a timely and cost-effective manner, it is possible that existing customers and prospective customers may turn to competitor offerings, which could adversely affect the Enlarged Group's business, financial condition, results or future operations.

2.7 The Enlarged Group's success depends upon its ability to recruit and retain skilled personnel

The Enlarged Group's success depends upon its ability to attract and recruit, retain and incentivise highly skilled employees across all areas of the business. If the Enlarged Group is unable to retain or successfully attract and recruit key employees across all and any areas of the business, it could delay or prevent the implementation of its strategy, which could adversely affect the Enlarged Group's business, financial condition, results or future operations.

2.8 Reliance on key management

SecurEnvoy was founded by the Founders in 2003, and they will continue to lead the SecurEnvoy business day-to-day following Acquisition on new employment contracts with the Enlarged Group. Whilst the business has expanded since inception and currently employs 13 people in addition to the Founders, the Founders and certain key technical staff retain a significant amount of technical know-how and commercial relationships which are considered important to the on-going success of SecurEnvoy. If following Acquisition, the Founders and certain key technical staff are no longer employed by the Enlarged Group and appropriate succession planning has not been undertaken, SecurEnvoy's financial performance may not meet the Company's expectations, which in turn could adversely affect the Enlarged Group's business, financial condition, results or future operations.

2.9 The Enlarged Group will need to compete successfully in a highly competitive market

The Enlarged Group is at the early stage of its development, operating in a highly fragmented market, with a number of larger competitors which have greater financial, technical and human capital which can be deployed to gain a superior market position. As the Enlarged Group's target markets continue to grow, new

entrants will be attracted to the opportunities afforded by information security and cyber security sectors, which in turn may increase the number of market participants.

Whilst the Directors believe that the Enlarged Group has the ability to successfully compete in its target markets, there can be no assurances that the Enlarged Group will be able to maintain a competitive position against better resourced competitors or new entrants with superior product or service offerings nor keep innovating and developing its key products sufficiently to compete with new and larger competitors. If the Enlarged Group becomes uncompetitive or fails to develop its products or innovate to the same level of others, its business, financial condition, results or future operations could be adversely affected.

2.10 The Enlarged Group may not deliver the anticipated value from its investments, acquisitions, or partnerships

As a core component of its strategic growth plan, the Enlarged Group is seeking to acquire, invest in, or partner with complementary companies from within the information and cyber security sectors. When evaluating corporate development activity, the Directors will assess the potential value any acquisition, investment or partnership may bring to the Enlarged Group. Whilst appropriate due diligence will be undertaken before completing any corporate development activity, there can be no assurances that the Directors are able to deliver the anticipated benefits from the transaction. In addition, any such activity may disrupt the Enlarged Group's underlying operations due to the time and resources required in completing a transaction. If either of these circumstances were to occur, it could adversely affect the Enlarged Group's business, financial condition, results or future operations.

2.11 The Enlarged Group may incur significant costs as a result of intellectual property disputes

The Enlarged Group's ability to compete will depend in part, upon the successful protection of SecurEnvoy's intellectual property, and any other intellectual property acquired or internally developed by the Enlarged Group. In particular, this includes patents, and know-how as detailed in paragraph 4 (*Intellectual property*) of Part II (*Information on SecurEnvoy*). SecurEnvoy seeks to protect its intellectual property through the filing of patent applications where permissible, as well as entering into confidentiality obligations within employment contracts to protect the Company from the release of information relating to its know-how and other measures to protect the confidentiality of its know-how and trade secrets. Whilst the Enlarged Group will continue to enhance these intellectual property protective measures post Completion, this does not provide any assurances that a third party will not infringe upon the Enlarged Group's intellectual property, release confidential information about the Enlarged Group's intellectual property or claim technology which is registered to the Enlarged Group.

In the ordinary course of business, the Directors intend to defend the Enlarged Group's intellectual property vigorously through litigation and other means. In the event that litigation is necessary in the future in order to enforce the Enlarged Group's intellectual property rights, determine the scope and validity of proprietary rights of other companies, and/or defend claims of infringement or invalidity, it could require the Enlarged Group to commit significant resource in pursuing the protection of its intellectual property and there is no guarantee that the result of such litigation would result in a favourable outcome to the Enlarged Group. This could adversely affect the Enlarged Group's business, financial condition, results or future operations.

2.12 The Enlarged Group is operating within an environment which is subject to increasing regulation and legislation

In part as a response to the increased frequency and severity of data breaches, new industry regulation and government legislation has been introduced in order to compel companies to enhance their information and cyber security measures. As a result of the continued and evolving cyber threats faced by companies, industry regulation, and in turn legislation may be amended, adapted and enhanced at relatively short notice, which will create a new set of data protection requirements for companies, which information and cyber security product and service vendors will need to address with their products.

If the Enlarged Group is unable to provide products or services to its end user customers which enable them to meet the changing regulatory or legislative requirements laid down by industry or government, then its current or prospective customers may turn to competitor offerings, which could adversely affect the Enlarged Group's business, financial condition, results or future operations.

3. General risks

3.1 Cross-border economic, political, judicial, and administrative

The Enlarged Group and its current and prospective customers, operate in a number of countries, each of which has its own political, judicial, administrative, taxation and regulatory system that could impact how business is conducted. In addition to a global or local level economic downturn, the Enlarged Group may also be adversely affected by other changes in economic, political, judicial, administrative, taxation or other regulatory or other unforeseen matters, which are largely outside of the Enlarged Group's control.

4. Risks relating to the Placing and the Open Offer and Ordinary Shares

4.1 A liquid market for the Ordinary Shares may fail to develop and trading in the Ordinary Shares may be volatile

Following Admission, the price at which the Ordinary Shares will be traded and the price which investors may realise for their shares will be influenced by a large number of factors, which could include, but are not limited to, the performance of both the Enlarged Group's and its competitors' businesses, variations in the operating results of the Enlarged Group, large purchases or sales of Ordinary Shares, legislative changes and general economic, political and regulatory conditions. Prospective investors should be aware that the value of an investment in the Company might go down as well as up. Investors may therefore realise less than, or lose all of, their investment.

Publicly traded companies' share prices, including those traded on AIM, can be highly volatile. Further, the volume of shares traded on AIM can be limited and this may restrict the ability of Shareholders to dispose of Ordinary Shares in the future. In addition, as the AIM Rules for Companies are less demanding than those of the Official List of the UKLA, an investment in shares traded on AIM carry a higher risk than those listed on the Official List of the UKLA.

4.2 The market price of the Ordinary Shares could be negatively impacted by sales of substantial amounts of Ordinary Shares, particularly following expiry of the lock-in period

Pursuant to the Lock-in Deeds, the Sellers have agreed that, subject to certain exceptions (including an ability to sell Ordinary Shares in order to settle claims made against them for breach of warranties under the SPA, provided that they must first settle their liability relating to such claims from their own cash resources up to certain agreed levels), during the period of twelve months from the date of Admission (as described in paragraph 15.1(b)(v) (*Lock-in Deeds*) of Part X (*Additional Information*)), each Seller will not, without the prior written consent of the Company and WH Ireland, sell or contract to sell, or otherwise dispose of any Ordinary Shares (or any interest therein in respect thereof) or enter into any transaction with the same economic effect as any of the foregoing. After the expiration of this period, however, the Sellers will be free to sell Ordinary Shares, subject to an orderly market period as described in paragraph 15.1(b)(v) (*Lock-in Deeds*) of Part X (*Additional Information*). The Directors will also be free to sell Ordinary Shares, subject to an orderly market period of 12 months from the date of Admission pursuant to the Orderly Market Deeds (as described in paragraph 15.1(b)(vi) (*Orderly Market Deeds*) of Part X (*Additional Information*)). In addition, there are no lock-in arrangements relating to the balance of the Enlarged Share Capital and such Shareholders are free to sell their Ordinary Shares at any time. Sales of a substantial number of Ordinary Shares by Shareholders, particularly after the expiration of the period during which these restrictions apply, or the knowledge that they will, or the perception that these sales may occur, could depress the market price of the Ordinary Shares and could impair the Company's ability to raise capital through the sale of additional equity securities.

4.3 The Company will require additional capital in order to support its growth strategy which may not be available and, in the event of additional equity capital, will result in dilution to Shareholders

The Company's growth plans will require funding which may not be able to be met through internally generated funds. In the event that additional capital is required, the Company will need to raise extra capital from equity or debt providers. There is no certainty that at the point the Company decides to raise capital, the prevailing market conditions at the time will enable the Company to raise finance on acceptable terms or at all, which could impact the Company's ability to continue certain strategic initiatives, including organic and acquisitive growth. Where additional finance is raised through the issuance of new equity or equity-

linked securities, the percentage ownership of such Shareholders may be substantially diluted. There is no guarantee that the then prevailing market conditions will allow for such a fundraising or that new investors will be prepared to subscribe for Ordinary Shares at the proposed price.

4.4 The Company does not anticipate payment of dividends in the near to medium term

As stated in paragraph 15 (*Dividend policy*) of Part I (*Letter from the Chairman*), it is not the intention of the Directors to declare and pay any dividends in the near to medium term. The Company currently intends to retain all of its future earnings to finance the growth and development of the Enlarged Group's business and focus on capital growth for Shareholders. The declaration and payment of dividends (including special dividends) is restricted under English law and a company can only pay cash dividends if it has sufficient distributable reserves available to do so. The Company will not pay dividends to the extent it will not be lawful to do so, and the Directors will determine whether any dividends should be declared or paid in the future based on a variety of factors, including the results of operations, financial condition, cash requirements and future prospects of the Enlarged Group, as well as other factors deemed by Directors to be relevant at the time. Any of the foregoing could limit the payment of dividends to Shareholders or, if the Company does pay dividends, the amount of such dividends.

4.5 The Company cannot guarantee that the Ordinary Shares will continue to be traded on AIM

The Company cannot assure investors that the Ordinary Shares will always continue to be traded on AIM or on any other exchange. If such trading were to cease, certain investors may decide to sell Ordinary Shares, which could have an adverse impact on the price of the Ordinary Shares. Additionally, if in the future the Company decides to obtain a listing on another exchange in addition or as an alternative to AIM, the level of liquidity of the Ordinary Shares traded on AIM could decline.

4.6 Shareholders who are resident or domiciled outside the United Kingdom are not able to participate in the Open Offer and may not be able to participate in future equity fundraisings by the Company

Securities laws of certain jurisdictions restrict the Company's ability to allow the participation of Shareholders who are not resident or domiciled in the United Kingdom in the Open Offer and may continue to do so in respect of future equity offerings. In particular, Shareholders in the US may not be entitled to exercise these rights unless the Ordinary Shares are registered under the US Securities Act, or the rights or Ordinary Shares are offered pursuant to an exemption from, or in transactions not subject to, the registration requirements of the US Securities Act. Any Shareholder who is unable to participate in the Open Offer or future equity offerings may therefore suffer dilution.

4.7 Taxation

The attention of potential investors is drawn to Part VIII (*Taxation*). Any change in the Enlarged Group's tax status or the tax applicable to holding Ordinary Shares or in taxation legislation or its interpretation, could affect the value of the investments held by the Enlarged Group, its ability to provide returns to Shareholders and/or alter the post-tax returns to Shareholders. Statements in this document concerning taxation of the Enlarged Group and its investors are based on current tax law and practice, which is subject to change.

Investors should therefore consider carefully whether investment in the Company is suitable for them, in light of the risk factors outlined, their personal circumstances and the financial resources available to them.

PART IV

DIRECTORS

1. Directors

The following table lists the full names, positions and ages of the current members of the Board:

<i>Name and position</i>	<i>Age</i>
David Jeffreys Williams (<i>Non-Executive Chairman</i>)	64
Michael (“Mo”) Joseph Stevens (<i>Chief Executive Officer</i>)	55
Robin Simon Southwell OBE (<i>Independent Non-Executive Director</i>)	57
Stephen Robert Ball (<i>Senior Independent Non-Executive Director</i>)	63
Giles Kirkley Willits (<i>Non-Executive Director</i>)	50
Christopher John Eadie (<i>Executive Director</i>)	48

The business address of each Director is 22 Great James Street, London, WC1N 3ES.

1.1 David Jeffreys Williams (*Non-Executive Chairman*)

David has over 36 years’ experience in investment markets, serving as Chairman in executive and non-executive capacities for a number of public and private companies. He has overseen the development of these companies, raising in excess of £1 billion of capital to support both organic and acquisitive growth initiatives. David was formerly chairman of Entertainment One Ltd. (LSE: ETO) and Zetar plc, and is currently a non-executive director of Breedon Group plc (AIM: BREE) and chairman of Oxford BioDynamics Plc (AIM: OBD). David serves as the chairman of the Remuneration Committee and Nomination Committee, and is a member of the Audit Committee.

1.2 Michael (“Mo”) Joseph Stevens (*Chief Executive Officer*)

Mo has over 25 years’ experience operating within the security, cyber, aerospace, defence and high technology sectors. During this time, he has held a number of senior leadership roles with responsibility for driving growth and operational improvements across a portfolio of high technology, cyber and defence businesses. Most recently, Mo was head of international market development for Airbus Defence & Space and chief executive officer of Cassidian UK, which included Airbus’ cyber security division. Mo serves as a member of the Nomination Committee.

1.3 Robin Simon Southwell OBE (*Independent Non-Executive Director*)

Robin has over 35 years’ experience of working in the aerospace and defence industry, including roles as chief executive officer of Airbus UK and Airtanker Ltd, as well as senior positions at BAE Systems, which included running their operations in Australasia and establishing the company’s asset management organisation. Robin is a Fellow of the Royal Aeronautical Society and has been appointed as a DTI Business Ambassador by the UK Government and received his OBE in 1997 for services to exports. Robin serves as a member of the Remuneration Committee.

1.4 Stephen Robert Ball (*Senior Independent Non-Executive Director*)

Stephen has over 35 years’ experience of working in senior roles in the technology, defence, information security and communications industries. Stephen was formerly chief executive officer of Lockheed Martin UK until his retirement in 2016. Prior to this, he was managing director of the company’s operations in Ampt Hill, Bedfordshire. Before joining Lockheed Martin, Stephen spent 21 years with HM Government Communications Centre (HMGCC), latterly as chief executive officer, working on specialist development and the manufacture of security and communications equipment. Stephen serves as a member of the Nomination and Audit Committees.

1.5 Giles Kirkley Willits (*Non-Executive Director*)

Giles has over 20 years’ experience in senior leadership and financial roles, and was most recently the chief financial officer of FTSE 250 listed Entertainment One Ltd. (LSE: ETO), having worked with Entertainment

One Ltd. initially as non-executive director, before assuming the chief financial officer role in 2007. Over this time Entertainment One Ltd. has grown to a market capitalisation of approximately £1 billion. Giles was formerly director of group finance of J Sainsbury plc and Woolworths Group plc, and currently serves as the chairman of the Company's Audit Committee.

1.6 Christopher John Eadie *(Executive Director)*

Chris is a Chartered Accountant, having qualified with PricewaterhouseCoopers in 1998. Following this he held a number of senior financial roles within Cable and Wireless plc including five years as a director in the corporate finance team. Chris joined the Company in November 2006 as Finance Director and re-joined in September 2016 as Executive Director, and currently oversees the finance function at the Company and is leading the Company's strategic review of its mining assets.

2. Advisory Panel

In January 2017, the Company established its Advisory Panel, which is chaired by Rt Hon. the Lord Reid of Cardowan. The Company is currently looking to add additional members to the Advisory Panel. The purpose of the Advisory Panel is to track developments in the digital resilience sector as well as supporting the Company in accessing growth opportunities via the network of contacts of each member of the Advisory Panel. The Advisory Panel will meet at least four times a year, with additional ad hoc meetings held with various Directors as required.

Lord Reid joined the Company as chairman of its Advisory Panel in January 2017. Lord Reid has had an illustrious career in UK Government, serving in numerous UK cabinet positions, including Home Secretary and Secretary of State for Defence. He now sits in the House of Lords and is executive chairman of the Institute for Strategy, Resilience and Security at University College London.

3. Corporate governance

The main features of the Existing Group's corporate governance arrangements are:

- The Board intends to meet at least six times per year for formal Board meetings. It will approve financial statements, dividends and significant changes in accounting practices and key commercial matters, such as decisions to be taken on whether to take forward or to cancel a material collaboration project or commercial agreement. There is a formal schedule of matters reserved for decision by the Board in place.
- Currently, the Board includes two Non-Executive Directors who are considered by the Directors to be independent for the purposes of the QCA Code, Robin Southwell and Stephen Ball. Robin joined the Board on 10 October 2016 and prior to this had no association with the Company. Stephen joined the Board on 24 October 2016 and prior to this had no association with the Company. Accordingly, the Directors consider that both Robin and Stephen satisfy the independence criteria set out in the QCA Code, with Stephen appointed the senior independent Non-Executive Director of the Company.

The Board recognises the importance of sound corporate governance and confirm that following Admission, they intend that, save as noted below, the Company complies with the principles and minimum disclosures of the QCA Code.

- The Directors recognise that the QCA Code recommends that a company should have in place a risk management policy and a risk management register. On Admission, the Company will not have in place a risk management policy or risk management register, but the Board has committed to put in place a QCA Code-compliant risk management policy and risk management register within three months of the date of Admission.

4. Board Committees

4.1 Audit Committee

The Audit Committee's principal functions include ensuring that the appropriate accounting systems and financial controls are in place, monitoring the integrity of the financial statements of the Company, reviewing the effectiveness of the Company's accounting and internal control systems, reviewing reports from the Company's auditors relating to the Company's accounting and internal controls, and reviewing the interim and annual results and reports to shareholders, in all cases having due regard to the interests of Shareholders. The Audit Committee meets at least three times a year, with regard to the reporting and audit cycle. Giles Willits has recent and relevant financial experience through his role as CFO of other UK public companies and acts as chairman. David Williams and Stephen Ball are the other members of the Audit Committee.

4.2 Remuneration Committee

The Remuneration Committee is responsible for determining and agreeing with the Board the framework for the remuneration packages for each of the Executive Directors. The Remuneration Committee considers all aspects of the Executive Directors' remuneration, including pensions, bonus arrangements, benefits, incentive payments and share option awards, and the policy for, and scope of any termination payments. The remuneration of the Non-Executive Directors is a matter for the Board. The Remuneration Committee meets at least twice a year (and at such other times as may be deemed necessary) and generates an annual remuneration report to be approved by the members of the Company at the annual general meeting. No Director may be involved in discussions relating to their own remuneration. David Williams acts as chairman of the Remuneration Committee and Robin Southwell is the other member of the Remuneration Committee.

4.3 Nomination Committee

The Nomination Committee is responsible for reviewing the structure, size and composition of the Board based upon the skills, knowledge and experience required to ensure the Board operates effectively. The Nomination Committee is expected to meet when necessary to do so. The Nomination Committee also identifies and nominates suitable candidates to join the Board when vacancies arise and makes recommendations to the Board for the re-appointment of any Non-Executive Directors. David Williams acts as chairman of the Nomination Committee and Stephen Ball and Mo Stevens are the other members of the Nomination Committee.

PART V

HISTORICAL FINANCIAL INFORMATION ON THE COMPANY

The Company has published its annual report and accounts for the years ended 31 March 2014, 31 March 2015 and 31 March 2016 (the “**Accounts**”). Pursuant to Rule 26 of the AIM Rules for Companies, the Accounts are available free of charge from the Company’s website at www.theshearwatergroup.co.uk and also from the offices of Mayer Brown International LLP, 201 Bishopsgate, London EC2M 3AF up to and including the date of Admission and therefore have not been reproduced in this document, instead being incorporated by reference.

The Accounts were prepared in accordance with IFRS and include, on the pages specified below, the following information:

<i>Information incorporated by reference into this document</i>	<i>Page number in reference document</i>
Annual Report and Financial Statements for the year ended 31 March 2014	
Independent auditors’ report	12
Consolidated statement of comprehensive income	15
Consolidated and Company statements of financial position	16
Consolidated statement of changes in equity	17
Consolidated and Company statements of cash flows	20
Notes to the accounts	22
Annual Report and Financial Statements for the year ended 31 March 2015	
Independent auditors’ report	10
Statement of profit and loss and other comprehensive income	12
Statement of financial position	13
Statement of changes in equity	14
Statement of cash flows	15
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Annual Report and Financial Statements for the year ended 31 March 2016	
Independent auditors’ report	10
Statement of comprehensive income	12
Statement of financial position	13
Statement of changes in equity	14
Statement of cash flows	15
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The Company announced its unaudited half year results for the six months ended 30 September 2015 on 19 November 2015 and for the six months ended 30 September 2016 on 28 December 2016. Pursuant to Rule 26 of the AIM Rules for Companies these results are available to view and download from www.theshearwatergroup.co.uk and therefore have not been reproduced in this document, instead being incorporated by reference in accordance with Rule 28 of the AIM Rules for Companies.

PART VI

HISTORICAL FINANCIAL INFORMATION ON SECURENVOY

SECTION A: Financial statements for the years ended 31 December 2014, 31 December 2015 and 31 December 2016

SecurEnvoy Limited

Statement of comprehensive income

	Note	Year ended 31 December		
		2016 £000	2015 £000	2014 £000
Continuing operations				
Revenue	5	3,224	3,072	2,766
Cost of sales		(8)	(7)	(10)
Gross profit		3,216	3,065	2,756
Administrative expenses		(1,074)	(1,126)	(1,027)
Operating profit		2,142	1,939	1,729
Operating profit analysed as:				
Underlying EBITDA		2,163	1,959	1,757
Amortisation of intangibles		(10)	(10)	(10)
Depreciation and impairment of property, plant and equipment		(6)	(6)	(14)
Share based payment charge		(5)	(4)	(4)
Operating profit		2,142	1,939	1,729
Finance income	9	–	–	3
Profit before tax		2,142	1,939	1,732
Income tax expense	11	(283)	(284)	(273)
Profit for the year from continuing operations	7	1,859	1,655	1,459
Total comprehensive income for the period		1,859	1,655	1,459
Profit attributable to:				
Owners of SecurEnvoy		1,859	1,655	1,459
		1,859	1,655	1,459
Earnings per share				
From continuing operations				
Basic (£ per share)	13	19.5	17.4	16.2
Diluted (£ per share)	13	19.0	16.6	15.4

Notes one to 30 form part of the historical financial information shown above.

SecurEnvoy Limited

Statement of financial position

		31 December 2016	31 December 2015	31 December 2014
	Note	£000	£000	£000
Assets				
Non-current assets				
Intangible assets	14	60	70	80
Property, plant and equipment	15	16	8	27
Total non-current assets		<u>76</u>	<u>78</u>	<u>107</u>
Current assets				
Trade and other receivables	16	285	507	366
Cash and cash equivalents		894	914	811
Total current assets		<u>1,179</u>	<u>1,421</u>	<u>1,177</u>
Total assets		<u><u>1,255</u></u>	<u><u>1,499</u></u>	<u><u>1,284</u></u>
Equity and liabilities				
Capital and reserves				
Share capital	20	102	102	102
Share premium	21	55	55	–
Share based payments reserve	22	22	17	13
Retained earnings	23	343	579	459
Equity attributable to owners of SecurEnvoy		<u>522</u>	<u>753</u>	<u>574</u>
Total equity		<u><u>522</u></u>	<u><u>753</u></u>	<u><u>574</u></u>
Current liabilities				
Trade and other payables	19	450	457	431
Current tax liabilities	19	280	288	274
Total current liabilities		<u>730</u>	<u>745</u>	<u>705</u>
Non-current liabilities				
Deferred tax	17	3	1	5
Total liabilities		<u>733</u>	<u>746</u>	<u>710</u>
Total equity and liabilities		<u><u>1,255</u></u>	<u><u>1,499</u></u>	<u><u>1,284</u></u>

Notes one to 30 form part of the historical financial information shown above.

SecurEnvoy Limited

Statement of changes in equity

	Share capital £000	Share premium £000	Share based payment reserve £000	Retained earnings £000	Total £000
Balance at 1 January 2014	102	–	9	934	1,045
Profit for the period	–	–	–	1,459	1,459
Other comprehensive income for the period	–	–	–	–	–
Total comprehensive income for the period	–	–	–	1,459	1,459
Transactions with owners of SecurEnvoy:					
Share based payments	–	–	4	–	4
Dividends	–	–	–	(1,934)	(1,934)
Balance at 31 December 2014	102	–	13	459	574
Profit for the period	–	–	–	1,655	1,655
Other comprehensive income for the period	–	–	–	–	–
Total comprehensive income for the period	–	–	–	1,655	1,655
Transactions with owners of SecurEnvoy:					
Issue of ordinary shares	–	55	–	–	55
Share based payments	–	–	4	–	4
Dividends	–	–	–	(1,535)	(1,535)
Balance at 31 December 2015	102	55	17	579	753
Profit for the period	–	–	–	1,859	1,859
Other comprehensive income for the period	–	–	–	–	–
Total comprehensive income for the period	–	–	–	1,859	1,859
Transactions with owners of SecurEnvoy:					
Share based payments	–	–	5	–	5
Dividends	–	–	–	(2,095)	(2,095)
Balance at 31 December 2016	102	55	22	343	522

Notes one to 30 form part of the historical financial information shown above.

SecurEnvoy Limited

Statement of cash flow

	2016	2015	2014
	£000	£000	£000
Profit for the financial year	1,859	1,655	1,459
Adjustments for:			
Income tax expense (note 11)	283	284	273
Net interest (notes 9)	–	–	(3)
Loss on disposal of property, plant and equipment	2	19	1
Amortisation of intangibles (note 14)	10	10	10
Depreciation of property, plant and equipment (note 15)	6	6	14
Share based payments charge (note 25)	5	4	4
Operating cash flows before movements in working capital	2,165	1,978	1,758
Decrease/(increase) in trade and other receivables	222	(140)	(99)
(Decrease)/Increase in trade and other payables	(55)	38	54
Operating cash flows before interest and tax paid	2,332	1,876	1,713
Net interest received	–	–	3
Income taxes paid	(240)	(274)	(257)
Net cash from operating activities	<u>2,092</u>	<u>1,602</u>	<u>1,459</u>
Investing activities			
Purchases of property, plant and equipment	(17)	(6)	(1)
Net cash used in investing activities	<u>(17)</u>	<u>(6)</u>	<u>(1)</u>
Financing activities			
Issue of equity shares	–	55	–
Amount withdrawn by directors	–	(13)	(326)
Equity dividends paid	(2,095)	(1,535)	(1,934)
Net cash (used in) financing activities	<u>(2,095)</u>	<u>(1,493)</u>	<u>(2,260)</u>
Net increase/(decrease) in cash and cash equivalents	(20)	103	(802)
Cash and cash equivalents at beginning of year	<u>914</u>	<u>811</u>	<u>1,613</u>
Cash and cash equivalents at end of year	24 <u>894</u>	<u>914</u>	<u>811</u>

Notes one to 30 form part of the historical financial information shown above.

SecurEnvoy Limited

Notes to the historical financial information

1. General information

The historical financial information has been prepared for inclusion in the Admission Document of Shearwater Group plc (the “**Company**”). On 20 April 2017, the Company announced that it had conditionally agreed to acquire the entire issued share capital of SecurEnvoy Limited (“**SecurEnvoy**”), a company registered in the United Kingdom.

The historical financial information presents the financial record of SecurEnvoy Ltd for the three years ended 31 December 2016 (together, the “**Financial Information**”). Statutory accounts for the years ended 31 December 2014 and 31 December 2015 have been delivered to the Registrar of Companies and the auditor’s reports for both years was unqualified.

SecurEnvoy is a business engaged in the development, marketing and distribution of mobile based tokenless authentication software.

Basis of preparation

The Financial Information has been prepared under International Financial Reporting Standards as adopted by the EU (“**IFRS**”) and in accordance with UK companies legislation as applicable to companies reporting under IFRS. The Financial Information has been prepared on a going concern basis and under a historical cost convention, modified by the revaluation of certain financial instruments.

The Financial Information does not constitute statutory accounts.

The Financial Information is presented in pounds sterling (GBP). This is the functional currency of SecurEnvoy, and is the currency of the primary economic environment in which it operates.

Going concern

SecurEnvoy’s business activities and position in the market are described in the Strategic Report. The directors of SecurEnvoy believe that it is well placed to manage its business risks successfully despite the current uncertainties within the global economy. Accordingly, the directors of SecurEnvoy consider it appropriate to prepare the Financial Statements on a going concern basis.

2. Outlook for adoption of future Standards (new and amended)

At the date of authorisation of these Financial Statements, the following standards and relevant interpretations, which have not been applied in these Financial Statements, were in issue but not yet effective (and some of which were pending endorsement by the EU):

- IFRS 9, ‘Financial instruments’
- IFRS 15, ‘Revenue from contracts with customers’
- IFRS 16, ‘Leases’
- Amendments to IAS 7, ‘Statement of cashflows’ on the disclosures in financial statements
- Amendments to IAS 12, ‘Income taxes’ on the recognition of deferred tax assets for unrealised losses
- Annual Improvements 2012-14 cycle
- Amendments to IFRS 2, ‘Classification and measurement of share-based payment transactions’
- IFRIC 22, ‘Foreign currency transactions and advance consideration’

IFRS 9 will supersede IAS 39 in its entirety, and is effective for accounting periods commencing on or after 1 January 2018. The new standard is broadly split into three areas:

- **Classification and measurement.** New classification and measurement criteria require financial instruments to be classified into one of three categories being amortised cost, fair value through other

SecurEnvoy Limited

Notes to the historical financial information

comprehensive income or fair value. Classification will be determined by the business model and contractual cash flow characteristics of the instruments.

- **Expected credit losses (ECL).** The requirement to recognise impairment losses based on ECL methodology is a change to the current requirements whereby losses are only recognised once an impairment event has happened.
- **Hedge accounting.** The general hedge accounting mechanisms of IAS 39 have been retained, however greater flexibility has been introduced over the instruments eligible for hedge accounting and effectiveness testing has been more closely aligned with the underlying risk management practices of the entity.

IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes a number of existing standards and interpretations from its effective date for accounting periods beginning on or after 1 January 2018. IFRS 15 introduces principles to recognise revenue by allocation of the transaction price to performance obligations. IFRS 15 will apply to the Group's revenue and other operating income, superseding IAS 18. Income from financial instruments will continue to be recognised under IAS 39/IFRS 9.

IFRS 16 specifies how an entity will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. IFRS 16 supersedes IAS 17 and applies to accounting periods beginning on or after 1 January 2019. The operating leases reported in note 18, except where the lease has expired at the transition date, will be recorded on the balance sheet under IFRS 16, with a corresponding lease liability in creditors.

SecurEnvoy is reviewing the requirements of IFRS 15 and 16 to determine their impact.

3. Significant accounting policies

The accounting policies set out below have been applied consistently for all periods presented in this Financial Information.

Revenue recognition

Revenue comprises the fair value of the consideration received or receivable from the licensing of software provided to customers in the normal course of SecurEnvoy's activities. Support services are recognised rateably over the term of the contract on a straight-line basis.

SecurEnvoy recognises revenue when all the following conditions are satisfied: all licencing obligations have been performed, the rights to use the asset have been assigned in exchange for a fixed fee, SecurEnvoy retains neither continuing managerial over the right to use the software, and the contract is non-cancellable.

Revenue recognised in the income statement but not yet invoiced is held on the balance sheet within 'Trade and other receivables'. Revenue invoiced but not yet recognised in the income statement is held on the balance sheet within 'Deferred revenue'.

Use of additional performance measures

SecurEnvoy presents underlying EBITDA information which is used by the directors for internal performance analysis and may not be comparable with similarly titled measures reported by other companies. The term "underlying EBITDA" refers to operating profit or loss excluding amortisation of intangibles, depreciation and impairment, share-based payments charge, income tax expense, finance income and finance costs.

SecurEnvoy Limited

Notes to the historical financial information continued

Leasing

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

In the event that lease incentives are received at the time the entity enters into an operating lease agreement, such incentives are recognised as a liability and recycled through profit and loss over the term of the lease agreement. The aggregate benefit of incentives is recognised in profit and loss as a reduction to rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Foreign currencies

Sterling is the functional currency of SecurEnvoy and presentation currency for the Financial Information.

At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

For the purpose of presenting SecurEnvoy's Financial Information, Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

Retirement benefit costs

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution schemes where SecurEnvoy's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit scheme.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. SecurEnvoy's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a

SecurEnvoy Limited

Notes to the historical financial information continued

business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered in the foreseeable future.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted at the balance sheet date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and SecurEnvoy intends to settle its current tax assets and liabilities on a net basis.

Tangible and intangible assets

Property, plant and equipment

SecurEnvoy has held no land and buildings for the period covered by the Financial Information.

Other items of property, plant and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is recognised so as to write off the cost or valuation of assets less residual value over their useful lives, using the reducing balance method, on the following bases:

Plant and machinery	33 per cent. on reducing balance
---------------------	----------------------------------

The gain or loss arising on the disposal of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income on the transfer of the risks and rewards of ownership.

SecurEnvoy has no class of tangible fixed asset that has been revalued in 2016, 2015 or 2014. On transition to IFRS the net book values recorded at 1 January 2014 have been applied and these are based on historic cost or fair value recognised at the date of acquisition.

Intangible assets – patents

Patents represent the consideration paid to acquire the patent used by SecurEnvoy. The value of the patent acquired is presented as an intangible asset. The patent is amortised over its useful economic life.

It is the opinion of the directors of SecurEnvoy that the economic life of the patent is ten years from when the asset is brought in to use.

Provision is made for any impairment.

Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, SecurEnvoy reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any).

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Notes to the historical financial information continued

Recoverable amount is the higher of: (i) fair value less costs to sell and (ii) value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease to the extent that the revaluation balance is greater than the impairment loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised in prior years for the asset (or cash-generating unit). A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Financial instruments

Financial assets and financial liabilities are recognised in SecurEnvoy's balance sheet when SecurEnvoy becomes a party to the contractual provisions of the instrument.

Financial Assets

All financial assets are normally recognised and derecognised on a trade date basis where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value. On derecognition however, where a specific transaction is entered into with a counterparty that is judged to carry a high credit or liquidity risk, then management may determine that derecognition of the financial asset shall be based on settlement date rather than trade date, with any realised gain or loss taken to profit and loss on date of settlement.

Financial assets are classified into the following specified categories: financial assets at 'fair value through profit or loss' ("FVTPL"), 'held-to-maturity' investments, 'available-for-sale' ("AFS") financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Classes of financial asset

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that SecurEnvoy manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

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Notes to the historical financial information continued

- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with SecurEnvoy's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on re-measurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item in the income statement. Fair value is determined in the manner described in note 27.

Held-to-maturity investments

SecurEnvoy holds no financial assets classified as held-to-maturity investments.

Available for sale financial assets

SecurEnvoy holds no financial assets classified as available for sale.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For all other financial assets, including finance lease receivables, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include SecurEnvoy's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the differences between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use

SecurEnvoy Limited

Notes to the historical financial information continued

of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by SecurEnvoy are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that SecurEnvoy manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with SecurEnvoy's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on re-measurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item in the income statement. Fair value is determined in the manner described in note 27.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

SecurEnvoy Limited

Notes to the historical financial information continued

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Derecognition of financial liabilities

SecurEnvoy derecognises financial liabilities when, and only when, SecurEnvoy's obligations are discharged, cancelled or they expire.

Share based payments

Equity-settled share options are granted to certain officers and employees. Each tranche in an award is considered a separate award with its own vesting period and grant date fair value. Fair value of each tranche is measured at the date of grant using the Black-Scholes option pricing model. Compensation expense is recognised over the tranche's vesting period based on the number of awards expected to vest, through an increase to equity. The number of awards expected to vest is reviewed over the vesting period, with any forfeitures recognised immediately.

Cash and cash equivalents

Net cash and cash equivalents comprise cash and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets is approximately equal to their fair value.

4. Critical accounting judgements and key sources of estimation uncertainty

In the application of SecurEnvoy's accounting policies, which are described in note three, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying SecurEnvoy's accounting policies

The following are the critical judgements that the directors of SecurEnvoy have made in the process of applying its accounting policies and that have the most significant effect on the amounts recognised in the Financial Information.

Revenue recognition

In making its judgement, management considered the detailed criteria for the recognition of revenue set out in IAS 18. In particular, a judgement is made as to the extent of deferred revenue which relates to support services.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

SecurEnvoy Limited

Notes to the historical financial information continued

Allowance for doubtful debts

Management undertake a review of all new customers and a periodic review of existing customers to determine whether specific risks of default exist. Beyond identification of specific risks, management undertake periodic reviews into the calculation of allowances for doubtful debts to ensure historic trends continue to provide a basis for determining a reliable estimate for doubtful debts.

Useful economic lives of intangible assets

Management undertakes reviews on a periodic basis of the estimated useful economic lives of patents and licences which have been capitalised as intangible assets, having due regard to the current and projected level of sales of the products over which these patents and licences confer rights. Where appropriate the amortisation period of the intangible asset is adjusted accordingly on a prospective basis.

5. Revenue

An analysis of SecurEnvoy's revenue is as follows:

	Year ended 31 December		
	2016 £000	2015 £000	2014 £000
Continuing operations			
UK	1,516	1,414	1,273
Mainland Europe	1,419	1,352	1,272
USA	193	184	138
Asia	64	61	28
Middle East and North Africa	32	61	55
Revenue	<u>3,224</u>	<u>3,072</u>	<u>2,766</u>

6. Business segments

Products and services from which reportable segments derive their revenues

Information reported to SecurEnvoy's board of directors (determined to be SecurEnvoy's Chief Operating Decision Maker) for the purposes of resource allocation and assessment of segment performance is focused on the main service and product groups which SecurEnvoy Ltd sells. SecurEnvoy's sole reportable segment under IFRS 8 is therefore that of the development, marketing and distribution of mobile based tokenless authentication software.

Segment revenues and results

Management have determined that SecurEnvoy has one recognised segment, mobile based tokenless authentication software and as such they do not deem it necessary to make use of segmental data or report it within the Financial Information.

Segment net assets and other segment information

Management does not make use of segmental data relating to net assets and other balance sheet information for the purposes of monitoring segment performance and allocating resources between segments. Accordingly, this information is not available for disclosure in the financial information.

Revenues from major products and services

SecurEnvoy's revenues from its major products and services are disclosed in note 5.

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Notes to the historical financial information continued

Information about major customers

Included in revenues shown for 2016 is £95,560 attributed to SecurEnvoy's largest customer, Globality SA.

Included in revenues shown for 2015 is £181,350 attributed to SecurEnvoy's largest customer, T Systems.

Included in revenues shown for 2014 is £98,360 attributed to SecurEnvoy's largest customer, Globality SA.

7. Profit for the year

Profit for the year has been arrived at after charging (crediting):

	Continuing operations		
	Year ended 31 December		
	2016	2015	2014
	£000	£000	£000
Net foreign exchange losses/(gains)	(77)	39	5
Research and development costs	230	144	90
Depreciation and impairment of property, plant and equipment (note 15)	6	6	14
Loss on disposal of property, plant and equipment	2	19	1
Amortisation of intangibles (note 14)	10	10	10
Operating lease rental expense (note 18)	21	17	17
Staff costs (note 10)	741	678	574
Share based payments charge to profit and loss (note 25)	5	4	4
	<u>5</u>	<u>4</u>	<u>4</u>

8. Auditor's remuneration

	Continuing operations		
	Year ended 31 December		
	2016	2015	2014
	£000	£000	£000
Fees payable to SecurEnvoy's auditors:			
Annual audit	6	6	6
Other non-audit services	1	1	5
	<u>7</u>	<u>7</u>	<u>11</u>

SecurEnvoy Limited

Notes to the historical financial information continued

9. Finance income

	Continuing operations		
	Year ended 31 December		
	2016	2015	2014
	£000	£000	£000
Bank deposit interest	–	–	3
Finance income	–	–	3

10. Staff costs

	Continuing operations		
	Year ended 31 December		
	2016	2015	2014
	£000	£000	£000
Wages and salaries	606	563	445
Social security costs	42	35	39
Other pension costs	93	80	90
	741	678	574

The average number of persons, including executive directors, employed by the group during the year was as follows:

	2016	2015	2014
	Number	Number	Number
Directors	2	2	2
Sales and technical	9	9	8
Administration	2	2	2
	13	13	12

11. Tax

	Year ended 31 December		
	2016	2015	2014
	£000	£000	£000
Corporation tax charges:			
Current year	281	288	274
Deferred tax charges/(credits) (note 17)	2	(4)	(1)
	283	284	273

Corporation tax is calculated at 20 per cent. (2015: 20 per cent., 2014: 21 per cent.) of the estimated taxable profit for the year.

SecurEnvoy Limited

Notes to the historical financial information continued

11. Tax (continued)

The tax charge for each year can be reconciled to the profit per the income statement as follows:

	Year ended 31 December		
	2016 £000	2015 £000	2014 £000
Profit before tax on continuing operations	2,142	1,939	1,732
Tax at the UK corporation tax rate of 20% (2015: 20%, 2014: 21%)	428	388	364
Tax effect of:			
Expenses that are not deductible in determining taxable profit	–	10	5
R&D tax credit	(60)	(36)	(24)
Effect of deferred tax of changes in tax rates	–	(4)	(1)
Patent box adjustment	(87)	(78)	(76)
Marginal Relief	–	–	(1)
Effect of change in tax rate	2	4	6
Tax expense for the year	283	284	273

Factors that may affect future tax charges

There are no factors that may affect future tax charges, as the rate utilised to calculate the deferred tax liability is 19 per cent., which is the enacted rate for the year ended 30 September 2016. In the budget on 8 July 2015 and 16 March 2016. The Chancellor announced additional planned reductions to 17 per cent. by 2020.

12. Dividends

The following equity dividends have been declared and paid.

	Year ended 31 December		
	2016 £000	2015 £000	2014 £000
Dividend on ordinary shares – representing £0.22 per £1 Ordinary share (2015: £0.16 per share; 2014: £0.21 per share)	2,095	1,535	1,934

SecurEnvoy Limited

Notes to the historical financial information continued

13. Earnings per share

From continuing operations

The calculation of the basic and diluted earnings per share is based on the following data:

Earnings

	Year ended 31 December		
	2016 £000	2015 £000	2014 £000
Earnings for the purposes of basic earnings per share being net profit attributable to owners of SecurEnvoy	1,859	1,655	1,459
Earnings for the purposes of diluted earnings per share	1,859	1,655	1,459

	Year ended 31 December		
	2016 Number	2015 Number	2014 Number
Number of shares			
Weighted average number of ordinary shares for the purposes of basic earnings per share	9,550,000	9,521,370	9,000,000
Effect of dilutive potential ordinary shares:			
Share option scheme	250,000	450,000	450,000
Weighted average number of ordinary shares for the purposes of diluted earnings per share	9,800,000	9,971,370	9,450,000

Earnings per share

	£	£	£
Basic earnings per share	19.5	17.4	16.2
Diluted earnings per share	19.0	16.6	15.4

SecurEnvoy Limited

Notes to the historical financial information continued

14. Intangible assets

	Patent £000
Cost	
At 1 January 2014	100
Additions	–
	<hr/>
At 1 January 2015	100
Additions	–
	<hr/>
At 1 January 2016	100
Additions	–
	<hr/>
At 31 December 2016	100
	<hr/>
Amortisation	
At 1 January 2014	10
Charge for the year	10
	<hr/>
At 1 January 2015	20
Charge for the year	10
	<hr/>
At 1 January 2016	30
Charge for the year	10
	<hr/>
At 31 December 2016	40
	<hr/>
Carrying amount	
At 31 December 2016	60
	<hr/> <hr/>
At 31 December 2015	70
	<hr/> <hr/>
At 31 December 2014	80
	<hr/> <hr/>

The amortisation period for the patent and licences, which was acquired during the purchase of new technology, is taken to be ten years. Amortisation is charged to the profit and loss through administration expenses.

SecurEnvoy Limited

Notes to the historical financial information continued

15. Property, plant and equipment

	Plant and machinery £000
Cost	
At 1 January 2014	47
Additions	1
Disposals	(4)
	<hr/>
At 1 January 2015	44
Additions	6
Disposals	(36)
	<hr/>
At 1 September 2016	14
Additions	16
Disposals	(8)
	<hr/>
At 31 December 2016	22
	<hr/>
Accumulated depreciation and impairment	
At 1 January 2014	6
Charge for the year	14
Eliminated on disposals	(3)
	<hr/>
At 1 January 2015	17
Charge for the year	6
Eliminated on disposals	(17)
	<hr/>
At 1 January 2016	6
Charge for the year	6
Eliminated on disposals	(6)
	<hr/>
At 31 December 2016	6
	<hr/>
Carrying amount	
At 31 December 2016	16
	<hr/> <hr/>
At 31 December 2015	8
	<hr/> <hr/>
At 31 December 2014	27
	<hr/> <hr/>

SecurEnvoy Limited

Notes to the historical financial information continued

16. Trade and other receivables

	2016	2015	2014
	£000	£000	£000
Amount receivable for the sale of goods	270	489	356
Allowance for doubtful debts	–	–	–
	<u>270</u>	<u>489</u>	<u>356</u>
Prepayments	15	18	10
	<u>285</u>	<u>507</u>	<u>366</u>

Trade receivables

Trade receivables disclosed above are classified as loans and receivables and are measured at amortised cost.

The average credit period offered on sales of goods during 2016 was 30 days (2015: 30 days and 2014: 30 days). The average days sales outstanding (“DSO”) in 2016 was 58 days (2015: 53 days and 2014: 53 days).

SecurEnvoy has not charged interest for late payment of invoices in any of the three years covered by this report.

Allowances against doubtful debts are recognised against overdue trade receivables based on estimated irrecoverable amounts determined by reference to past default experience. Specific counterparty risk is also considered where an analysis of the counterparty’s current financial position indicates a change in credit risk.

Before accepting any significant new customer, SecurEnvoy uses a variety of credit scoring systems to assess the potential customer’s credit quality and to define credit limits for each customer. Limits and scoring attributed to customers are reviewed regularly. A single major distributor accounted for 30 per cent. of the total balance of trade receivables net of allowances for doubtful debts on 31 December 2016 (2015: 40 per cent. and 2014: 29 per cent). No other single customer accounted for more than ten per cent. of the total balance of trade receivables net of allowances for doubtful debts during the period under review.

Trade receivables disclosed above include amounts (see below for aged analysis) which are past due at the year-end but against which SecurEnvoy has not recognised an allowance for doubtful receivables. There has not been a significant change in credit quality and the amounts are still considered recoverable.

Ageing of not impaired receivables:

	2016	2015	2014
	£000	£000	£000
Not overdue	251	469	268
Overdue between 0-30 days	6	19	81
Overdue between 31-60 days	13	–	5
Overdue between 61-90 days	–	1	2
Overdue between 91-120 days	–	–	–
Overdue more than 120 days	–	–	–
	<u>270</u>	<u>489</u>	<u>356</u>

Movement in the allowance for doubtful debts:

SecurEnvoy holds no allowance for doubtful debts and has determined that all trade receivables are recoverable.

SecurEnvoy Limited

Notes to the historical financial information continued

16. Trade and other receivables (continued)

Trade receivables net of allowance for doubtful debts:

	2016	2015	2014
	£000	£000	£000
Gross value of not impaired receivables	270	489	356
Gross value of impaired receivables	–	–	–
Allowance for doubtful debts	–	–	–
	<u>270</u>	<u>489</u>	<u>356</u>

The directors of SecurEnvoy consider that the carrying amount of trade and other receivables approximates their fair value.

17. Deferred tax

The following are the major deferred tax liabilities and assets recognised by SecurEnvoy:

	Accelerated capital allowances	Total
	£000	£000
At 1 January 2014	6	6
(Credit) to profit or loss	<u>(1)</u>	<u>(1)</u>
At 1 January 2015	5	5
(Credit) to profit or loss	<u>(4)</u>	<u>(4)</u>
At 1 January 2016	1	1
Charge to profit or loss	<u>2</u>	<u>2</u>
As 31 December 2016	<u>3</u>	<u>3</u>

Deferred tax assets and liabilities are offset where SecurEnvoy has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	2016	2015	2014
	£000	£000	£000
Deferred tax liabilities	3	1	5
Deferred tax assets	<u>–</u>	<u>–</u>	<u>–</u>
	<u>3</u>	<u>1</u>	<u>5</u>

SecurEnvoy Limited

Notes to the historical financial information continued

18. Operating lease arrangements

	Minimum lease payments		
	<i>2016</i>	<i>2015</i>	<i>2014</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
Minimum lease payments under operating leases recognised as an expense during the year	21	17	17

At the balance sheet date SecurEnvoy had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Present value of minimum lease payments		
	<i>2016</i>	<i>2015</i>	<i>2014</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
Within one year	15	19	3
In the second to fifth years inclusive	–	8	10
After five years	–	–	–
	15	27	13

Operating lease payments typically represent rentals payable by SecurEnvoy for its office properties.

19. Trade and other payables

	2016	2015	2014
	£000	£000	£000
Trade payables	52	51	39
Accrued expenses and deferred income	346	356	336
Social security and other taxes	14	12	10
VAT	35	37	32
Corporation tax	280	288	274
Other creditors	2	–	–
Directors loan account	1	1	14
	730	745	705

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases was 37 days (2015: 36 days; 2014: 38 days). No interest costs have been incurred in relation to trade payables. SecurEnvoy policy is to ensure that payables are paid within the pre-agreed credit terms and to avoid incurring penalties and/or interest on late payments.

The directors of SecurEnvoy consider that the carrying amount of trade payables approximates their fair value.

SecurEnvoy Limited

Notes to the historical financial information continued

20. Share capital

	2016	2015	2014
	Number	Number	Number
Authorised, issued and fully paid:			
Ordinary "A" shares of £0.00025 each	8,550,000	8,550,000	8,000,000
Ordinary "C" shares of £0.10 each	1,000,000	1,000,000	1,000,000
	<u>2016</u>	<u>2015</u>	<u>2014</u>
	£	£	£
Authorised, issued and fully paid:			
Ordinary shares of £1 each	102,138	102,138	102,000
	<u>102,138</u>	<u>102,138</u>	<u>102,000</u>

SecurEnvoy has two classes of ordinary shares which carry no right to fixed income. On 20 January 2015 SecurEnvoy issued 550,000 Ordinary "A" shares for a total consideration of £55,000 including a share premium of £54,862.

21. Share premium reserve

	Share premium £000
Balance at 31 December 2014	—
Balance at 31 December 2015	55
Balance at 31 December 2016	55

The share premium reserve represents the consideration that has been received in excess of the nominal value of share on issue of new ordinary share capital.

22. Other reserves

Share based payment reserve

The share based payment reserve was established for the purpose of maintaining a separate reserve for movements as a result of the share options provided to current employees.

	2016	2015	2014
	£000	£000	£000
Balance at 1 January	17	13	9
Share based payments	5	4	4
Balance at 31 December	<u>22</u>	<u>17</u>	<u>13</u>

SecurEnvoy Limited

Notes to the historical financial information continued

23. Retained earnings

	£000
Balance at 1 January 2014	934
Net profit for the year	1,459
Dividends	(1,934)
	<hr/>
Balance at 1 January 2015	459
Net profit for the year	1,655
Dividends	(1,535)
	<hr/>
Balance at 1 January 2016	579
Net profit for the year	1,859
Dividends	(2,095)
	<hr/>
Balance at 31 December 2016	<u>343</u>

24. Notes to the cash flow statement

Cash and cash equivalents

	2016	2015	2014
	£000	£000	£000
Cash and bank balances	894	914	811
Bank overdrafts	–	–	–
	<hr/>	<hr/>	<hr/>
	<u>894</u>	<u>914</u>	<u>811</u>

Cash and cash equivalents comprise cash and short-term bank deposits with an original maturity of three months or less, net of outstanding bank overdrafts. The carrying amount of these assets is approximately equal to their fair value.

SecurEnvoy Limited

Notes to the historical financial information continued

25. Share based payments

Equity-settled share option scheme

SecurEnvoy has an established share option scheme (the “**Scheme**”) that has been granted to certain employees. The Scheme is an equity-settled share based payment arrangement whereby the employees are granted share options of SecurEnvoy’s equity instruments.

The Scheme includes non market-based vesting conditions only, whereby the share options may be exercised from the date of vesting until the 10th anniversary of the date of the grant.

The weighted average share price at the date of grant for share options granted during the period ended 31 December 2016 was £0.10 (2015: £0.10; 2014: £0.10). For the share options outstanding at the end of the year, the weighted average remaining contractual life was 2.8 years (2015: 3.8 years; 2014: 4.8 years).

	2016	2016	2015	2015	2014	2014
	Number of	Weighted	Number of	Weighted	Number of	Weighted
	options	average	options	average	options	average
		exercise		exercise		exercise
		price		price		price
		£		£		£
Outstanding at start of period	450,000	0.10	450,000	0.10	475,000	0.10
Granted during the period	–	–	–	–	–	–
Lapsed during the period	(200,000)	0.10	–	–	(25,000)	0.10
Forfeited during the period	–	–	–	–	–	–
Exercised during the period	–	–	–	–	–	–
Outstanding at end of period	<u>250,000</u>	<u>0.10</u>	<u>450,000</u>	<u>0.10</u>	<u>450,000</u>	<u>0.10</u>
Exercisable at end of period	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
				<i>2016</i>	<i>2015</i>	<i>2014</i>
				<i>£000</i>	<i>£000</i>	<i>£000</i>
Expense arising from share-based payment transactions				<u>5</u>	<u>4</u>	<u>4</u>

The estimated fair value of the share options was calculated by applying a Black-Scholes model. The model inputs were:

	2016	2015	2014
Share price at date of grant	£0.14	£0.14	£0.14
Exercise price	£0.10	£0.10	£0.10
Expected volatility	25%	25%	25%
Dividend yield	0%	0%	0%
Contractual life of option	10 years	10 years	10 years
Risk free interest rate	<u>5%</u>	<u>5%</u>	<u>5%</u>

SecurEnvoy Limited

Notes to the historical financial information continued

26. Retirement benefit schemes

Defined contribution schemes

SecurEnvoy operates a stakeholder retirement benefit scheme which is open to all employees.

Other than amounts that are deducted from employees' remuneration and accrued pending payment to the pension fund, no further obligations fall on SecurEnvoy as the assets of these arrangements are held and managed by third parties entirely separate from SecurEnvoy.

The pension charge for the period represents contributions payable to the fund and amounted to £93,000 for the year ended 31 December 2016 (2015: £80,000; 2014: £90,000).

27. Financial Instruments

Capital risk management

SecurEnvoy manages its capital to ensure it continues as a going concerns while maximising the return to stakeholders.

The capital structure of SecurEnvoy consists of cash and cash equivalents and equity attributable to equity holders of SecurEnvoy, comprising issued capital, reserves and retained earnings as disclosed in notes 20 to 23.

SecurEnvoy is not subject to any externally imposed capital requirements. Equity includes all capital and reserves of SecurEnvoy that are managed as capital.

Categories of financial instruments

	2016	2015	2014
	£000	£000	£000
Financial assets			
Cash and cash equivalents	894	914	811
Trade receivables	270	489	356
	<u>1,164</u>	<u>1,403</u>	<u>1,167</u>
Financial liabilities			
<i>Amortised cost</i>			
Trade payables	52	51	39
Deferred revenue	346	356	336
Director loan account	1	1	14
Other creditors	2	–	–
	<u>401</u>	<u>408</u>	<u>389</u>

Financial risk management objectives

SecurEnvoy's Finance function is responsible for all aspects of corporate treasury. It co-ordinates access to financial markets, monitors and manages the financial risks relating to the operations of SecurEnvoy through internal reports which analyse exposures by degree and magnitude. The risks reviewed include market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

SecurEnvoy Limited

Notes to the historical financial information continued

27. Financial Instruments (continued)

Market risk

SecurEnvoy's activities expose it primarily to the financial risks of changes in foreign currency exchange rates (see below).

Foreign currency risk management

SecurEnvoy undertakes transactions denominated in foreign currencies; consequently exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters, utilising forward foreign exchange contracts.

The carrying amounts of SecurEnvoy's foreign currency denominated monetary assets and monetary liabilities at the relevant period end dates are as follows:

	Liabilities			Assets		
	2016	2015	2014	2016	2015	2014
	£000	£000	£000	£000	£000	£000
US dollars	5	1	3	60	122	82
Euro	8	19	2	109	542	144
	<u>13</u>	<u>20</u>	<u>5</u>	<u>169</u>	<u>664</u>	<u>226</u>

Foreign currency sensitivity analysis

SecurEnvoy is mainly exposed to the Euro and US dollar.

The following table details SecurEnvoy's sensitivity to a ten per cent. increase and decrease in the pound sterling against the relevant foreign currencies. ten per cent. is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of a reasonably possible movement in foreign exchange rates over the medium term (three-12 months). The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a ten per cent. change in foreign currency rates.

A negative number below indicates a decline in profits and other equity where the pound sterling strengthens ten per cent. against the relevant currency. For a ten per cent. weakening of the pound sterling against the relevant currency, there would be a comparable impact on the profit and other equity, and the balances below would be positive.

	Euro impact			US dollar impact		
	2016	2015	2014	2016	2015	2014
	£000	£000	£000	£000	£000	£000
Profit or loss	10	52	14 (i)	6	12	8 (ii)

(i) This is mainly attributable to the exposure outstanding on Euro net payables and receivables and the exposure of Euro cash balances held at the balance sheet date.

(ii) This is mainly attributable to the exposure to US dollar net payables and receivables and the exposure of US dollar cash balances held at the balance sheet date.

In management's opinion, the sensitivity analysis is representative of the inherent foreign exchange risk through the year.

SecurEnvoy Limited

Notes to the historical financial information continued

27. Financial Instruments (continued)

Interest rate risk management

SecurEnvoy is not currently exposed to interest rate risk because it does not have any external borrowings.

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to SecurEnvoy. SecurEnvoy has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. SecurEnvoy makes appropriate enquiries of the counter party and independent third parties to determine credit worthiness. Use of other publicly available financial information and SecurEnvoy's own trading records is made to rate its major customers. SecurEnvoy's exposure and the credit worthiness of its counterparties are continuously monitored and the aggregate value of transactions is spread amongst approved counterparties. Credit exposure is also controlled by counterparty limits that are reviewed and approved by SecurEnvoy's management continuously.

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable.

SecurEnvoy does not have any significant credit risk exposure to any single counterparty or group of counterparties having similar characteristics. SecurEnvoy defines counterparties as having similar characteristics if they are related entities. Concentration of credit risk relating to any single counterparty did not exceed 35 per cent. of gross monetary assets at any time during the periods under review.

Financial assets which are neither past due nor impaired are considered to be fully recoverable and therefore no provision is made in this regard.

The carrying amount recorded for financial assets in the Financial Information is net of impairment losses and represents SecurEnvoy's maximum exposure to credit risk. No guarantees have been given in respect to third parties.

Liquidity risk management

Liquidity risk is the risk that SecurEnvoy will encounter difficulty in meeting obligations associated with financial liabilities. To counter this risk, SecurEnvoy operates with a high level of cash and no bank debt. In addition, it benefits from strong cash flow from its normal trading activities.

The following table details SecurEnvoy's expected maturity for its non-derivative financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets. The inclusion of information on non-derivative financial assets is necessary to understand SecurEnvoy's liquidity risk management as the liquidity is managed on a net asset and liability basis.

SecurEnvoy Limited

Notes to the historical financial information continued

27. Financial Instruments (continued)

	Weighted average effective interest rate	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	5+ years	Total
	%	£000	£000	£000	£000	£000	£000
2014							
Non-interest bearing		767	–	–	–	–	767
Variable interest rate instruments	0.88	400	–	–	–	–	400
		<u>1,167</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>1,167</u>
2015							
Non-interest bearing		1,307	–	–	–	–	1,307
Variable interest rate instruments	0.15	97	–	–	–	–	97
		<u>1,404</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>1,404</u>
2016							
Non-interest bearing		1,075	–	–	–	–	1,075
Variable interest rate instruments	0.05	86	–	–	–	–	86
		<u>1,161</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>1,161</u>

The maturity of non-derivative financial liabilities, comprising trade payables and other creditors, is less than three months for each of the three financial period ends.

Fair value of financial instruments

Fair value of financial instruments carried at amortised cost

The directors of SecurEnvoy consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Financial Information approximate their fair values.

28. Events after the balance sheet date

On 20 April 2017, Shearwater Group plc announced that it had conditionally agreed to acquire the entire issued share capital of SecurEnvoy for a total consideration of £20 million, to be satisfied by the payment of £10 million in cash and £10 million in shares of Shearwater Group plc. The acquisition is subject to approval by the shareholders of Shearwater Group plc which will be sought at a General Meeting convened on 8 May 2017.

SecurEnvoy Limited

Notes to the historical financial information continued

29. Related party transactions

Transactions between SecurEnvoy and other related parties are disclosed below.

Remuneration of key management personnel

The key management personnel are the directors of SecurEnvoy and the remuneration that they have received during the year is set out below in aggregate for each of the categories specified in IAS 24 *Related Party Disclosures*.

	2016	2015	2014
	£000	£000	£000
Short-term employee benefits	15	17	17
Pension contributions	78	80	80
	<u>93</u>	<u>97</u>	<u>97</u>

Transactions involving directors and key management personnel

As at the year end, SecurEnvoy owed £500 (2015: £500; 2014: £13,452) to directors and key management personnel, which are outstanding loans which were paid out to the directors.

30. Explanation of transition to Adopted IFRSs

For all periods up to and including the year ended 31 December 2016, SecurEnvoy prepared its financial statements in accordance with United Kingdom generally accepted accounting practice (UK GAAP including FRS 102). These financial statements, as stated in note one, are SecurEnvoy's first financial statements prepared in accordance with Adopted IFRSs.

The accounting policies set out in notes one to three have been applied in preparing the financial statements for the year ended 31 December 2016, the comparative information presented in these financial statements for the year ended 31 December 2015 and 31 December 2014 and in the preparation of an opening IFRS balance sheet at 1 January 2014 (SecurEnvoy's date of transition).

In preparing its opening IFRS balance sheet, SecurEnvoy has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (UK GAAP including FRS 102). An explanation of how the transition from UK GAAP to Adopted IFRSs has affected SecurEnvoy's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

SecurEnvoy Limited

Notes to the historical financial information continued

30. Explanation of transition to Adopted IFRSs (continued)

Reconciliation of equity

	1 January 2014	Effect of transition to Adopted IFRSs	Adopted IFRSs	31 December 2014	Effect of transition to Adopted IFRSs	Adopted IFRSs
	UK GAAP £000	£000	£000	UK GAAP £000	£000	£000
Non-current assets						
Intangible assets	90	–	90	80	–	80
Property, plant and equipment	41	–	41	27	–	27
	<u>131</u>	<u>–</u>	<u>131</u>	<u>107</u>	<u>–</u>	<u>107</u>
Current assets						
Trade and other receivables	243	–	243	366	–	366
Cash and cash equivalents	1,613	–	1,613	811	–	811
	<u>1,856</u>	<u>–</u>	<u>1,856</u>	<u>1,177</u>	<u>–</u>	<u>1,177</u>
Total assets	<u>1,987</u>	<u>–</u>	<u>1,987</u>	<u>1,284</u>	<u>–</u>	<u>1,284</u>
Current liabilities						
Trade and other payables	936	–	936	705	–	705
	<u>936</u>	<u>–</u>	<u>936</u>	<u>705</u>	<u>–</u>	<u>705</u>
Non-current liabilities						
Deferred tax liability	6	–	6	5	–	5
Total liabilities	<u>942</u>	<u>–</u>	<u>942</u>	<u>710</u>	<u>–</u>	<u>710</u>
Net assets	<u>1,045</u>	<u>–</u>	<u>1,045</u>	<u>574</u>	<u>–</u>	<u>574</u>
Equity attributable to equity holders of the parent						
Share capital	102	–	102	102	–	102
Share premium	–	–	–	–	–	–
Share based payment reserve	9	–	9	13	–	13
Retained earnings	934	–	934	459	–	459
Total capital employed	<u>1,045</u>	<u>–</u>	<u>1,045</u>	<u>574</u>	<u>–</u>	<u>574</u>

SecurEnvoy Limited

Notes to the historical financial information continued

30. Explanation of transition to Adopted IFRSs (continued)

Reconciliation of equity

	31 December 2015			31 December 2016		
	UK GAAP	Effect of transition to Adopted IFRSs	Adopted IFRSs	UK GAAP	Effect of transition to Adopted IFRSs	Adopted IFRSs
	£000	£000	£000	£000	£000	£000
Non-current assets						
Intangible assets	70	–	70	60	–	60
Property, plant and equipment	8	–	8	16	–	16
	<u>78</u>	<u>–</u>	<u>78</u>	<u>76</u>	<u>–</u>	<u>76</u>
Current assets						
Trade and other receivables	507	–	507	285	–	285
Cash and cash equivalents	914	–	914	894	–	894
	<u>1,421</u>	<u>–</u>	<u>1,421</u>	<u>1,179</u>	<u>–</u>	<u>1,179</u>
Total assets	<u>1,499</u>	<u>–</u>	<u>1,499</u>	<u>1,255</u>	<u>–</u>	<u>1,255</u>
Current liabilities						
Trade and other payables	745	–	745	730	–	730
	<u>745</u>	<u>–</u>	<u>745</u>	<u>730</u>	<u>–</u>	<u>730</u>
Non-current liabilities						
Deferred tax liability	1	–	1	3	–	3
Total liabilities	<u>746</u>	<u>–</u>	<u>746</u>	<u>733</u>	<u>–</u>	<u>733</u>
Net assets	<u>753</u>	<u>–</u>	<u>753</u>	<u>522</u>	<u>–</u>	<u>522</u>
Equity attributable to equity holders of the parent						
Share capital	102	–	102	102	–	102
Share premium	55	–	55	55	–	55
Share based payment reserve	17	–	17	22	–	22
Retained earnings	579	–	579	343	–	343
Total capital employed	<u>753</u>	<u>–</u>	<u>753</u>	<u>522</u>	<u>–</u>	<u>522</u>

SecurEnvoy Limited

Notes to the historical financial information continued

30. Explanation of transition to Adopted IFRSs (continued)

Reconciliation of profit for years ended 31 December 2014, 31 December 2015 and 31 December 2016

	UK GAAP £000	2014 Effect of transition to Adopted IFRSs £000	Adopted IFRSs £000
Revenue	2,766	–	2,766
Cost of sales	(10)	–	(10)
Gross profit	2,756	–	2,756
Administrative expenses	(1,027)	–	(1,027)
Operating profit	1,729	–	1,729
Financial income	3	–	3
Net financing income	1,732	–	1,732
Profit before tax			
Taxation	(273)	–	(273)
Profit for the year	1,459	–	1,459
	UK GAAP £000	2015 Effect of transition to Adopted IFRSs £000	Adopted IFRSs £000
Revenue	3,072	–	3,072
Cost of sales	(7)	–	(7)
Gross profit	3,065	–	3,065
Administrative expenses	(1,126)	–	(1,126)
Operating profit	1,939	–	1,939
Financial income	–	–	–
Net financing income	1,939	–	1,939
Profit before tax			
Taxation	(284)	–	(284)
Profit for the year	1,655	–	1,655

SecurEnvoy Limited

Notes to the historical financial information continued

30. Explanation of transition to Adopted IFRSs (continued)

Reconciliation of profit for years ended 31 December 2014, 31 December 2015 and 31 December 2016

	UK GAAP £000	2016 Effect of transition to Adopted IFRSs £000	Adopted IFRSs £000
Revenue	3,224	–	3,224
Cost of sales	(8)	–	(8)
Gross profit	3,216	–	3,216
Administrative expenses	(2,504)	–	(1,074)
Operating profit	2,142	–	2,142
Financial income	–	–	–
Net financing income	2,142	–	2,142
Profit before tax			
Taxation	(283)	–	(283)
Profit for the year	1,859	–	1,859

Explanation of material adjustments to the cash flow statement

The transition from UK GAAP to IFRS has no effect upon the reported cash flows generated by SecurEnvoy. The IFRS cash flow statement is presented in a different format from that required under UK GAAP with cash flows split into three categories of activities – operating activities, investing activities and financing activities. The reconciling items between the UK GAAP presentation and the IFRS presentation have no impact on the cash flows generated.

In preparing the cash flow statement under IFRS, cash and cash equivalents include cash at bank and in hand, highly liquid interest bearing securities with original maturities of three months or less, and bank overdrafts. Under UK GAAP highly liquid interest bearing securities were not classified as cash equivalents.

SECTION B: Accountant's report on SecurEnvoy's financial information



KPMG LLP
Arlington Business Park
Theale
Reading RG7 4SD
United Kingdom

The Directors
Shearwater Group plc
22 Great James Street
London
WC1N 3ES

20 April 2017

Ladies and Gentlemen

SecurEnvoy Limited

We report on the financial information set out on pages 46 to 79 for the three years ended 31 December 2016. This financial information has been prepared for inclusion in the AIM Admission Document dated 20 April 2017 of Shearwater Group plc on the basis of the accounting policies set out in note 1. This report is required by Paragraph (a) of Schedule Two of the AIM Rules for Companies and is given for the purpose of complying with that paragraph and for no other purpose.

Responsibilities

The Directors of Shearwater Group plc are responsible for preparing the financial information on the basis of preparation set out in note 1 to the financial information and in accordance with International Financial Reporting Standards as adopted by the European Union.

It is our responsibility to form an opinion on the financial information and to report our opinion to you.

Save for any responsibility arising under Paragraph (a) of Schedule Two of the AIM Rules for Companies to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Schedule Two of the AIM Rules for Companies, consenting to its inclusion in the Admission Document.

Basis of opinion

We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of the significant estimates and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion on financial information

In our opinion, the financial information gives, for the purposes of the AIM Admission Document dated 20 April 2017, a true and fair view of the state of affairs of SecurEnvoy Limited as at 31 December 2014, 31 December 2015 and 31 December 2016 and of its profits, other comprehensive income, cash flows and changes in equity for the years ended 31 December 2014, 31 December 2015 and 31 December 2016 in accordance with the basis of preparation set out in note 1 and in accordance with International Financial Reporting Standards as adopted by the European Union.

Declaration

For the purposes of Paragraph (a) of Schedule Two of the AIM Rules for Companies we are responsible for this report as part of the AIM Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the AIM Admission Document in compliance with Schedule Two of the AIM Rules for Companies.

Yours faithfully

KPMG LLP

PART VII

UNAUDITED PRO FORMA STATEMENT OF NET ASSETS FOR THE ENLARGED GROUP

The unaudited pro forma statement of net assets of the Enlarged Group set out below has been prepared on the basis set out in the notes below to illustrate the impact of (i) the placings carried out by the Company between 30 September 2016 and the date of this document; (ii) the Placing; and (ii) the Acquisition on the net assets of the Company at 30 September 2016 as if they had taken place at that date. The unaudited pro forma financial information has been prepared on the basis of, and should be read in conjunction with, the notes set out below.

The unaudited pro forma financial information has been prepared in a manner consistent with the accounting policies adopted by the Company in preparing its financial statements.

The unaudited pro forma information has been prepared for illustrative purposes only and, by its nature, addresses a hypothetical situation and does not, therefore, represent the Enlarged Group's actual financial position or results.

The unaudited pro forma information does not constitute financial statements within the meaning of s434 of the Companies Act 2006. Shareholders should read the whole of this document and not rely solely on the summarised financial information contained in this Part VII.

	<i>The Company at 30 September 2016 £'000 (Note 1)</i>	<i>SecurEnvoy at 31 December 2016 £'000 (Note 2)</i>	<i>Placings post September 2016 £'000 (Note 3)</i>	<i>Placing £'000 (Note 4)</i>	<i>Acquisition £'000 (Note 5)</i>	<i>Total £m</i>
Non-current assets						
Property, plant and equipment	–	16	–	–	–	16
Intangible assets	936	60	–	–	20,372	21,368
Investments	76	–	–	–	–	76
	1,012	76	–	–	20,372	21,460
Current assets						
Trade and other receivables	19	285	–	–	–	304
Cash and cash equivalents	289	894	7,200	6,400	(10,894)	3,889
	308	1,179	7,200	6,400	(10,894)	4,193
Total assets	1,320	1,255	7,200	6,400	9,478	25,653
Current liabilities						
Trade and other payables	(55)	(450)	–	–	–	(505)
Current income tax liabilities	–	(280)	–	–	–	(280)
Convertible loan	(150)	–	–	–	–	(150)
	(205)	(730)	–	–	–	(935)
Non-current liabilities						
Deferred tax	–	(3)	–	–	–	(3)
Total liabilities	(205)	(733)	–	–	–	(938)
Net assets	1,115	522	7,200	6,400	9,478	24,715

Notes

- The net assets of the Company as at 30 September 2016 have been extracted without adjustment from the interim financial statements for the six months ended 30 September 2016 published on 28 December 2016.
- The net assets of SecurEnvoy as at 31 December 2016 have been extracted without adjustment from the historical financial information included in Part VI (*Historical financial information on SecurEnvoy*).

3. An adjustment has been made to reflect the net proceeds from placings undertaken by the Company subsequent to 30 September 2016 and prior to the date of this document, including £1.2 million raised in October 2016, and £6.0 million in January 2017, which will be used to part fund the Acquisition.
4. The net proceeds of the Placing of £6.4 million are calculated on the basis that the Company raises £8 million from the Placing, net of estimated aggregated expenses in connection with the Acquisition, Admission, the Placing and the Open Offer of approximately £1.6 million. Any gross proceeds received by the Company in respect of the Open Offer has not been taken into account for the purposes of the unaudited pro forma statement.
5. The adjustments arising as a result of the Acquisition are set out below:
 - (a) The £10.9 million adjustment to cash reflects (i) the cash element of the Consideration payable in respect of the Acquisition of £10.0 million; and (ii) the exclusion of £0.9 million of cash held by SecurEnvoy at December 2016 as the business is to be acquired on a cash free and debt free basis. Expenses in connection with the Acquisition (which will be expensed under IFRS) have been included within adjustment four.
 - (b) The unaudited pro forma statement of net assets has been prepared on the basis that the Acquisition will be treated as a business combination in accordance with IFRS 3. However, it does not reflect any fair value adjustments to the acquired assets and liabilities as the fair value measurement of these items will only be performed as at the date of Completion. For the purposes of the pro forma statement of net assets, the excess purchase consideration over the carrying amount of the net assets of SecurEnvoy (excluding cash) has been attributed to goodwill. The fair value adjustments, when finalised following Completion of the Acquisition, may be material. The preliminary goodwill arising has been calculated as follows:

	£'000
Consideration	20,000
Less: SecureEnvoy net assets	(522)
Add back: cash not acquired	894
	20,372
Pro forma goodwill adjustment	20,372

6. No adjustment has been made to reflect the trading results of the Company since 30 September 2016 or of SecurEnvoy since 31 December 2016.

PART VIII

TAXATION

The following statements are intended only as a general guide to certain UK tax considerations relevant to holders of Ordinary Shares. They do not purport to be a complete analysis of all potential UK tax consequences of acquiring, holding or disposing of Ordinary Shares. They are based on current UK tax law and what is understood to be the current practice (which may not be binding) of HMRC as at the date of this document, both of which are subject to change, possibly with retrospective effect. They relate only to Shareholders who are resident and (in the case of individuals) domiciled for tax purposes in (and only in) the UK (except insofar as express reference is made to the treatment of non-UK residents), who hold their Ordinary Shares as an investment (other than under an individual savings account) and not as securities to be realised in the course of a trade, and who are the absolute beneficial owners of both the Ordinary Shares and any dividends paid on them. The tax position of certain categories of Shareholder who are subject to special rules, such as persons who acquire (or are deemed to acquire) their Ordinary Shares in connection with an office or their (or another person's) employment, traders, brokers, dealers in securities, insurance companies, banks, financial institutions, investment companies, tax-exempt organisations, persons connected with the Company or the Enlarged Group, persons holding Ordinary Shares as part of hedging or conversion transactions, Shareholders who are not domiciled and/or resident in the UK, collective investment schemes and those who hold five per cent. or more of the Ordinary Shares, is not considered. Nor do the following statements consider the tax position of any person holding investments in any HMRC-approved arrangements or schemes, including the enterprise investment scheme or venture capital scheme, or any person able to claim any inheritance tax relief, or any person holding Ordinary Shares in connection with a trade, profession or vocation carried on in the UK (whether through a branch or agency or, in the case of a corporate Shareholder, a permanent establishment, or otherwise).

This does not constitute tax advice and Shareholders who are in any doubt as to their tax position or who may be subject to tax in a jurisdiction other than the UK are strongly recommended to consult their own professional advisers.

1. Taxation of dividends

(a) Withholding taxes

The Company will not be required to withhold UK tax at source from dividend payments it makes to Shareholders.

(b) UK resident individual Shareholders

New rules governing the taxation of dividends received by UK resident individual shareholders came into effect on 6 April 2016, which abolish the dividend tax credit regime and introduce a new tax-free dividend allowance. This allowance will exempt the first £5,000 of dividend income received by an individual in a particular tax year from UK income tax, regardless of the amount of the individual's other taxable income. Although the first £5,000 of dividend income is not subject to tax, it still forms part of an individual's taxable income for the purpose of determining the income tax band in which any dividend income in excess of the £5,000 allowance will fall.

Dividend income in excess of the £5,000 allowance will be taxed at the rate of 7.5 per cent. to the extent that the dividend, when treated as the top slice of the relevant Shareholder's income, does not exceed the threshold for higher rate income tax, at the rate of 32.5 per cent. to the extent that the dividend, when treated as the top slice of the relevant Shareholder's income, exceeds the threshold for higher rate income tax but does not exceed the threshold for additional rate income tax, and at the rate of 38.1 per cent. to the extent that the dividend, when treated as the top slice of the relevant Shareholder's income, exceeds the threshold for additional rate income tax.

The dividend allowance is scheduled to reduce to £2,000 per annum with effect from 6 April 2018.

(c) UK resident corporate Shareholders

Shareholders within the charge to UK corporation tax which are “small companies” for the purposes of Chapter 2 of Part 9A of the Corporation Tax Act 2009 will not be subject to UK corporation tax on any dividend received from the Company provided certain conditions are met (including an anti-avoidance condition).

Other Shareholders within the charge to UK corporation tax will not be subject to UK corporation tax on dividends received from the Company so long as the dividends fall within an exempt class and certain conditions are met. For example, dividends paid on shares that are “ordinary shares” and are not “redeemable” (as those terms are used in Chapter 3 of Part 9A of the Corporation Tax Act 2009), and dividends paid to a person holding less than ten per cent. of the issued share capital of the Company, should generally fall within an exempt class. However, the exemptions are not comprehensive and are subject to anti-avoidance rules.

If the conditions for exemption are not met or cease to be satisfied, or such a Shareholder elects for an otherwise exempt dividend to be taxable, the Shareholder will be subject to UK corporation tax on dividends received from the Company, at the rate of corporation tax applicable to that Shareholder (which is currently 19 per cent. and is to be reduced to 17 per cent. with effect from 1 April 2020).

UK pension funds are generally exempt from tax on dividends they receive.

(d) Non-UK resident Shareholders

Where a non-UK resident individual Shareholder carries on a trade, profession or vocation in the UK and the dividends are a receipt of that trade, the Shareholder may be liable to UK tax on dividends paid by the Company. Such Shareholders should consult their own tax advisers regarding their tax position.

A Shareholder resident outside the UK may also be subject to taxation on dividend income under local law.

The right of a Shareholder who is not resident for tax purposes in the UK to relief for tax paid in respect of a dividend received from the Company will depend on the prevailing law of the jurisdiction in which the Shareholder is tax resident and the terms of any double taxation treaty between the UK and the country in which the Shareholder is tax resident. Such a Shareholder should consult his own tax advisers concerning his tax liabilities (in the UK and any other country) in respect of the dividends received from the Company and whether any double taxation relief is due in any country in which he is subject to tax.

2. Taxation of disposals

(a) General

A disposal or deemed disposal of Ordinary Shares by a Shareholder who is (at any time in the relevant UK tax year) resident in the UK for UK tax purposes may give rise to a chargeable gain or an allowable loss for the purposes of UK taxation of capital gains, depending upon the Shareholder’s circumstances and subject to any available exemption or relief.

The Placing

The issue and allotment of Ordinary Shares pursuant to the Placing will not constitute a reorganisation of the Company’s share capital for the purposes of UK taxation of chargeable gains and, accordingly, any Ordinary Shares acquired by a Shareholder pursuant to the Placing will be treated as a separate acquisition of Ordinary Shares, irrespective of whether the Shareholder holds any existing Ordinary Shares.

The Open Offer

As a matter of UK tax law, the acquisition of New Ordinary Shares pursuant to the Open Offer may not strictly constitute a reorganisation of share capital for the purposes of UK taxation of chargeable gains. The published practice of HMRC to date has been to treat an acquisition of shares by an existing shareholder up to his pro rata entitlement pursuant to the terms of an open offer as a reorganisation, but it is not clear that HMRC will apply this practice in circumstances where an open offer is not made to all shareholders, as is the case for the Open Offer. Whether HMRC will treat the Open Offer as a reorganisation cannot therefore be guaranteed, and specific confirmation has not been sought from HMRC in relation to the Open Offer.

To the extent that the acquisition of Ordinary Shares pursuant to the Open Offer is regarded as a reorganisation of the Company's share capital for the purposes of UK taxation of chargeable gains, each Qualifying Shareholder's existing holding of Ordinary Shares and the new Ordinary Shares issued to him pursuant to the Open Offer will generally be treated as a single asset acquired at the time that Qualifying Shareholder is deemed to have acquired his existing holding of Ordinary Shares, and the cost of any new Ordinary Shares subscribed by that Qualifying Shareholder pursuant to the Open Offer up to his Basic Entitlement should generally be added to the base cost of that Qualifying Shareholder's existing holding of Ordinary Shares.

If, or to the extent that, the acquisition of new Ordinary Shares under the Open Offer is not regarded as a reorganisation, the new Ordinary Shares acquired by each Qualifying Shareholder under the Open Offer will, for the purposes of UK taxation of chargeable gains, be treated as a separate acquisition of Ordinary Shares at the price paid for those new Ordinary Shares. The same treatment should apply to any Ordinary Shares subscribed for by a Shareholder that exceed his Basic Entitlement pursuant to the terms of the Open Offer.

Admission to AIM

Admission of the Ordinary Shares to AIM will not constitute a disposal of the Ordinary Shares.

Future admission to the Official List and to trading on the Main Market of the London Stock Exchange

If the Ordinary Shares are subsequently admitted to the Official List and to trading on the Main Market of the London Stock Exchange, this will not constitute a disposal of the Ordinary Shares held by existing Shareholders.

(b) UK resident individual Shareholders

For an individual Shareholder within the charge to UK capital gains tax, a disposal (or deemed disposal) of Ordinary Shares may give rise to a chargeable gain or an allowable loss for the purposes of UK capital gains tax. The rate of capital gains tax is ten per cent. for individuals who are subject to income tax at the basic rate and 20 per cent. for individuals who are subject to income tax at the higher or additional rates. An individual Shareholder is entitled to an exempt amount (£11,300 for the 2017-2018 tax year), meaning that chargeable gains realised up to that amount in the relevant tax year are exempt from liability to capital gains tax.

(c) UK resident corporate Shareholders

For a corporate Shareholder within the charge to UK corporation tax, a disposal (or deemed disposal) of Ordinary Shares may give rise to a chargeable gain or an allowable loss for the purposes of UK corporation tax. An indexation allowance on the cost of acquiring the Ordinary Shares may be available to reduce the amount of the chargeable gain which would otherwise arise on the disposal. Corporation tax is charged on chargeable gains at the rate applicable to the relevant company (which is 19 per cent. and is to be reduced to 17 per cent. with effect from 1 April 2020).

(d) Non-UK resident Shareholders

A Shareholder (individual or corporate) who is not resident in the UK for tax purposes is generally not subject to UK capital gains tax.

However, if such a Shareholder carries on a trade, profession or vocation in the UK through a branch or agency (or, in the case of a non-UK resident corporate Shareholder, a permanent establishment) to which the Ordinary Shares are attributable, the Shareholder will be subject to the same rules that apply to UK resident Shareholders.

An individual Shareholder who has been resident in the UK and who then ceases to be resident in the UK for a period of less than five years may, in certain circumstances, be subject to UK capital gains tax in respect of gains realised while he is not resident in the UK when he becomes UK resident again.

3. Inheritance tax

The Ordinary Shares will be assets situated in the UK for the purposes of UK inheritance tax. A gift of such assets by an individual Shareholder, or the death of an individual Shareholder, may therefore give rise to a liability to UK inheritance tax, depending upon the Shareholder's circumstances and subject to any available exemption or relief. A transfer of Ordinary Shares at less than market value may be treated for inheritance tax purposes as a gift of the Ordinary Shares. Special rules apply to close companies and to trustees of settlements who hold Ordinary Shares, which rules may bring them within the charge to inheritance tax.

If the Ordinary Shares are subsequently admitted to the Official List and to trading on the Main Market, this will not constitute a disposal of the Ordinary Shares held by existing Shareholders. However, the cancellation of the admission of the Ordinary Shares to trading on AIM could have an adverse impact on the inheritance tax reliefs available to individual Shareholders. In particular, following admission to the Official List and to trading on the Main Market and cancellation of the admission of the Ordinary Shares to trading on AIM, the Ordinary Shares are unlikely to benefit from business property relief from inheritance tax.

The inheritance tax rules are complex and Shareholders should consult an appropriate professional adviser in any case where these rules may be relevant, particularly in (but not limited to) cases where Shareholders intend to make a gift of Ordinary Shares, to transfer Ordinary Shares at less than market value or to hold Ordinary Shares through a company or trust arrangement.

4. Stamp duty and Stamp Duty Reserve Tax ("SDRT")

(a) General

The following statements are intended as a general guide to the current UK stamp duty and SDRT position for holders of Ordinary Shares.

From 28 April 2014, an exemption from stamp duty/SDRT applies in respect of securities admitted to trading on AIM, meaning that there should be no stamp duty/SDRT on transfers of Ordinary Shares provided that they are admitted to trading on AIM. Stamp duty/SDRT does, however, apply in respect of securities admitted to trading on the Main Market, meaning that the Ordinary Shares will not benefit from the aforementioned stamp duty/SDRT exemption for securities admitted to trading on AIM if they are subsequently admitted to the Official List and to trading on the Main Market, in which case stamp duty/SDRT would apply at the rate of 0.5 per cent. (rounded up, in the case of stamp duty, to the nearest £5).

Certain categories of person, including intermediaries, brokers, dealers and persons connected with depositary receipt systems and clearance services, may not be liable to stamp duty or SDRT or may be liable at a higher rate or may, although not primarily liable for tax, be required to notify and account for it under the Stamp Duty Reserve Tax Regulations 1986.

The comments in this section relating to stamp duty and SDRT apply whether or not a Shareholder is resident in the UK.

(b) The Placing and the Open Offer

No UK stamp duty or SDRT should arise on the issue of the Ordinary Shares by the Company pursuant to either the Placing or the Open Offer.

(c) Admission of the Ordinary Shares to trading on AIM

Admission of the Ordinary Shares to AIM should not give rise to a liability to stamp duty or SDRT on the basis that the Admission does not involve a change in title to the Ordinary Shares for consideration.

(d) Transfers of Ordinary Shares held outside CREST

Stamp duty at the rate of 0.5 per cent. (rounded up to the next multiple of £5) of the amount or value of the consideration given is generally payable on an instrument transferring Ordinary Shares. However, from 28 April 2014 an exemption from stamp duty applies in respect of securities admitted to trading on AIM.

There should therefore be no liability to stamp duty on the transfer of Ordinary Shares held outside CREST provided that they are admitted to trading on AIM.

If the Ordinary Shares are subsequently admitted to the Official List and to trading on the Main Market, stamp duty at the rate of 0.5 per cent. (rounded up to the nearest multiple of £5) of the amount or value of the consideration given will generally be payable on an instrument transferring Ordinary Shares. An exemption from stamp duty is available on an instrument transferring Ordinary Shares where the amount or value of the consideration is £1,000 or less and it is certified on the instrument that the transaction effected by the instrument does not form part of a larger transaction or series of transactions in respect of which the aggregate amount or value of the consideration exceeds £1,000.

A charge to SDRT will also generally arise on an unconditional agreement to transfer Ordinary Shares (at the rate of 0.5 per cent. of the amount or value of the consideration payable). However, if within six years of the date of the agreement (or, if the agreement is conditional, the date on which it becomes unconditional) an instrument of transfer is executed pursuant to the agreement, and stamp duty is paid on that instrument, any SDRT already paid will generally be refunded, provided that a claim for payment is made, and any outstanding liability to SDRT will be cancelled.

The purchaser or transferee of the Ordinary Shares will generally be responsible for paying such stamp duty or SDRT.

(e) Transfers of Ordinary Shares held through CREST

Paperless transfers of Ordinary Shares within CREST are generally liable to SDRT, rather than stamp duty, at the rate of 0.5 per cent. of the amount or value of the consideration payable. However, from 28 April 2014 an exemption from SDRT applies in respect of securities admitted to trading on AIM. There should therefore be no liability to SDRT on the transfer of Ordinary Shares held outside CREST provided that they are admitted to trading on AIM.

If the Ordinary Shares are subsequently admitted to the Official List and to trading on the Main Market, SDRT at the rate of 0.5 per cent. of the amount or value of the consideration given will generally be payable on paperless transfers of Ordinary Shares within CREST. CREST is obliged to collect SDRT on relevant transactions settled within the CREST system. Under the CREST system, generally no stamp duty or SDRT will arise on a deposit of Ordinary Shares into the system unless such a transfer is made for a consideration in money or money's worth, in which case a liability to SDRT will arise usually at a rate of 0.5 per cent. of the amount or value of the consideration for the Ordinary Shares.

(f) Depositary receipt systems and clearance services

Under current UK law, where Ordinary Shares are transferred: (a) to, or to a nominee for, a person whose business is or includes the provision of clearance services, or (b) to, or to a nominee or agent for, a person whose business is or includes issuing depositary receipts, stamp duty or SDRT will generally be payable at the higher rate of 1.5 per cent. of the amount or value of the consideration payable or, in certain circumstances, the value of the Ordinary Shares (rounded up to the next multiple of £5 in the case of stamp duty).

There is an exception from the 1.5 per cent. charge on the transfer to, or to a nominee or agent for, a clearance service where the clearance service has made and maintained an appropriate election which has been approved by HMRC. In these circumstances, the normal rates of stamp duty and SDRT (rather than the higher rate regime referred to above) will generally apply to any issue or transfer of Ordinary Shares into the clearance service and to any transactions in Ordinary Shares held within the clearance service.

Following litigation, HMRC have confirmed that they will no longer seek to apply the 1.5 per cent. SDRT charge on an issue of shares or securities to a clearance service or depositary receipt system on the basis that the charge is not compatible with EU law. HMRC's view is that the 1.5 per cent. SDRT or stamp duty charge will continue to apply to a transfer of shares or securities to a clearance service or depositary receipt system where the transfer is not an integral part of an issue of share capital.

Any liability for stamp duty or SDRT in respect of an issue or transfer into a clearance service or depositary receipt system, or in respect of a transfer of Ordinary Shares held within such a service or system, will strictly be payable by the operator of the clearance service or depositary receipt system or its nominee, as the case may be, but in practice will generally be reimbursed by participants in the clearance service or depositary receipt system.

PART IX

TERMS AND CONDITIONS OF THE OPEN OFFER

1. INTRODUCTION

The Company considers it important that, where reasonably practicable, Shareholders have an opportunity to participate in its equity fundraisings. Accordingly, the Company is proposing to raise up to £1,019,524 (before expenses) by way of the Open Offer. This will provide Qualifying Shareholders with an opportunity to participate in the proposed issue of Open Offer Shares on a pre-emptive basis whilst providing the Company with additional capital to invest in its business.

The Open Offer has been structured such that the maximum gross proceeds that can be raised by the Company under the Open Offer will be £1,019,524, which does not exceed the sterling equivalent of €5 million and therefore ensures that the Company is not required to produce an approved prospectus pursuant to section 85 of FSMA. The issue of a prospectus would considerably increase the costs of the fundraising and it would take much longer to complete, as any such prospectus would require the prior approval of the FCA.

Subject to the terms and conditions of the Open Offer, the Company invites Qualifying Shareholders, being only Shareholders who are resident in the United Kingdom on the Record Date, to apply for their Basic Entitlement of Open Offer Shares at the Issue Price, payable in cash in full on application. Subject to certain minimum subscriptions set out below, Qualifying Shareholders are being given the opportunity to subscribe for their Basic Entitlement at the Issue Price payable in full on application, pro rata to their existing shareholdings.

Each Qualifying Shareholder's Basic Entitlement has been calculated on the basis of:

1 Open Offer Share for every 21 Existing Ordinary Shares held at the Record Date.

Qualifying Shareholders are also invited to apply for additional Open Offer Shares in accordance with the Excess Entitlement. Any Open Offer Shares not issued to a Qualifying Shareholder pursuant to their Basic Entitlement will be apportioned between those Qualifying Shareholders who have applied for the Excess Entitlement at the sole discretion of the Board, provided that no Qualifying Shareholder shall be required to subscribe for more Open Offer Shares than he or she has specified on the Application Form or through CREST.

Entitlements to apply to acquire Open Offer Shares will be rounded down to the nearest whole number and any fractional entitlement to Open Offer Shares will be disregarded in calculating the Basic Entitlement.

The Open Offer Shares have not been and are not intended to be registered or qualified for sale in any jurisdiction other than the United Kingdom. Accordingly, unless otherwise determined by the Company and effected by the Company in a lawful manner, the Application Form will not be sent to Shareholders with registered addresses in any jurisdiction other than the United Kingdom since to do so would require compliance with the relevant securities laws of that jurisdiction. Applications from any such person will, save with the consent of the Company and provided it is lawful to do so, be deemed to be invalid. If an Application Form is received by any Shareholder whose registered address is elsewhere but who is in fact a resident or domiciled in a territory other than the United Kingdom, he/she should not seek to take up his/her allocation.

Shareholders who do not take up their Basic Entitlements in full will experience a dilution to their interests of approximately 44.29 per cent. following the Acquisition, the Placing and the Open Offer (assuming full subscription under the Open Offer). Shareholders who take up their Basic Entitlements in full will suffer a dilution to their interests of 41.64 per cent. on the same basis.

Qualifying Shareholders should note that the Open Offer is not underwritten, and that the Open Offer is not conditional upon the number of applications received under the Open Offer.

The Open Offer Shares to be issued pursuant to the Open Offer will (assuming full take up under the Open Offer) represent approximately 2.65 per cent. of the Enlarged Share Capital. The Open Offer Shares will, following Admission, rank in full for all dividends and *pari passu* in all other respects with the Existing Ordinary Shares and will have the right to receive all dividends and distributions declared, made or paid in respect of the issued Ordinary Share capital of the Company after Admission.

A maximum number of 25,448,108 Open Offer Shares will be offered to Qualifying Shareholders as part of the Open Offer. In no circumstances will more than this number of Ordinary Shares be issued pursuant to the Open Offer.

If a Qualifying Shareholder does not wish to apply for Open Offer Shares he should not complete or return the Application Form or send a USE message through CREST.

The Directors who intend to participate in the Placing do not intend to subscribe for their Basic Entitlement pursuant to the Open Offer, which in aggregate amounts to 6,599,236 Open Offer Shares, representing 25.89 per cent. of the Open Offer Shares and which will therefore be available for Shareholders who wish to subscribe for Open Offer Shares pursuant to their Excess Entitlements.

2. PRINCIPAL TERMS AND CONDITIONS OF THE OPEN OFFER

Subject to the terms and conditions set out below (and, for Qualifying Non-CREST Shareholders, in the accompanying Application Form), Qualifying Shareholders are being given the opportunity to apply to subscribe for their Basic Entitlement at the Issue Price payable in full on application and free of all expenses, pro rata to their existing shareholdings on the basis of:

1 Open Offer Share for every 21 Existing Ordinary Shares

registered in the name of each Qualifying Shareholder on the Record Date and so on in proportion to any other number of Existing Ordinary Shares then held (rounded down to the nearest whole number of Open Offer Shares). Valid applications by Qualifying Shareholders will be satisfied in full up to their Basic Entitlements.

The Basic Entitlement, in the case of Qualifying Non-CREST Shareholders, is equal to the number of Open Offer Shares shown in Box 3 on the Application Form or, in the case of Qualifying CREST Shareholders, is equal to the number of Basic Entitlements standing to the credit of their stock account in CREST. Qualifying CREST Shareholders will have their Basic Entitlements credited to their stock accounts in CREST and should refer to this paragraph 2 and paragraph 3 and paragraph 7 of this Part IX and also to the CREST Manual for further information on the relevant CREST procedures.

Basic Entitlements have been rounded down to the nearest whole number of Ordinary Shares and any fractional entitlements to Open Offer Shares will be disregarded in calculating Qualifying Shareholders' Basic Entitlements and will be aggregated and will be made available to Qualifying Shareholders under the Excess Application Facility. Qualifying Shareholders with fewer than 21 Existing Ordinary Shares will not be able to apply for Open Offer Shares.

Qualifying Shareholders may apply to acquire less than their Basic Entitlement should they so wish.

Qualifying Shareholders are also invited to apply for additional Open Offer Shares in accordance with the Excess Entitlement. Any Open Offer Shares not issued to an Qualifying Shareholder pursuant to their Basic Entitlement will be apportioned between those Qualifying Shareholders who have applied for Excess Entitlements at the sole discretion of the Board, provided that no Qualifying Shareholder shall be required to subscribe for more Open Offer Shares than he or she has specified on the Application Form or through CREST.

Qualifying Shareholders may apply for, on and subject to the terms and conditions set out in this document and in the accompanying Application Form, any whole number of Open Offer Shares at the Issue Price.

Holdings of Existing Ordinary Shares in certificated and uncertificated form will be treated as separate holdings for the purpose of calculating Basic Entitlements, as will holdings under different designations and in different accounts.

The maximum aggregate number of Ordinary Shares available for subscription pursuant to the Open Offer is 25,488,108 Ordinary Shares.

The Open Offer is subject to the satisfaction, amongst other matters, of the following conditions on or before 9 May 2017 (or such later date, being not later than 8.00 a.m. on 9 June 2017, as the Company and WH Ireland may decide):

- the passing of the Resolutions at the General Meeting (or any adjournment thereof); and
- Admission becoming effective by 8.00 a.m. on 9 May 2017 (or such other date and time as the Company and WH Ireland may decide but not later than 8.00 a.m. on 9 June 2017).

If any of these conditions are not satisfied or waived (where capable of waiver) by 8.00 a.m. on 31 May 2017 (or such later time and/or date as the Company and WH Ireland may agree but not later than 8.00 a.m. on 9 June 2017), the Open Offer will not proceed and any applications made by Qualifying Shareholders will be rejected. In such circumstances, application monies will be returned (at the applicant's sole risk), without payment of interest, as soon as practicable thereafter. Revocation of applications for Open Offer Shares cannot occur after dealings have begun.

No temporary documents of title will be issued in respect of Open Offer Shares held in uncertificated form. Definitive certificates in respect of Open Offer Shares taken up are expected to be posted to those Qualifying Shareholders who have validly elected to hold their Open Offer Shares in certificated form within ten business days of the date of Admission. In respect of those Qualifying Shareholders who have validly elected to hold their Open Offer Shares in uncertificated form, the Open Offer Shares are expected to be credited to their stock accounts maintained in CREST on 9 May 2017.

Application will be made for the Open Offer Shares to be admitted to trading on AIM. Admission is expected to occur on 9 May 2017, when dealings in the Open Offer Shares are expected to begin.

All monies received by the Receiving Agent in respect of Open Offer Shares will be held in a non-interest bearing bank account by the Receiving Agent.

If for any reason it becomes necessary to adjust the expected timetable as set out in this document, the Company will make an appropriate announcement giving details of the revised dates.

Qualifying Shareholders should be aware that the Open Offer is not a rights issue. Qualifying Non-CREST Shareholders should also note that the Application Form is not a negotiable document and cannot be traded. Qualifying CREST Shareholders should note that, although the Basic Entitlements and Excess Entitlements will be credited to CREST and be enabled for settlement, applications in respect of Basic Entitlements and Excess Entitlements may only be made by the Qualifying Shareholder originally entitled or by a person entitled by virtue of a bona fide market claim raised by Euroclear's Claims Processing Unit. Open Offer Shares not applied for by Qualifying Shareholders under their Basic Entitlements will not be sold in the market for the benefit of those who do not apply, under the Open Offer but may be allotted to Qualifying Shareholders to meet any valid applications under the Excess Application Facility and the net proceeds will be retained for the benefit of the Company. Qualifying Shareholders who do not apply to take up Open Offer Shares will have no rights under the Open Offer.

The Existing Ordinary Shares are already admitted to CREST. No further application for admission to CREST is accordingly required for the New Ordinary Shares. All such New Ordinary Shares, when issued and fully paid, may be held and transferred by means of CREST.

Application will be made for the Basic Entitlements and Excess Entitlements to be admitted to CREST where Existing Ordinary Shares are already admitted to CREST and/or Qualifying Shareholders elect for them to be so admitted to CREST. The conditions for such admission having already been met, the Basic Entitlements and Excess Entitlements are where appropriate expected to be admitted to CREST with effect from 21 April 2017.

The Open Offer Shares will be issued credited as fully paid and will rank *pari passu* in all respects with the Existing Ordinary Shares. The Open Offer Shares are not being made available in whole or in part to the

public except under the terms of the Open Offer. Shareholders who resident in a Restricted Jurisdiction (being Shareholders that are not resident in the UK) are referred to in paragraph 5 of this Part IX.

The Existing Ordinary Shares are in registered form, are traded on AIM and are not traded on any other exchange. The Open Offer Shares will also be in registered form, will be issued credited as fully paid and will rank *pari passu* in all respects with the issued Existing Ordinary Shares. The Open Offer Shares will be issued only pursuant to the Open Offer and will not otherwise be marketed or made available in whole or in part to the public.

The proceeds of the Open Offer will be up to £1,019,524 (approx.) before expenses. The Open Offer Shares will represent up to approximately 2.65 per cent. of the Enlarged Share Capital, assuming full take up of the Open Offer Shares.

3. PROCEDURE FOR APPLICATION AND PAYMENT

The action to be taken by you in respect of the Open Offer depends on whether, at the relevant time, you have an Application Form in respect of the Open Offer or you have Open Offer Entitlements credited to your CREST stock account.

Qualifying Shareholders who hold all their Existing Ordinary Shares in certificated form will receive a personalised Application Form. The Application Form will show the number of Ordinary Shares held at the Record Date. It will also show Qualifying Shareholders their Basic Entitlement and the total number of Open Offer Shares available under their Open Offer Entitlement that can be allotted in certificated form. Qualifying Shareholders who hold all their Existing Ordinary Shares in CREST will be allotted Open Offer Shares in CREST. Qualifying Shareholders who hold Existing Ordinary Shares partly in certificated and partly in uncertificated form that is in CREST, will be allotted Open Offer Shares in both uncertificated to the extent of their entitlement to Open Offer Shares as a result of holding Existing Ordinary Shares in uncertificated form and an application form for the part held in certificated form. However, it will be possible for Qualifying Shareholders to deposit Open Offer Entitlements into, and withdraw them from, CREST. Further information on deposit and withdrawal from CREST is set out in paragraph (b)(vi) of this Part IX.

Qualifying Shareholders who do not wish to apply for any Open Offer Shares under the Open Offer should not complete or return the Application Form or submit a USE message through CREST. Qualifying Shareholders who hold their Ordinary Shares through a nominee and who wish to apply for Open Offer Shares must contact their nominee as such Qualifying Shareholders will not be able to apply for Open Offer Shares directly using the Application Form.

3.1. If you have an Application Form in respect of your entitlement under the Open Offer

(a) General

Qualifying Non-CREST Shareholders will have received an Application Form with this document. The Application Form shows the number of Existing Ordinary Shares registered in their name on the Record Date in Box 2. It also shows the maximum number of Open Offer Shares for which they are entitled to apply under the Basic Entitlements, as shown by the Basic Entitlement allocated to them set out in Box 3. Box 4 shows how much they would need to pay if they wish to take up their Basic Entitlement in full. Qualifying Non-CREST Shareholders wishing to take up their Basic Entitlement in full should complete Boxes 5, 7 and 8.

Any fractional entitlements to Open Offer Shares will be disregarded in calculating Qualifying Non-CREST Shareholders' Basic Entitlements and will be aggregated and made available to Qualifying Shareholders pursuant to the Excess Entitlements. Any Qualifying Non-CREST Shareholders with fewer than 21 Existing Ordinary Shares will not receive a Basic Entitlement. Any Qualifying Non-CREST Shareholder with fewer than 21 Existing Ordinary Shares will not be able to apply for Open Offer Shares pursuant to the Excess Entitlements (see paragraph 3.1(c) of this Part IX). Qualifying Non-CREST Shareholders may apply for less than their Basic Entitlement should they wish to do so. Qualifying Non-CREST Shareholders wishing to apply for Open Offer Shares representing less than their Basic Entitlement may do so by completing Boxes 6, 8 and 9 of the Application Form. Subject to availability, and assuming that Qualifying Shareholders have accepted their Basic Entitlement in full, Qualifying Non-CREST Shareholders may also apply for any whole number of Open Offer Shares pursuant to their Excess Entitlements, in excess of their Basic Entitlement

up to an amount equal to the total number of Open Offer Shares available under the Open Offer less an amount equal to a Qualifying Non-CREST Shareholder's Basic Entitlement, by completing Boxes 5, 6, 7 and 8 of the Application Form (see paragraph 3.1(c) of this Part IX). Qualifying Non-CREST Shareholders may hold such an Application Form by virtue of a bona fide market claim (see paragraph 3.1(b) of this Part IX).

The instructions and other terms set out in the Application Form part of the terms of the Open Offer.

(b) Bona fide market claims

Applications by Qualifying Non-CREST Shareholders to acquire Open Offer Shares may only be made on the Application Form and may only be made by the Qualifying Non-CREST Shareholder named in it or by a person entitled by virtue of a bona fide market claim in relation to a market purchase of Existing Ordinary Shares prior to the Ex-Entitlement Date. Application Forms may not be assigned, transferred or split, except to satisfy bona fide market claims, up to 3.00 p.m. on 3 May 2017. The Application Form is not a negotiable document and cannot be separately traded. A Qualifying Non-CREST Shareholder who has sold or otherwise transferred all or part of his holding of Existing Ordinary Shares prior to the Ex-Entitlement Date, should consult his broker or other professional adviser as soon as possible, as the invitation to acquire Open Offer Shares under the Open Offer may be a benefit which may be claimed by the transferee from his counterparty. Qualifying Non-CREST Shareholders who have sold all or part of their registered holdings should, if the market claim is to be settled outside CREST, complete Box 10 on the Application Form and immediately send it to the stockbroker, bank or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee or the Receiving Agent in accordance with the instructions set out in the accompanying Application Form. The Application Form should not, however, subject to certain exceptions, be forwarded to or transmitted in or into any Restricted Jurisdiction. If the market claim is to be settled outside CREST, the beneficiary of the claim should follow the procedures set out in the accompanying Application Form. If the market claim is to be settled in CREST, the beneficiary of the claim should follow the procedures set out in paragraph 3.2(b) of this Part IX.

(c) Excess Entitlements

Provided that Qualifying Non-CREST Shareholders have accepted their Basic Entitlement in full, Qualifying Non-CREST Shareholders may apply to acquire Open Offer Shares pursuant to their Excess Entitlements, should they wish. Qualifying Non-CREST Shareholders wishing to apply for Open Offer Shares pursuant to their Excess Entitlements up to an amount equal to the total number of Open Offer Shares available under the Open Offer less an amount equal to a Qualifying Non-CREST Shareholder's Basic Entitlement, may do so by completing Boxes 5, 6, 7 and 8 of the Application Form. The total number of Open Offer Shares is fixed and will not be increased in response to any applications under the Excess Entitlements. Applications for Excess Entitlements will therefore only be satisfied to the extent that other Qualifying Shareholders do not apply for their Basic Entitlements in full or where fractional entitlements have been aggregated and made available for Excess Entitlements. Applications for Open Offer Shares pursuant to the Excess Entitlements will be allocated in such manner as the Directors may determine, in their absolute discretion (and with the prior consent of WH Ireland), and no assurance can be given that the applications for Open Offer Shares pursuant to the Excess Entitlements by Qualifying Non-CREST Shareholders will be met in full or in part or at all. Excess monies in respect of applications which are not met in full will be returned to the applicant (at the applicant's risk) without interest as soon as practicable thereafter by way of cheque or CREST payment, as appropriate.

(d) Application procedures

Qualifying Non-CREST Shareholders wishing to apply to acquire all or any of the Open Offer Shares to which they are entitled should complete the Application Form in accordance with the instructions printed on it. Completed Application Forms should be posted in the accompanying reply paid envelope (for use only in the UK) or delivered by hand (during normal business hours only) to Neville Registrars Limited, Neville House, 18 Laurel Lane, Halesowen, West Midlands B63 3DA, with a cheque drawn in Sterling on a bank or building society in the UK which is either a member of the Cheque and Credit Clearing Company Limited or the CHAPS Clearing Company Limited or which has arranged for its cheques to be cleared through the facilities provided for members of either of those companies.

Cheques should be drawn on the personal account to which the shareholder has sole or joint title. Third party cheques will not be accepted with the exception of bankers' drafts/building

society cheques where the bank or building society has endorsed the back of the draft or cheque by adding the shareholder's details and the branch stamp. Such cheques must bear the appropriate sort code in the top right-hand corner and must be for the full amount payable on application.

Applications must be received by Neville Registrars (at the address detailed above) no later than 11:00 a.m. on 5 May 2017, after which time, subject as set out in this paragraph, Application Forms will not be valid. Once submitted, applications are irrevocable. If an Application Form is being sent by post in the UK, Qualifying Shareholders are recommended to allow at least four working days for delivery. Cheques should be made payable to "Neville Registrars Limited re: Clients account" and crossed "A/C Payee Only". It is a condition of application that cheques will be honoured on first presentation and the Company may in its absolute discretion elect not to treat as valid any application in respect of which a cheque is not so honoured. The Company reserves the right in its sole discretion (but with the prior consent of WH Ireland) to (but shall not be obliged to) treat an Application Form as valid and binding on the person by whom or on whose behalf it is lodged, even if not completed in accordance with the relevant instructions or not accompanied by a valid power of attorney where required, or if it otherwise does not strictly comply with the terms and conditions of the Open Offer. The Company further reserves the right (but shall not be obliged) to accept either Application Forms received after 11:00 a.m. on 5 May 2017 but not later than 8.00 a.m. on 8 May 2017 with the envelope bearing a legible postmark not later than 11:00 a.m. on 5 May 2017 or applications in respect of which remittances are received before 8.00 a.m. on 8 May 2017 from authorised persons (as defined in FSMA) specifying the Open Offer Shares applied for and undertaking to lodge the Application Form in due course but, in any event, within two business days. Multiple applications will not be accepted.

Cheques are liable to be presented for payment upon receipt. Post-dated cheques will not be accepted. If they are presented before the conditions of the Open Offer are fulfilled, the application monies will be kept in a separate bank account until the conditions are fully met. If the conditions of the Open Offer are not fulfilled on or before 8.00 a.m. on 31 May 2017, or such later date as the Company and WH Ireland may determine (being no later than 8.00 a.m. on 9 June 2017), the Open Offer will lapse and all application monies will be returned without interest by crossed cheque in favour of the registered shareholder(s) through the post at their risk as soon as is practicable after that date. Interest earned on monies held in the separate bank account will be retained for the benefit of the Company.

(e) Effect of application

All documents and remittances sent by post by or to an applicant (or as the applicant may direct) will be sent at the applicant's own risk. By completing and delivering an Application Form the applicant:

- (i) represents and warrants to the Company and WH Ireland that he has the right, power and authority, and has taken all action necessary, to make the application under the Open Offer and to execute, deliver and exercise his rights, and perform his obligations under any contracts resulting therefrom and that he is not a person otherwise prevented by legal or regulatory restrictions from applying for Open Offer Shares or acting on behalf of any such person on a non-discretionary basis;
- (ii) confirms to the Company and WH Ireland that in making the application he is not relying and has not relied on WH Ireland or any other person affiliated with WH Ireland in connection with any investigation of the accuracy of any information contained in this document or his investment decision;
- (iii) confirms to the Company and WH Ireland that no person has been authorised to give any information or to make any representation concerning the Enlarged Group or the Open Offer Shares (other than as contained in this document) and, if given or made, any such other information or representation should not be, and has not been, relied upon as having been authorised by the Company or WH Ireland;
- (iv) requests that the Open Offer Shares to which he, she or it will become entitled be issued to him, her or it on the terms set out in this document and subject to the Existing Articles or, if Resolution 6 is passed at the General Meeting, the New Articles;
- (v) agrees that all applications under the Open Offer and contracts resulting therefrom, shall be governed by and construed in accordance with the laws of England;
- (vi) represents and warrants that he, she or it is not applying on behalf of any Shareholder who is a citizen or resident or which is a corporation, partnership or other entity created or organised in or under any laws of any Restricted Jurisdiction and he, she or it is not applying with a view to reoffering, reselling,

transferring or delivering any of the Open Offer Shares which are the subject of the application to, or for the benefit of a Shareholder who is a citizen or resident or which is a corporation, partnership or other entity created or organised in or under any laws of a Restricted Jurisdiction except where proof satisfactory to the Company has been provided to the Company that he, she or it is able to accept the invitation by the Company free of any requirement which it (in its absolute discretion) regards as unduly burdensome, nor acting on behalf of any such person on a non-discretionary basis nor (a) person(s) otherwise prevented by legal or regulatory restrictions from applying for Open Offer Shares under the Open Offer;

- (vii) represents and warrants that he, she or it is not and nor is he, she or it applying as nominee or agent for a person who is or may be liable to notify and account for tax under the Stamp Duty Reserve Tax Regulations 1986 at any of the increased rates referred to in Section 93 (depository receipts) or Section 96 (clearance services) of the Finance Act 1986;
- (viii) confirms that in making such application he, she or it is not relying on any information in relation to the Company other than that contained in this document and agrees that no person responsible solely or jointly for this document or any part thereof or involved in the preparation thereof, shall have any liability for any such other information and further agrees that having had the opportunity to read this document, he, she or it will be deemed to have had notice of all the information concerning the Company contained therein; and
- (ix) represents and warrants that he, she or it is the Qualifying Shareholder originally entitled to the relevant Basic Entitlement or that he, she or it has received such Basic Entitlement by virtue of a bona fide market claim.

Should you need advice with regard to these procedures, please contact Neville Registrars Limited on 0121 585 1131 or if calling from outside the UK on +44 121 585 1131, where relevant, quoting the allotment number of your Application Form. Calls to Neville Registrars help line number are charged at your standard provider's rates. Different charges may apply to calls made from mobile telephones and calls may be recorded and monitored randomly for security and training purposes. Neville Registrars cannot provide advice on the merits of the Open Offer nor give any financial, legal or tax advice.

Qualifying Non-CREST Shareholders who do not wish to apply for Open Offer Shares under the Open Offer should take no action and should not complete or return the Application Form.

Qualifying Non-CREST Shareholders are, however, encouraged to vote at the General Meeting by attending in person or by completing and returning the Form of Proxy enclosed with this document.

3.2. If you have Basic Entitlements and Excess Entitlements credited to your stock account in CREST

(a) General

Each Qualifying CREST Shareholder will receive a credit to his, her or its stock account in CREST equal to the number of Open Offer Shares which represents his, her or its Basic Entitlement, and also in respect of his, her or its Excess Entitlement (an amount equal to the total number of Open Offer Shares available under the Open Offer less an amount equal to a Qualifying Shareholder's Basic Entitlement). Any fractional entitlements to Open Offer Shares will be disregarded in calculating Qualifying Shareholders' Basic Entitlement and will be aggregated and made available for other Shareholders pursuant to their Excess Entitlements. Any Qualifying CREST Shareholders with fewer than 21 Existing Ordinary Shares will not receive a Basic Entitlement. Any Qualifying Non-CREST Shareholders with fewer than 21 Existing Ordinary Shares will not be able to apply for Open Offer Shares pursuant to their Excess Entitlements (see paragraph 3.2(c) of this Part IX.)

The CREST stock account to be credited will be an account under the participant ID and member account ID that apply to the Existing Ordinary Shares held on the Record Date by the Qualifying CREST Shareholder in respect of which the Basic Entitlements and Excess Entitlements have been allocated.

If for any reason the Basic Entitlements and Excess Entitlements cannot be admitted to CREST, or the stock accounts of Qualifying CREST Shareholders cannot be credited, by 8.00 a.m. on 21 April 2017, or such later time and/or date as the Company and WH Ireland may decide, an Application Form will be sent

to each Qualifying CREST Shareholder in substitution for the Basic Entitlements and Excess Entitlements which should have been credited to his, her or its stock account in CREST. In these circumstances, the expected timetable as set out in this document will be adjusted as appropriate and the provisions of this document applicable to Qualifying Non-CREST Shareholders with Application Forms will apply to Qualifying CREST Shareholders who receive such Application Forms.

CREST members who wish to apply to acquire some or all of their entitlement to Open Offer Shares should refer to the CREST Manual for further information on the CREST procedures referred to below.

Should you need advice with regard to these CREST procedures, please contact Neville Registrars Limited 0121 585 1131 or if calling from outside the UK on +44 121 585 1131, where relevant. Calls to Neville Registrars' help line number are charged at your provider's standard national, or as the case may be, international, rates. Different charges may apply to calls made from mobile telephones and calls may be recorded and monitored randomly for security and training purposes. Neville Registrars cannot provide advice on the merits of the Open Offer nor give any financial, legal or tax advice.

If you are a CREST sponsored member you should consult your CREST sponsor if you wish to apply for Open Offer Shares as only your CREST sponsor will be able to take the necessary action to make this application in CREST.

(b) Market claims

Each of the Basic Entitlements and the Excess Entitlements will constitute a separate security for the purposes of CREST and will have a separate ISIN. Although Basic Entitlements and Excess Entitlements will be admitted to CREST and be enabled for settlement, applications in respect of Basic Entitlements and Excess Entitlements may only be made by the Qualifying Shareholder originally entitled or by a person entitled by virtue of a bona fide market claim transaction. Transactions identified by the CREST Claims Processing Unit as "cum" the Basic Entitlement and the Excess Entitlements will generate an appropriate market claim transaction and the relevant Basic Entitlement(s) and the Excess Entitlements will thereafter be transferred accordingly.

(c) Excess Entitlements

Subject to availability, and assuming that Qualifying CREST Shareholders have accepted their Basic Entitlement in full, Qualifying CREST Shareholders may apply to acquire Open Offer Shares pursuant to their Excess Entitlements, should they wish. This enables Qualifying CREST Shareholders to apply for Open Offer Shares in excess of their Basic Entitlement up to an amount equal to the total number of Open Offer Shares available under the Open Offer less an amount equal to a Qualifying CREST Shareholder's Basic Entitlement.

An Excess Entitlement may not be sold or otherwise transferred. The CREST accounts of Qualifying CREST Shareholders will be credited with an Excess Entitlement in order for any applications for Open Offer Shares pursuant to their Excess Entitlements to be settled through CREST.

Qualifying CREST Shareholders should note that, although the Basic Entitlements and the Excess Entitlements will be admitted to CREST, they will have limited settlement capabilities (for the purposes of market claims only). Neither the Basic Entitlements nor the Excess Entitlements will be tradable or listed and applications in respect of the Open Offer may only be made by the Qualifying Shareholders originally entitled or by a person entitled by virtue of a bona fide market claim.

To apply for Open Offer Shares pursuant to their Excess Entitlements, Qualifying CREST Shareholders should follow the instructions in paragraphs 3.2(d) to (f) of this Part IX and must not return a paper form and cheque.

Should a transaction be identified by the CREST Claims Processing Unit as "cum" the Basic Entitlement and the relevant Basic Entitlement be transferred, the Excess Entitlements will not transfer with the Basic Entitlement claim, but will be transferred as a separate claim. Should a Qualifying CREST Shareholder cease to hold all of his Existing Ordinary Shares as a result of one or more bona fide market claims, the Excess Entitlement credited to CREST and allocated to the relevant Qualifying Shareholder will be

transferred to the purchaser. Please note that a separate USE instruction must be sent to Euroclear in respect of any application under the Excess Entitlement.

Fractions of Ordinary Shares will not be issued pursuant to applications for Open Offer Shares pursuant to Excess Entitlements and fractions of Ordinary Shares will be rounded down to the nearest whole number. Any fractional Ordinary Shares will be aggregated and be made available for Shareholders as Excess Entitlements.

The total number of Open Offer Shares is fixed and will not be increased in response to any applications under the Excess Entitlements. Applications for Open Offer Shares pursuant to Excess Entitlements will therefore only be satisfied to the extent that other Qualifying Shareholders do not apply for their Basic Entitlements in full or where fractional entitlements have been aggregated and made available under the Excess Entitlements. Applications for Open Offer Shares pursuant to the Excess Entitlements will be allocated in such manner as the Directors may determine, in their absolute discretion (and with the prior consent of WH Ireland), and no assurance can be given that the applications for Open Offer Shares pursuant to the Excess Entitlements by Qualifying Non-CREST Shareholders will be met in full or in part or at all. Excess monies in respect of applications which are not met in full will be returned to the applicant (at the applicant's risk) without interest as soon as practicable thereafter by way of cheque or CREST payment, as appropriate.

Should you need advice with regard to these CREST procedures, please contact Neville Registrars Limited, Neville House, 18 Laurel Lane, Halesowen, West Midlands B63 3DA on 0121 585 1131 or if calling from outside the UK on +44 121 585 1131, where relevant. Calls to Neville Registrars' help line number are charged at your provider's standard national, or as the case may be, international, rates. Different charges may apply to calls made from mobile telephones and calls may be recorded and monitored randomly for security and training purposes. Neville Registrars cannot provide advice on the merits of the Open Offer nor give any financial, legal or tax advice.

(d) USE instructions

Qualifying CREST Shareholders who are CREST members and who want to apply for Open Offer Shares in respect of all or some of their Basic Entitlement and Excess Entitlements in CREST must send (or, if they are CREST sponsored members, procure that their CREST sponsor sends) a USE instruction to Euroclear which, on its settlement, will have the following effect:

- (i) the crediting of a stock account of the Registrar under the participant ID and member account ID specified below, with a Basic Entitlement and/or Excess Entitlements corresponding to the number of Open Offer Shares applied for; and
- (ii) the creation of a CREST payment, in accordance with the CREST payment arrangements, in favour of the payment bank of the Registrar in respect of the amount specified in the USE instruction which must be the full amount payable on application for the number of Open Offer Shares referred to in paragraph 3.2(d)(i) of this Part IX.

(e) Content of USE instruction in respect of Basic Entitlements

The USE instruction must be properly authenticated in accordance with Euroclear's specifications and must contain, in addition to the other information that is required for settlement in CREST, the following details:

- (i) the number of Open Offer Shares for which application is being made (and hence the number of shares comprised in the Basic Entitlement being delivered to Neville Registrars);
- (ii) the ISIN of the Basic Entitlement, which is GB00BDD97259;
- (iii) the participant ID of the accepting CREST member;
- (iv) the member account ID of the accepting CREST member from which the Basic Entitlements are to be debited;
- (v) the participant ID of Neville Registrars in its capacity as a CREST receiving agent, which is 7RA11;
- (vi) the member account ID of Neville Registrars in its capacity as a CREST receiving agent, which is SWG;

- (vii) the amount payable by means of a CREST payment on settlement of the USE instruction. This must be the full amount payable on application for the number of Open Offer Shares referred to in (i) above;
- (viii) the intended settlement date. This must be on or before 8.00 a.m. on 5 May 2017; and
- (ix) the Corporate Action Number for the Open Offer. This will be available by viewing the relevant corporate action details in CREST.

In order for an application under the Open Offer to be valid, the USE instruction must comply with the requirements as to authentication and contents set out above and must settle on or before 11.00 a.m. on 5 May 2017.

In order to assist prompt settlement of the USE instruction, CREST members (or their sponsors, where applicable) may consider adding the following non-mandatory fields to the USE instruction:

- (1) a contact name and telephone number (in the free format shared note field); and
- (2) a priority of at least 80.

CREST members and, in the case of CREST sponsored members, their CREST sponsors, should note that the last time at which a USE instruction may settle on 5 May 2017 in order to be valid is 11.00 a.m. on that day.

In the event that the Open Offer does not become unconditional by 8.00 a.m. on 9 May 2017 or such later time and date as the Company and WH Ireland determine (being no later than 8.00 a.m. on 9 June 2017 or such later time as the Company and WHI Ireland may agree), the Open Offer will lapse, the Basic Entitlements and Excess Entitlements admitted to CREST will be disabled and the Registrar will refund the amount paid by a Qualifying CREST Shareholder by way of a CREST payment, without interest, as soon as practicable thereafter. The interest earned on such monies will be retained for the benefit of the Company.

(f) Content of USE instruction in respect of Excess Entitlements

The USE instruction must be properly authenticated in accordance with Euroclear specifications and must contain, in addition to the other information that is required for settlement in CREST, the following details:

- (i) the number of Ordinary Shares for which the application is being made pursuant to the Excess Entitlements (and hence the number of the Excess Entitlement(s) being delivered to the Registrar);
- (ii) the ISIN of the Excess Entitlement. This is GB00BDD97473;
- (iii) the participant ID of the accepting CREST member;
- (iv) the member account ID of the accepting CREST member from which the Excess Entitlements are to be debited;
- (v) the participant ID of Neville Registrars in its capacity as Receiving Agent. This is 7RA11;
- (vi) the member account ID of Neville Registrars in its capacity as Receiving Agent. This is SWG;
- (vii) the amount payable by means of a CREST payment on settlement of the USE instruction. This must be the full amount payable on application for the number of Excess Shares referred to in paragraph 3.2(f)(i) of this Part IX;
- (viii) the intended settlement date. This must be on or before 11.00 a.m. on 5 May 2017; and
- (ix) the Corporate Action Number for the Open Offer. This will be available by viewing the relevant corporate action details in CREST.

In order for the application in respect of a Excess Entitlement under the Open Offer to be valid, the USE instruction must comply with the requirements as to authentication and contents set out above and must settle on or before 11.00 a.m. on 5 May 2017.

In order to assist prompt settlement of the USE instruction, CREST members (or their sponsors, where applicable) may consider adding the following non-mandatory fields to the USE instruction:

- (1) a contact name and telephone number (in the free format shared note field); and
- (2) a priority of at least 80.

CREST members and, in the case of CREST sponsored members, their CREST sponsors, should note that the last time at which a USE instruction may settle on 5 May 2017 in order to be valid is 11.00 a.m. on that day. Please note that automated CREST generated claims and buyer protection will not be offered on the Excess Entitlement security.

(g) Deposit of Basic Entitlements and Excess Entitlements into, and withdrawal from, CREST

A Qualifying Non-CREST Shareholder's Basic Entitlement as set out in his, her or its Application Form may be deposited into CREST (either into the account of the Qualifying Holder named in the Application Form or into the file name of a person entitled by virtue of a bona fide market claim). Similarly, Basic Entitlements and Excess Entitlements held in CREST may be withdrawn from CREST so that the entitlement under Basic Entitlements are reflected in an Application Form. Normal CREST procedures (including timings) apply in relation to any such deposit or withdrawal, subject (in the case of a deposit into CREST) as set out in the Application Form.

A holder of an Application Form who is proposing to deposit the Basic Entitlement set out in such form into CREST is recommended to ensure that the deposit procedures are implemented in sufficient time to enable the person holding or acquiring the Basic Entitlement and the entitlement to apply under the Excess Application Facility following its deposit into CREST to take all necessary steps in connection with taking up his, her or its entitlement prior to 11.00 a.m. on 5 May 2017. In particular, having regard to normal processing times in CREST and on the part of Neville Registrars, the recommended latest time for depositing an Application Form with the CREST Courier and Sorting Service, where the person entitled wishes to hold the entitlement under the Open Offer set out in such Application Form as Basic Entitlements or Excess Entitlements in CREST, is 3.00 p.m. on 2 May 2017, and the recommended latest time for receipt by Euroclear of a dematerialised instruction requesting withdrawal of Basic Entitlements from CREST is 4.30 p.m. on 28 April 2017, in either case so as to enable the person acquiring or (as appropriate) holding the Basic Entitlement following the deposit or withdrawal (whether as shown in an Application Form or held in CREST) to take all necessary steps in connection with applying in respect of the Basic Entitlement and/or Excess Entitlements as the case may be prior to 11.00 a.m. on 5 May 2017.

Delivery of an Application Form with the CREST deposit form duly completed whether in respect of a deposit into the account of the Qualifying Shareholder named in the Application Form or into the name of another person, shall constitute a representation and warranty to the Company and Neville Registrars by the relevant CREST member(s) that it/they is/are not in breach of the provisions of the notes under the paragraph headed "Instructions for depositing the Open Offer entitlements into CREST" on page 3 of the Application Form, and a declaration to the Company and Neville Registrars from the relevant CREST member(s) that it/they is/are not citizen(s) or resident(s) of any Restricted Jurisdiction or any jurisdiction in which the application for Open Offer Shares is prevented by law and, where such deposit is made by a beneficiary of a market claim, a representation and warranty that the relevant CREST member(s) is/are entitled to apply under the Open Offer by virtue of a bona fide market claim.

(h) Validity of application

A USE instruction complying with the requirements as to authentication and contents set out above which settles by no later than 11.00 a.m. on 5 May 2017 will constitute a valid application under the Open Offer.

(i) CREST procedures and timings

CREST members and (where applicable) their CREST sponsors should note that Euroclear does not make available special procedures, in CREST, for any particular corporate action. Normal system timings and limitations will therefore apply in relation to the input of a USE instruction and its settlement in connection with the Open Offer. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST sponsored member, to procure that his, her or its CREST sponsor takes) such action as shall be necessary to ensure that a valid application is made as stated above by 11.00 a.m. on 5 May 2017. In this connection, CREST members and (where applicable) their CREST sponsors are referred in particular to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

(j) Incorrect or incomplete applications

If a USE instruction includes a CREST payment for an incorrect sum, the Company, through Neville Registrars, reserves the right:

- (i) to reject the application in full and refund the payment to the CREST member in question without payment of interest;
- (ii) in the case that an insufficient sum is paid, to treat the application as a valid application for such lesser whole number of Open Offer Shares as would be able to be applied for with that payment at the Issue Price, refunding any unutilised sum to the CREST member in question without payment of interest; and
- (iii) in the case that an excess sum is paid, to treat the application as a valid application for all the Open Offer Shares referred to in the USE instruction, refunding any unutilised sum to the CREST member in question, without payment of interest.

(k) Effect of valid application

A CREST member who makes or is treated as making a valid application in accordance with the above procedures thereby: (i) agrees to pay the amount payable on application in accordance with the above procedures by means of a CREST payment in accordance with the CREST payment arrangements (it being acknowledged that the payment to Neville Registrars' payment bank in accordance with the CREST payment arrangements shall, to the extent of the payment, discharge in full the obligation of the CREST member to pay to the Company the amount payable on application);

- (i) represents and warrants to the Company and WH Ireland that he, she or it has the right, power and authority, and has taken all action necessary, to make the application under the Open Offer and to execute, deliver and exercise his rights, and perform their obligations under any contracts resulting therefrom and that he, she or it is not a person otherwise prevented by legal or regulatory restrictions from applying for Open Offer Shares or acting on behalf of any such person on a non-discretionary basis;
- (ii) confirms to the Company and WH Ireland that in making the application he, she or it is not relying and has not relied on WH Ireland or any other person affiliated with WH Ireland in connection with any investigation of the accuracy of any information contained in this document or their investment decision;
- (iii) confirms to the Company and WH Ireland that no person has been authorised to give any information or to make any representation concerning the Group or the Open Offer Shares (other than as contained in this document) and, if given or made, any such other information or representation should not be, and has not been, relied upon as having been authorised by the Company or WH Ireland;
- (iv) requests that the Open Offer Shares to which he, she or it will become entitled be issued to him, her or it on the terms set out in this document and subject to the articles of association of the Company;
- (v) agrees that all applications under the Open Offer and contracts resulting therefrom shall be governed by, and construed in accordance with, the laws of England;
- (vi) represents and warrants that he, she or it is not applying on behalf of any Shareholder who is a citizen or resident or which is a corporation, partnership or other entity created or organised in or under any laws of any Restricted Jurisdiction and he, she or it is not applying with a view to reoffering, reselling, transferring or delivering any of the Open Offer Shares which are the subject of the application to, or for the benefit of a Shareholder who is a citizen or resident or which is a corporation, partnership or other entity created or organised in or under any laws of a Restricted Jurisdiction except where proof satisfactory to the Company has been provided to the Company that he, she or it is able to accept the invitation by the Company free of any requirement which it (in its absolute discretion) regards as unduly burdensome, nor acting on behalf of any such person on a non-discretionary basis nor (a) person(s) otherwise prevented by legal or regulatory restrictions from applying for Open Offer Shares under the Open Offer;
- (vii) represents and warrants that he, she or it is not and nor is he, she or it applying as nominee or agent for a person who is or may be liable to notify and account for tax under the Stamp Duty Reserve Tax Regulations 1986 at any of the increased rates referred to in Section 93 (depository receipts) or Section 96 (clearance services) of the Finance Act 1986;

- (viii) confirms that the Open Offer Shares have not been offered to the applicant by the Company, WH Ireland or any of their affiliates, by means of any:
 - A. “directed selling efforts” as defined in Regulation S under the US Securities Act; or
 - B. “general solicitation” or “general advertising” as defined in Regulation D under the US Securities Act;
 - (ix) confirms that in making such application he, she or it is not relying on any information in relation to the Company other than that contained in this document and agrees that no person responsible solely or jointly for this document or any part thereof or involved in the preparation thereof, shall have any liability for any such other information and further agrees that having had the opportunity to read this document, he, she or it will be deemed to have had notice of all the information concerning the Company contained therein; and
 - (x) represents and warrants that he, she or it is the Qualifying Shareholder originally entitled to the relevant Basic Entitlement or that he, she or it has received such Basic Entitlement by virtue of a bona fide market claim.
- (l) *Discretion of the Company as to the rejection and validity of applications the Company may:*
- (i) treat as valid (and binding on the CREST member concerned) an application which does not comply in all respects with the requirements as to validity set out or referred to in this Part IX;
 - (ii) accept an alternative properly authenticated dematerialised instruction from a CREST member or (where applicable) a CREST sponsor as constituting a valid application in substitution for, or in addition to, a USE instruction and subject to such further terms and conditions as the Company may determine;
 - (iii) treat a properly authenticated dematerialised instruction (in this sub-paragraph the “first instruction”) as not constituting a valid application if, at the time at which Neville Registrars receives a properly authenticated dematerialised instruction giving details of the first instruction, or thereafter, either the Company or Neville Registrars have received actual notice from Euroclear of any of the matters specified in Regulation 35(5)(a) of the CREST Regulations in relation to the first instruction. These matters include notice that any information contained in the first instruction was incorrect or notice of lack of authority to send the first instruction; and accept an alternative instruction or notification from a CREST member or CREST sponsored member or (where applicable) a CREST sponsor, or extend the time for settlement of a USE instruction or any alternative instruction or notification, in the event that, for reasons or due to circumstances outside the control of any CREST member or CREST sponsored member or (where applicable) CREST sponsor, the CREST member or CREST sponsored member is unable validly to apply for Open Offer Shares by means of the above procedures. In normal circumstances, this discretion is only likely to be exercised in the event of any interruption, failure or breakdown of CREST (or any part of CREST) or on the part of the facilities and/or systems operated by Neville Registrars in connection with CREST.

4. MONEY LAUNDERING REGULATIONS

4.1 Holders of Application Forms

It is a term of the Open Offer that, to ensure compliance with the Money Laundering Regulations 2007 (as amended and supplemented) (the “**Money Laundering Regulations**”), the money laundering provisions of the Criminal Justice Act 1993, Part VIII of FSMA and the Proceeds of Crime Act 2002 (together with other guidance and source books produced in relation to financial sector firms), Neville Registrars may at its absolute discretion require verification of identity from any person lodging an Application Form (the “applicant”) including, without limitation, any applicant who (i) tenders payment by way of cheque drawn on an account in the name of a person or persons other than the applicant, or (ii) appears to Neville Registrars to be acting on behalf of some other person. In the former case, verification of the identity of the applicant may be required. In the latter case, verification of the identity of any person on whose behalf the applicant appears to be acting may be required.

The verification of identity requirements will not usually apply:

- (a) if the applicant is an organisation required to comply with the Money Laundering Directive (the Council Directive on prevention of the use of the financial system for the purpose of money laundering (no. 91/308/EEC));
- (b) if the applicant (not being an applicant who delivers his application in person) makes payment by way of a cheque drawn on an account in the applicant's name; or
- (c) if the aggregate consideration for the Open Offer Shares is less than the Sterling equivalent of €15,000 (approximately £12,980).

In other cases the verification of identity requirements may apply. Satisfaction of these requirements may be facilitated in the following ways:

- (i) if payment is made by building society cheque (not being a cheque drawn on an account in the name of the applicant), by the building society or bank endorsing on the cheque the applicant's name and the number of an account held in the applicant's name at such building society or bank, such endorsement being validated by a stamp and an authorised signature;
- (ii) if the Application Form is lodged with payment by an agent which is an organisation of the kind referred to in (a) above or which is subject to anti-money laundering regulation in a country which is a member of the Financial Action Task Force (the non-EU members of which are Argentina, Australia, Brazil, Canada, China, Gibraltar, Hong Kong, Iceland, Japan, Mexico, New Zealand, Norway, Russian Federation, the Republic of Korea, the Republic of South Africa, Singapore, Switzerland, Turkey, UK Crown Dependencies and the United States and, by virtue of their membership of the Gulf Co-operation Council, Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates), the agent should provide with the Application Form written confirmation that it has that status and a written assurance that it has obtained and recorded evidence of the identity of the person for whom it acts and that it will on demand make such evidence available to Neville Registrars. If the agent is not such an organisation, it should contact Neville Registrars using the telephone numbers set out above.

If you deliver your Application Form personally by hand, you should ensure that you have with you evidence of identity bearing your photograph (for example your passport). If, within a reasonable period of time following a request for verification of identity, and in any case by no later than 11.00 a.m. on 5 May 2017, Neville Registrars have not received evidence satisfactory to them as aforesaid, Neville Registrars may, at their discretion, as the agents of the Company, reject the relevant application, in which event the monies submitted in respect of that application will be returned without interest to the account at the drawee bank from which such monies were originally debited (without prejudice to the rights of the Company to undertake proceedings to recover monies in respect of the loss suffered by it as a result of the failure to produce satisfactory evidence as aforesaid).

4.2 Basic Entitlements and Excess Entitlements held in CREST

If you hold your Basic Entitlements and Excess Entitlements in CREST and apply for Open Offer Shares in respect of all or some of your Basic Entitlement and/or Excess Entitlements as agent for one or more persons and you are not a UK or EU regulated person or institution (e.g. a UK financial institution), then, irrespective of the value of the application, the Registrar is obliged to take reasonable measures to establish the identity of the person or persons on whose behalf you are making the application. You must therefore contact the Receiving Agent before sending any USE instruction or other instruction so that appropriate measures may be taken.

Submission of a USE instruction which on its settlement constitutes a valid application as described above constitutes a warranty and undertaking by the applicant to provide promptly to the Registrar such information as may be specified by the Registrar as being required for the purposes of the Money Laundering Regulations. Pending the provision of evidence satisfactory to the Registrar as to identity, the Registrar may in its absolute discretion take, or omit to take, such action as it may determine to prevent or delay issue of the Open Offer Shares concerned. If satisfactory evidence of identity has not been provided within a reasonable time, then the application for the Open Offer Shares represented by the USE instruction will not be valid. This is without prejudice to the right of the Company to take proceedings to recover any loss suffered by it as a result of failure to provide satisfactory evidence as to the identity of the person or persons on whose behalf the application is made.

5. OVERSEAS SHAREHOLDERS (i.e. Shareholders who are resident in a Restricted Jurisdiction)

Only Qualifying Shareholders, which means only Shareholders that are resident and domiciled in the United Kingdom, will be eligible to make an application for Open Offer Shares, and in particular no person receiving a copy of this document, the Application Form and/or a credit of an Open Offer Entitlement to a stock account in CREST in any other territory may treat the same as constituting an offer or invitation to him/her nor should he/she in any event use the Application Form nor a credit of an Open Offer Entitlement to a stock account in CREST. Accordingly, persons receiving this document and Application Form should not send the same into any other territory, and any copy of this document or the Application Form which is received in any such jurisdiction is sent for information only, is confidential and should not be copied or distributed.

The Company reserves the right to treat as invalid any application or purported application to subscribe for new Ordinary Shares pursuant to the Open Offer which appears to the Company or its agent to have been executed, effected or despatched in a manner which may involve a breach of the securities laws or regulations of any jurisdiction or which does not include the warranties set out in the Application Form.

The Company also reserves the right, in its absolute discretion provided it is lawful to do so, to permit non-UK resident Shareholders to participate in the Open Offer.

The Open Offer Shares have not been and are not intended to be registered or qualified for sale in any jurisdiction other than the United Kingdom. Accordingly, unless otherwise determined by the Company and effected by the Company in a lawful manner, the Application Form will not be sent to Shareholders with registered addresses in any other jurisdiction other than the United Kingdom since to do so would require compliance with the relevant securities laws of that jurisdiction. Applications from any such person will be deemed to be invalid. If an Application Form is received by any Shareholder whose registered address is elsewhere but who is in fact a resident or domiciled in a territory other than the United Kingdom, he/she/it should not seek to take up their respective allocation.

5.1 Representations and warranties relating to Shareholders resident in a Restricted Jurisdiction

(a) Qualifying Non-CREST Shareholders

Any person completing and returning an Application Form or requesting registration of the Open Offer Shares comprised therein represents and warrants to the Company, WH Ireland and the Receiving Agent that, except where proof has been provided to the Company's satisfaction that such person's use of the Application Form will not result in the contravention of any applicable legal requirements in any jurisdiction: (i) such person is not requesting registration of the relevant Open Offer Shares from within any Restricted Jurisdiction; (ii) such person is not in any territory in which it is unlawful to make or accept an offer to acquire Open Offer Shares or to use the Application Form in any manner in which such person has used or will use it; (iii) such person is not acting on a non-discretionary basis for a person located within any Restricted Jurisdiction (except as agreed with the Company) or any territory referred to in (ii) above at the time the instruction to accept was given; and (iv) such person is not acquiring Open Offer Shares with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any such Open Offer Shares into any of the above territories. The Company and/or the Receiving Agent may treat as invalid any acceptance or purported acceptance of the allotment of Open Offer Shares comprised in an Application Form if it: (i) appears to the Company or its agents to have been executed, effected or despatched from a Restricted Jurisdiction or in a manner that may involve a breach of the laws or regulations of any jurisdiction or if the Company or its agents believe that the same may violate applicable legal or regulatory requirements; or (ii) provides an address in a Restricted Jurisdiction for delivery of the share certificates of Open Offer Shares (or any other jurisdiction outside the UK in which it would be unlawful to deliver such share certificates); or (iii) purports to exclude the representation and warranty required by this subparagraph 5.1(a) of this Part IX.

(b) Qualifying CREST Shareholders

A CREST member or CREST sponsored member who makes a valid acceptance in accordance with the procedures set out in this Part IX represents and warrants to the Company and WH Ireland that, except

where proof has been provided to the Company's satisfaction that such person's acceptance will not result in the contravention of any applicable legal requirement in any jurisdiction: (i) neither it nor its client is within any Restricted Jurisdiction; (ii) neither it nor its client is in any territory in which it is unlawful to make or accept an offer to acquire Open Offer Shares; (iii) it is not accepting on a non-discretionary basis for a person located within any Restricted Jurisdiction or any territory referred to in (ii) above at the time the instruction to accept was given; and (iv) neither it nor its client is acquiring any Open Offer Shares with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any such Open Offer Shares into any of the above territories.

6. NO WITHDRAWAL RIGHTS

An application under the Open Offer once made is irrevocable and cannot be withdrawn or changed.

7. ADMISSION, SETTLEMENT AND DEALINGS

The result of the Open Offer is expected to be announced on 8 May 2017. Application will be made to the London Stock Exchange for all of the New Ordinary Shares to be admitted to trading on AIM. It is expected that, subject to the Open Offer becoming unconditional in all respects, Admission will become effective and that dealings in the Open Offer Shares will commence on 9 May 2017. The earliest date for settlement of such dealings will be 9 May 2017.

The Company's Existing Ordinary Shares are already admitted to CREST. Accordingly, no further application for admission to CREST is required for the Open Offer Shares, all of which, when issued and fully paid, may be held and transferred by means of CREST.

Application has been made for the Basic Entitlements to be admitted to CREST. The conditions to admission having already been met, the Basic Entitlements are expected to be admitted to CREST with effect from 21 April 2017. Basic Entitlements held in CREST are expected to be disabled in all respects after 11.00 a.m. on 5 May 2017 (the latest time and date for applications under the Open Offer).

Open Offer Shares will be issued in uncertificated form to those persons who submitted a valid application for Open Offer Shares by utilising the CREST application procedures and whose applications have been accepted by the Company on the day on which all conditions to the Open Offer are satisfied (expected to be 9 May 2017). On this day, Neville Registrars will instruct Euroclear to credit the appropriate stock accounts of such persons with such persons' entitlements to Open Offer Shares with effect from Admission (expected to be 9 May 2017). The stock accounts to be credited will be accounts under the same participant IDs and member account IDs in respect of which the USE instruction was given.

Qualifying CREST Shareholders should note that they will be sent no confirmation of the credit of the Open Offer Shares to their CREST stock account nor any other written communication by the Company in respect of the issue of the Open Offer Shares.

Notwithstanding any other provision of this document, the Company reserves the right to send Qualifying CREST Shareholders an Application Form instead of crediting the relevant stock account with a Basic Entitlement, Excess Entitlements and/or to issue Open Offer Shares in certificated form. In normal circumstances, this right is only likely to be exercised in the event of any interruption, failure or breakdown of CREST (or any part of CREST), or on the part of the facilities and/or systems operated by Neville Registrars in connection with CREST. This right may also be exercised if the correct details (such as participant ID and member account ID details) are not provided as requested.

For Qualifying Non-CREST Shareholders who have applied by using an Application Form, share certificates for the Open Offer Shares validly applied for are expected to be despatched by post within ten business days of Admission. No temporary documents of title will be issued. Pending despatch of definitive share certificates, transfers of the Open Offer Shares by Qualifying Non-CREST Shareholders will be certified against the register. All documents or remittances sent by or to an applicant (or his agent as appropriate) will (in the latter case) be sent through the post and will (in both cases) be at the risk of the applicant.

8. TIMES AND DATES

The Company shall, in its discretion, and after consultation with its financial and legal advisers, be entitled to amend the dates on which Application Forms are despatched or amend or extend the latest date for acceptance under the Open Offer and all related dates set out in this document and in such circumstances shall make an announcement on a Regulatory Information Service.

9. TAXATION

Shareholders who are in any doubt as to their tax position in relation to taking up their entitlements under the Open Offer, or who are subject to tax in any jurisdiction other than the United Kingdom, should immediately consult a suitable professional adviser.

10. GOVERNING LAW AND JURISDICTION

The terms and conditions of the Open Offer as set out in this document, the Application Form and any non-contractual obligation related thereto shall be governed by, and construed in accordance with, the laws of England. The courts of England are to have exclusive jurisdiction to settle any dispute which may arise out of or in connection with the Open Offer, this document or the Application Form including, without limitation, disputes relating to any non-contractual obligations arising out of or in connection with the Open Offer, this document or the Application Form. By taking up Open Offer Shares under the Open Offer in accordance with the instructions set out in this document and, where applicable, the Application Form Qualifying Shareholders irrevocably submit to the jurisdiction of the courts of England and waive any objection to proceedings in any such court on the ground of venue or on the ground that proceedings have been brought in an inconvenient forum.

PART X

ADDITIONAL INFORMATION

1. Responsibility statement

The Directors, whose names, business addresses and functions are set out on page eight of this document, and the Company accept responsibility for the information contained in this document. To the best of the knowledge of the Directors and the Company (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. Incorporation and registration

- 2.1 The Company was incorporated in England and Wales on 1 March 2004 under the Companies Act 1985 as a public company limited by shares. The registered number of the Company is 05059457.
- 2.2 The Company's name on incorporation was Zoloto plc, which was changed to Aurum Mining plc on 5 April 2004 and then changed to Shearwater Group plc on 9 January 2017.
- 2.3 The registered office of the Company is at 22 Great James Street, London, WC1N 3ES, UK. The principal place of business of the Company is 6th Floor, Octagon Point, St Paul's, London EC2V 6AA (telephone number +44(0)203 823 2505).

3. Group organisation

- 3.1 As at the date of this document, the Company is the parent company of the Subsidiary, which is wholly owned by the Company.
- 3.2 On Completion, the Company will be the holding company of the Enlarged Group and will have the following subsidiary undertakings:

<i>Name</i>	<i>Country of incorporation or residence</i>	<i>Proportion of ownership interest (per cent.)</i>	<i>Proportion of voting power (per cent.)</i>	<i>Trading status</i>
Shearwater Subco Limited	England and Wales	100	100	Active
SecurEnvoy Limited	England and Wales	100	100	Active

4. Share capital of the Company

- 4.1 The history of the Company's share capital since its incorporation is as follows:
- (a) The Company was incorporated with an authorised share capital of £2,000,000 divided into 200,000,000 Ordinary Shares, of which two Ordinary Shares were issued to the subscribers to the memorandum of association.
- (b) Between 20 April 2004 and 7 May 2004, 8,191,487 Ordinary Shares were allotted and immediately after that the Company's issued share capital was £81,914.89, divided into 8,191,489 Ordinary Shares of £0.01 each.
- (c) Between 1 February 2005 and 2 February 2005, 2,028,572 Ordinary Shares were allotted and immediately after that the Company's issued share capital was £102,200.61, divided into 10,220,061 Ordinary Shares.
- (d) Between 28 April 2006 and 14 December 2006, 2,903,978 Ordinary Shares were allotted and immediately after that the Company's issued share capital was £124,097.53 divided into 12,409,753 Ordinary Shares.

- (e) Between 2 February 2007 and 4 December 2007, 35,753,522 Ordinary Shares were allotted and immediately after that the Company's issued share capital was £481,632.75 divided into 48,163,275 Ordinary Shares.
- (f) On 24 January 2008, 25,000 Ordinary Shares were allotted and immediately after that the Company's issued share capital was £481,882.75 divided into 48,188,275 Ordinary Shares.
- (g) Pursuant to a special resolution of the members of the Company passed on 11 March 2009:
 - (i) the authorised share capital of the Company was increased from £2,000,000 to £19,108,280.75 by the creation of 51,843,275 2009 B shares;
 - (ii) the Directors were authorised to appropriate up to £17,108,280.75 standing to the credit of the share premium account of the Company and to apply such sum in paying up in full up to 51,843,275 2009 B Shares and to allot and issue such 2009 B Shares credited as fully paid up to the holders of Ordinary Shares on the basis of one 2009 B Share for each Ordinary Share held;
 - (iii) subject to the creation and allotment of 2009 B Shares as set out in (i) and (ii) above respectively, the share capital of the Company be reduced by cancelling and extinguishing all the issued 2009 B Shares and repaying the capital thereon to the holders of such issued 2009 B Shares; and
 - (iv) subject to and immediately upon the reduction of capital as set out in (iii) above, each unissued 2009 B Share be cancelled.
- (h) On 31 March 2009, 48,188,275 2009 B Shares were allotted and immediately after that the Company's issued capital was £16,384,013.50 divided into 48,188,275 2009 B Shares and 48,188,275 Ordinary Shares.
- (i) By court order dated 1 April 2009, the Company reduced its authorised share capital by way of application for a court-approved reduction of capital from £19,108,280.75 divided into 200,000,000 Ordinary Shares and 51,843,275 2009 B Shares to £3,206,150 divided into 48,188,275 issued Ordinary Shares, 151,811,725 unissued Ordinary Shares and 3,655,000 unissued 2009 B Shares. Upon this reduction, all unissued 2009 B Shares were cancelled. Immediately after the court order the Company's issued share capital was £481,882.75 divided into 48,188,275 Ordinary Shares.
- (j) Between 4 August 2010 and 14 September 2010, 170,000 Ordinary Shares were allotted and immediately after that the Company's issued share capital was £483,582.75 divided into 48,358,275 Ordinary Shares.
- (k) Pursuant to a special resolution of the members of the Company passed on 12 October 2010:
 - (i) the Directors were authorised to appropriate up to £7,723,991.25 standing to the credit of the share premium account of the Company and to apply such sum in paying up in full up to 51,493,275 2010 B Shares and to allot and issue such 2010 B Shares credited as fully paid up to the holders of Ordinary Shares on the basis of one 2010 B Share for each Ordinary Share held; and
 - (ii) subject to the allotment and issue of 2010 B Shares as set out in (i) above, the share capital of the Company be reduced by cancelling and extinguishing all the issued 2010 B Shares and repaying the capital thereon to the holders of such issued 2010 B Shares.
- (l) Between 13 October 2010 and 26 November 2010, 3,135,000 Ordinary Shares of £0.01 were allotted and immediately after that the Company's issued share capital was £514,932.75 divided into 51,493,275 Ordinary Shares.
- (m) On 30 November 2010, 51,493,275 2010 B Shares were allotted and immediately after that the Company's issued share capital was £8,238,924 divided into 51,493,275 Ordinary Shares and 51,493,275 2010 B Shares.
- (n) By court order dated 1 December 2010, the company reduced its share capital to £514,932.75 divided into 51,493,275 Ordinary Shares.
- (o) On 27 April 2011, 66,666,667 Ordinary Shares were allotted and immediately after that the issued share capital of the Company was £1,181,599.42 divided into 118,159,942 Ordinary Shares.

- (p) On 12 December 2012, 23,131,988 Ordinary Shares were allotted and immediately after that the issued share capital of the Company was £1,412,919.30 divided into 141,291,930 Ordinary Shares.
 - (q) On 28 August 2014, 4,800,000 Ordinary Shares were allotted and immediately after that the issued share capital of the Company was £1,460,919.30 divided into 146,091,930 Ordinary Shares.
 - (r) On 20 April 2015, 25,758,356 Ordinary Shares were allotted and immediately after that the issued share capital of the Company was £1,718,502.86 divided into 171,850,286 Ordinary Shares.
 - (s) Between 26 July 2016 and 9 December 2016, 161,900,000 Ordinary Shares were allotted and immediately after that the issued share capital of the Company was £3,337,502.86 divided into 333,750,286 Ordinary Shares.
 - (t) Between 10 January 2017 and 1 February 2017, 201,500,000 Ordinary Shares were allotted and immediately after that the issued share capital of the Company was £5,352,502.86 divided into 535,250,286 Ordinary Shares.
- 4.2 As at 19 April 2017, being the last practicable date before the publication of this document, the Company's issued share capital was £5,352,502.86 divided into 535,250,286 Ordinary Shares. The Company does not have an authorised share capital.
- 4.3 All the Ordinary Shares rank *pari passu* and no Shareholder enjoys different or enhanced voting rights from any other Shareholder.
- 4.4 No shares in the capital of the Company are held by or on behalf of the Company or any other member of the Existing Group.
- 4.5 As at 19 April 2017 (the latest practicable date before the publication of this document), and excluding the Subsidiary Incentive Scheme (which is described in paragraph 4.6 of this Part X), options and other rights subscribe for shares were outstanding over a total of 3,378,882 Ordinary Shares. The options entitle their holders to call for the issue of, in aggregate 3,378,882 Ordinary Shares at, some at nil cost and some at a price of £0.01 per Ordinary Share (representing approximately 0.35 per cent. of the issued share capital of the Company immediately following Admission and assuming full take up under the Open Offer).
- 4.6 As at 19 April 2017, being the last practicable date prior to the publication of this document, certain Directors hold B1 Shares in the Subsidiary pursuant to the Subsidiary Incentive Scheme as shown in paragraph 9.3 of this Part X. Under the terms of the Subsidiary Incentive Scheme, those Directors who hold B1 Shares may, subject to certain targets being met, elect to sell their respective B1 Shares to the Company and the Company shall acquire those B1 Shares in consideration for cash or by the issue of new Ordinary Shares (at the Company's discretion). Further details of the Subsidiary Incentive Scheme including details of the targets and relevant time periods for exercise are set out in paragraph 11.3 of this Part X.

5. Summary of Existing Articles and New Articles

- 5.1 Copies of the Existing Articles and New Articles are available on written request to the Company Secretary of the Company, are available for inspection and on the Company's website at www.theshearwatergroup.co.uk, as set out in paragraph 25 of this Part X.
- 5.2 The following is a summary of certain provisions of the Existing Articles that were adopted at a general meeting of the Company on 12 September 2013.
- 5.3 This summary does not purport to be complete and is qualified in its entirety by the full terms of the Articles.

EXISTING ARTICLES

Objects

The Company's objects are unrestricted.

Voting rights

Subject to any other provisions of the Existing Articles and without prejudice to any special rights or restrictions as to voting attached to any shares forming part of the Company's share capital, the voting rights of members are as follows. On a show of hands, each member present in person or by proxy shall have one vote. On a poll each member present in person or by proxy shall have one vote for each share held by the member. On a poll, a person entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way. A duly authorised representative of a corporation which is a member of the Company shall be entitled to exercise the same powers on behalf of the corporation as the corporation could exercise if it were an individual member of the Company.

Restrictions on voting where sums overdue on shares

No member of the Company shall be entitled to vote at any general meeting of the Company or at any separate class meeting of the Company in respect of any share held by him unless all calls or other sums payable by him in respect of that share have been paid.

Dividends

Subject to the Companies Act and the provisions of all other relevant legislation, the Company may by ordinary resolution declare dividends in accordance with the respective rights of members but no such dividend shall exceed the amount recommended by the Directors. If, in the opinion of the Directors, the profits of the Company available for distribution justify such payments, the Directors may declare and pay fixed dividends payable on any class of shares carrying a fixed dividend expressed to be payable on fixed dates, half-yearly or otherwise, and from time to time pay interim dividends to the holders of any class of shares. Subject to any special rights attaching to or terms of issue of any shares, all dividends shall be declared and paid according to the amounts paid up on the shares on which the dividend is paid.

Subject to Part VIII of the Companies Act 1985 the Company may, upon the recommendation of the Directors, by ordinary resolution, direct payment of a dividend wholly or partly by the distribution of specific assets.

The Company may, upon the recommendation of the Directors, by ordinary resolution, declare that any surplus monies in the hands of the Company which are capital profits arising from the receipt of monies received or recovered in relation to or arising from the realisation of any capital assets or investment of the Company and not required for the payment or provision of any fixed dividend instead of being applied in the purchase of other capital assets or for other capital purposes be distributed amongst the holders of Ordinary Shares on the footing that they receive the same as capital in the shares and proportions in which they would have been entitled to receive the same if it had been distributed by way of dividend.

The Directors may retain any dividend or other moneys payable on or in respect of a share on which the Company has a lien, and may apply these sums in or towards satisfaction of the debts, liabilities or engagements in relation to which the lien exists, and may further deduct from any dividend all sums of money presently payable by a member to the Company on account of calls or otherwise in relation to shares of the Company.

The Directors may withhold payment of dividends where the holding represents at least 0.25 per cent. of the issued shares of the relevant class (excluding treasury shares) and in respect of which the holder or other interested person has failed to comply with the statutory disclosure requirements in Part VI Companies Act 1985. This restriction shall cease to be applicable not more than seven days after the earlier of the receipt by the Company of notice that there has been a transfer of the shares pursuant to an arm's length sale, due compliance to the satisfaction of the Company with the statutory disclosure requirements and any dividend monies then retained thereon shall be paid to the person appearing to the Company to be entitled thereto.

All dividends unclaimed after a period of 12 years from the date when such dividend was declared or became due for payment shall be forfeited and shall revert to the Company. Payment by the Directors

of unclaimed dividend or other monies payable in relation to a share into a separate account shall not constitute the Company a trustee in relation to the sums.

The Directors may, if so authorised by ordinary resolution passed at any general meeting of the Company, in respect of any dividend declared or proposed to be declared at that annual general meeting or at any time prior to the next annual general meeting, offer any holders of the Ordinary Shares the right to elect to receive in lieu of that dividend an allotment of Ordinary Shares credited as fully paid. The additional Ordinary Shares allotted shall rank *pari passu* in all respects with the fully paid Ordinary Shares then in issue save only as regards participation in the relevant dividend (or share election in lieu).

The Company may cease to send any cheque or warrant through the post or may stop the transfer of any sum by any bank or other funds transfer system for any dividend payable on any share in the Company which is normally paid in that manner on those shares if in respect of at least two consecutive dividends the cheques or warrants have been returned undelivered or remain uncashed (or the method of payment has failed) and reasonable enquiries made by the Company have failed to establish any new address of the holder.

Variation of rights

The rights or privileges attached to any class of shares may (unless otherwise provided by the terms of the issue of the shares of that class) be varied or abrogated with the consent in writing of the holders of three quarters in nominal amount of the issued shares of that class (excluding any shares of that class held as treasury shares) or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class, but not otherwise.

The provisions of the Existing Articles relating to general meetings will apply to every general meeting of the holders of one class of shares except that the necessary quorum will be two persons at least holding or representing by proxy at least one-third of the issued shares of the class and that any holder of shares of the class present in person or by proxy may demand a poll and that every such holder shall on a poll have one vote for every share of the class held by him.

The rights conferred upon the holders of the shares of any class issued with preferred or other rights will not, unless otherwise expressly provided by the terms of issue of the shares of that class, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

Transfer of shares

Unless the Directors otherwise determine, all transfers of certificated shares shall be effected by transfer in writing in any usual or common form or any form acceptable to the Directors and may be under hand only. All transfers of uncertificated shares shall be made in the manner provided for in the rules and procedures of the operator of the relevant system and subject to the provisions of the Uncertificated Securities Regulations.

The Directors may in their absolute discretion and without assigning any reason decline to register a transfer of a share which is not fully paid provided that, where any such share is listed on the Official List and admitted to trading on the London Stock Exchange, that discretion may not be exercised in such a way as to prevent dealings in shares of that class from taking place on an open and proper basis.

The Directors may decline to register a transfer of a share which is:

- (a) to any entity which is not a legal or natural person;
- (b) to a minor;
- (c) in the case of a transfer to joint holders of a share, the number of joint holders to whom the share is to be transferred exceeds four; or
- (d) where the holding represents at least 0.25 per cent. of the issued shares of the relevant class (excluding treasury shares) and in respect of which the holder or other interested person has failed to comply with the statutory disclosure requirements in Part VI Companies Act 1985. This restriction shall cease to be applicable not more than seven days after the earlier of the receipt

by the Company of notice that there has been a transfer of the shares pursuant to an arm's length sale, due compliance to the satisfaction of the Company with the statutory disclosure requirements and any dividend monies then retained thereon shall be paid to the person appearing to the Company to be entitled thereto.

Directors

- (a) The Company may by ordinary resolution appoint any person to be a director or remove any director.
- (b) The Directors may from time to time permit any person appointed to be a Director to continue in any executive office or employment held by him before he was so appointed.
- (c) There shall be no requirement for a Director to hold shares in the Company.
- (d) Unless and until the Company in a general meeting shall otherwise determine by ordinary resolution, the number of Directors shall not be less than two nor more than ten in number.
- (e) Subject to the provisions of the Existing Articles, the Directors may otherwise regulate their meetings as they think fit. Questions arising at any meeting shall be determined by a majority of votes. In case of an equality of votes the Chairman of the meeting shall have a second or casting vote.
- (f) Members of the Board may participate in a meeting of the Directors by means of a conference telephone or similar communications equipment allowing all persons participating in the meeting to hear each other at the same time.
- (g) The Directors may from time to time appoint one or more of their body to be Managing Director or joint Managing Directors of the Company or to hold such other executive office as they may decide. The Directors may entrust to and confer upon any Director holding any executive office any of the powers exercisable by them as Directors upon such terms and conditions with such restrictions as they think fit and either collaterally with or to the exclusion of their own powers.

Borrowing powers

Subject to the provisions of any relevant legislation, the Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property and uncalled capital and to issue debentures and other securities whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

Directors' interests and restrictions

- (a) A Director who to his knowledge is in any way interested in any actual or proposed contract or arrangement with the Company shall declare the nature of his interest at the meeting of the Board at which the entering of the contract or arrangement is first taken into consideration if he knows his interest then exists, or the first meeting of the Board after he knows that he is interested. An interest of a person who is connected with a Director (within the meaning of s252 of the Companies Act) shall be treated as an interest of the Director. A Director shall be counted in the quorum of a resolution agreed at such a meeting.
- (b) Save as provided in the Existing Articles, a Director shall not vote at a meeting of the Directors in respect of any contract or arrangement or any other proposal whatsoever in which he has an interest which (together with any person connected with him within the meaning of s252 of the Companies Act) is to his knowledge a material interest, other than an interest in shares or debentures or other securities of the Company, or in relation to which he has a duty which conflicts or may conflict with the interests of the Company. A Director shall not be counted in the quorum at a meeting in relation to any resolution on which he is not entitled to vote.
- (c) A Director shall (in the absence of some material interest other than those indicated below) be entitled to vote (and be counted in the quorum) in respect of any resolution concerning any of the following matters namely:
 - (i) the giving of any guarantee, security or indemnity in respect of money lent or obligations incurred by him at the request of or for the benefit of the Company or any of its subsidiaries;

- (ii) the giving of any guarantee, security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which he himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;
 - (iii) any proposal concerning an offer of shares or debentures or other securities of or by the Company or any of its subsidiaries for subscription or purchase or exchange in which offer he is or will be interested as a participant in the underwriting or sub-underwriting of such offer;
 - (iv) any proposal concerning an offer of shares or debentures or other securities of or by the Company or any of its subsidiaries for subscription or purchase in which the Director is or may be entitled to participate as a holder of shares or debentures or other securities of the company;
 - (v) any proposal concerning any other company in which he is interested, directly or indirectly and whether as an officer or Shareholder or otherwise, provided that he (together with persons connected with him) does not to his knowledge hold an interest in shares representing one per cent. or more of the issued shares of any class of such company or of the voting rights available to members of the relevant company;
 - (vi) any arrangement for the benefit of the employees of the Company or any of its subsidiary undertakings which does not award the Director any privilege or benefit not generally awarded to the employees to whom such arrangement relates; and
 - (vii) any proposal concerning insurance which the Company is empowered to purchase, fund and/or maintain for or for persons who include any Director or other officer of the Company under which he may benefit.
- (d) Where proposals are under consideration to appoint two or more Directors to offices or employments with the Company or with any company in which the Company is interested or to fix or vary the terms of such appointments, such proposals may be divided and considered in relation to each Director separately and in such case each of the Directors concerned (if not debarred from voting under paragraph (b) above) shall be entitled to vote (and be counted in the quorum) in respect of each resolution except that concerning his own appointment.
- (e) If any question shall arise at any meeting as to the materiality of a Director's interest or as to the entitlement of any Director to vote and such question is not resolved by his agreeing voluntarily to abstain from voting, such question shall be referred to the chairman of the meeting (or where the interest concerns the chairman himself to the deputy chairman of the meeting) and his ruling in relation to any Director shall be final and conclusive except in a case where the nature or extent of the interests of the Director concerned have not been disclosed fairly.
- (f) The Directors may authorise any matter which would otherwise result in a Director infringing his duty to avoid a situation in which he had or can have a direct or indirect interest that conflicts with the interests of the Company, provided that for these purposes the Director in question and any other interested Director are not counted in the quorum at any Board meeting at which the matter is approved and it is agreed to without their voting.

Remuneration

- (a) Until otherwise determined by the Company by ordinary resolution, there shall be paid to the Directors such fees for their services as the Directors may determine (not exceeding in the aggregate an annual sum of £200,000 or such larger amount as the Company may by ordinary resolution decide) divided between the Directors as they agree, or failing agreement, equally.
- (b) Any Director who is appointed to hold any executive office with the Company (including the Chairman or Deputy Chairman, whether or not such office is held as an executive) or who serves on a committee or otherwise performs services which in the opinion of the Directors are outside the scope of the ordinary duties of a Director (including going or residing abroad for any purposes of the Company) may be paid such additional remuneration (whether by way of salary, commission, participation in profits or otherwise) as the Directors may determine.
- (c) Each Director may be paid his reasonable travelling expenses (including hotel and incidental expenses) incurred by them in respect of the performance of their duties as Directors including any expenses incurred in attending and returning from meetings of the Directors or committees

of the Directors or general meetings. If the Board considers it to be desirable for any Directors to make special journeys or perform special services on behalf of the Company or its business, such Directors shall be paid such additional remuneration and expenses as the Directors may determine.

Pensions and other benefits

The Directors may exercise all the powers of the Company to provide benefits, either by the payment of pensions, annuities, gratuities and superannuation or other allowances or benefits, for any Director or former Director, or any person who is or was at any time employed by or in the service of the Company or of any company which is a subsidiary company of or allied or associated with the Company or any such subsidiary and for the families and persons who are or were a dependant of any such persons and for the purpose of providing any such benefits to contribute to any scheme trust or fund.

Appointment and retirement of Directors

- (a) The Directors shall have power to appoint any person who is willing to act to be a Director, either to fill a casual vacancy or as an additional director but so that the total number of Directors shall not exceed the maximum number fixed (if any) by or in accordance with the Existing Articles. Any director so appointed shall retire from office at the annual general meeting of the Company next following such appointment. Any director so retiring shall be eligible for re-election.
- (b) Subject as provided in the Existing Articles, the Company may by ordinary resolution elect any person who is willing to act as a Director either to fill a casual vacancy or as an addition to the existing Directors or to replace a Director removed from office under the Articles but so that the total number of Directors shall not at any one time exceed any maximum number fixed by or in accordance with the Existing Articles.
- (c) At each annual general meeting a minimum number equal to one-third of the number of those Directors who are not due to retire at the annual general meeting under sub-paragraph (a) above (for the purposes of this paragraph "**Relevant Directors**") (or, if their number is not a multiple of three, the number nearest to but not greater than one-third) shall retire from office. Directors retiring under paragraph (e) below shall be counted as part of this minimum number.
- (d) The Directors to retire by rotation pursuant to paragraph (c) above shall include (so far as necessary to obtain the minimum number required and after taking into account the Directors to retire under paragraph (e) below) any Relevant Director who wishes to retire and not to offer himself for re-election. Any further Directors so to retire shall be those of the other Relevant Directors subject to retirement by rotation who have been longest in office since their last re-election or appointment and so that as between persons who became or were last re-elected Directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot. A retiring Director shall be eligible for re-election.
- (e) In any event, each Director shall retire and shall (unless his terms of appointment with the Company specify otherwise) be eligible for re-election at the annual general meeting held in the third calendar year (or such earlier calendar year as may be specified for this purpose in his terms of appointment with the Company) following his last appointment, election or re-election at any general meeting of the Company held at the date of adoption of the Existing Articles.
- (f) At the meeting at which a Director retires under any provision of the Existing Articles, the Company may by ordinary resolution fill the vacated office by appointing a person to it, and in default the retiring Director shall be deemed to have been re-appointed except where:
 - (i) that Director has given notice to the Company that he is unwilling to be elected; or
 - (ii) at such meeting it is expressly resolved not to fill such vacated office or a resolution for the reappointment of such Director shall have been put to the meeting and not passed.
- (g) The retirement of a Director pursuant to paragraphs (c), (d) and (e) shall not have effect until the conclusion of the relevant meeting except where a resolution is passed to elect some other person in the place of the retiring Director or a resolution for his re-election is put to the meeting and not passed and accordingly a retiring Director who is re-elected or deemed to have been re-elected will continue in office without break.

- (h) The Company may in accordance with statute by ordinary resolution of which special notice has been given, remove any Director from office and appoint another person in place of the Director removed. Any person so appointed as Director shall be treated for the purpose of determining the time at which he or any other Director is to retire by rotation as if he had become a Director on the day on which the Director in whose place he is appointed was last elected a Director. In the event of the vacancy not being filled by such an appointment, it may be filled by the Directors as a casual vacancy in accordance with sub-paragraph (a) above.

Indemnity of officers

Subject to the provisions of any relevant legislation, every Director and other officer of the Company is entitled to be indemnified by the Company against any liability incurred by or attaching to him in connection with any negligence, default, breach of duty or breach of trust by him in relation to the Company or any associated company (meaning, in this case, a company which is its subsidiary, or holding company, or a subsidiary of such a holding company). Such an indemnity does not entitle a Director or other officer of the Company to indemnification to the extent that this would be void under the Companies Act and does not provide indemnity against liability incurred by the Director:

- (a) to the Company;
- (b) to pay a fine imposed in criminal proceedings or any sum payable by way of a fine in regulatory proceedings;
- (c) in defending criminal proceedings in which the Director is convicted;
- (d) in defending civil proceedings brought by the Company; or
- (e) in connection with any application under s144(3) or (4) or s727 of the Companies Act 1985 in which the court refuses to grant the Director relief.

Annual general meetings

The Company shall hold its annual general meeting in addition to any other meetings in that year, within six months beginning with the day following its accounting reference date. The annual general meeting shall be held at such time and place as the Directors may appoint.

Calling of general meetings

The Directors may call a general meeting (other than an annual general meeting) whenever they think fit, and shall convene such meeting for a date not more than 28 days after the date of the notice convening the meeting.

Length of notice

An annual general meeting shall be called by at least 21 clear days' notice in writing and any other general meeting shall be called by at least 14 clear days' notice in writing, such notice to be given in accordance with the Existing Articles.

Contents of notice and attendance

Every notice of meeting of the Company shall:

- (a) be sent or supplied to all members other than those who under the provisions of the Existing Articles are not entitled to receive such notices from the Company;
- (b) specify the place and the day and time of the meeting;
- (c) specify that members may appoint: (i) a proxy to exercise all or any of the member's rights to attend and vote at the meeting; and (ii) on a show of hands poll, vote instead of him and that a proxy need not be a member of the Company;
- (d) in the case of an annual general meeting, specify the meeting as such;
- (e) in the case of any general meeting at which business other than ordinary business is to be transacted, specify the general nature of such business; and

- (f) if the meeting is called to consider a special resolution, the notice shall contain a statement to that effect.

For the purposes of determining which people may attend or vote at a meeting and how many votes such people may cast, the notice of meeting may give a time by which people must be entered on the register in order to be entitled to attend or vote at the meeting. This time must not be more than 48 hours before the time fixed for the meeting.

Quorum of meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business but the absence of a quorum shall not preclude the appointment of a chairman which shall not be treated as part of the business of a meeting. Two persons present and entitled to vote upon the business to be transacted, each being either a member or a proxy for a member and entitled to vote shall be a quorum for all purposes.

- 5.4 The following is a summary of certain provisions of the New Articles that Shareholders will be asked to approve at the General Meeting pursuant to Resolution 6. Copies of the New Articles are available on written request to the Company Secretary of the Company, are available for inspection and on the Company's website at www.theshearwatergroup.co.uk, as set out in paragraph 25 of this Part X.

This summary does not purport to be complete and is qualified in its entirety by the full terms of the New Articles.

NEW ARTICLES

Objects

In accordance with s31 Companies Act, the Company's objects are unrestricted and so the Company's Articles do not contain Company's objects or purposes.

Voting rights

Subject to any other provisions of the Articles and without prejudice to any special rights, privileges or restrictions as to voting attached to any shares forming part of the Company's share capital, the voting rights of members is as follows. On a show of hands, each member present in person, and each duly authorised representative present in person of a member that is a corporation, has one vote. On a show of hands, each proxy present in person who has been duly appointed by one or more members has one vote but a proxy has one vote for and one vote against a resolution if, in certain circumstances, the proxy is instructed by more than one member to vote in different ways on a resolution. On a poll each member present in person or by proxy or (being a corporation) by a duly authorised representative has one vote for each share held by the member. The Company itself is prohibited (to the extent specified by the Companies Act) from exercising any rights to attend or vote at meetings in respect of any shares held by it as treasury shares.

Restrictions on voting where sums overdue on shares

No member of the Company shall be entitled to vote at any general meeting of the Company or at any separate class meeting of the Company in respect of any share held by him unless all calls or other sums payable by him in respect of that share have been paid.

Dividends

Subject to the Companies Act and the provisions of all other relevant legislation, the Company may by ordinary resolution declare dividends in accordance with the respective rights of members but no such dividend shall exceed the amount recommended by the Directors. If, in the opinion of the Directors, the profits of the Company available for distribution justify such payments, the Directors may pay fixed dividends payable on any shares of the Company with preferential rights, half-yearly or otherwise, on fixed dates and from time to time pay interim dividends to the holders of any class of shares. Subject to any special rights attaching to or terms of issue of any shares, all dividends shall be declared and paid according to the amounts paid up on the shares on which the dividend is paid.

No dividend shall be payable to the Company itself in respect of any shares held by it as treasury shares.

The Company may, upon the recommendation of the Directors, by ordinary resolution, direct payment of a dividend wholly or partly by the distribution of specific assets.

All dividends unclaimed may be invested or otherwise used at the Directors' discretion for the benefit of the Company until claimed (subject as provided in the Articles), and all dividends unclaimed after a period of twelve years from the date when such dividend became due for payment shall be forfeited and shall revert to the Company.

The Directors may, if so authorised by ordinary resolution passed at any general meeting of the Company, offer any holders of the Ordinary Shares the right to elect to receive in lieu of that dividend an allotment of ordinary shares credited as fully paid.

The Company may cease to send any cheque or warrant through the post or may stop the transfer of any sum by any bank or other funds transfer system for any dividend payable on any share in the Company which is normally paid in that manner on those shares if in respect of at least two consecutive dividends the cheques or warrants have been returned undelivered or remain uncashed or the transfer has failed and reasonable enquiries made by the Company have failed to establish any new address of the holder.

The Company or the Directors may specify a "record date" on which persons registered as the holders of shares shall be entitled to receipt of any dividend.

Distribution of assets on winding up

On any winding up of the Company (whether the liquidation is voluntary, under supervision or by the Court), the liquidator may with the authority of an extraordinary resolution of the Company and any other sanction required by the Companies Act, divide among the Company's members (excluding the Company itself to the extent that it is a member by virtue of its holding any shares or treasury shares) *in specie* or in kind the whole or any part of the assets of the Company (subject to any special rights attached to any shares issued by the Company in the future) and may for that purpose set such value as he deems fair upon any one or more class or classes of property and may determine how that division shall be carried out as between the members or different classes of members. The liquidator may, with that sanction, vest the whole or any part of the assets in trustees upon such trusts for the benefit of the members as he with the relevant authority determines, and the liquidation of the Company may be closed and the Company dissolved, but so that no members shall be compelled to accept any shares or other property in respect of which there is a liability.

Variation of rights

The rights or privileges attached to any class of shares may (unless otherwise provided by the terms of the issue of the shares of that class) be varied or abrogated with the consent in writing of the holders of three-fourths in nominal amount of the issued shares of that class (excluding any shares of that class held as treasury shares) or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of the shares of that class, but not otherwise. These conditions are not more significant than is required by law.

The provisions of the Articles relating to general meetings will apply to every general meeting of the holders of one class of shares except that the necessary quorum will be two persons' present holding or representing by proxy at least one-third of the issued shares of the class and that any holder of shares of the class present in person or by proxy may demand a poll.

The rights conferred upon the holders of the shares of any class issued with preferred or other rights will not, unless otherwise expressly provided by the terms of issue of the shares of that class, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

Transfer of shares

All shares in the Company are in registered form and may be transferred by a transfer in any usual or common form or any form acceptable to the Directors and permitted by the Companies Act, the UK Listing Authority and the London Stock Exchange (as appropriate). All transfers of uncertificated shares shall be made in accordance with and subject to the provisions of the CREST Regulations and the facilities and requirements of a relevant system and subject thereto in accordance with any arrangements made by the Directors.

The Directors may decline to register a transfer of a share which is:

- (i) not fully paid or on which the Company has a lien provided that, where any such share is admitted to trading on AIM or the Official List of the UK Listing Authority that discretion may not be exercised in such a way as to prevent dealings in shares of that class from taking place on an open and proper basis; or
- (ii) (except where uncertificated shares are transferred without a written instrument) not lodged duly stamped at the registered office of the Company or at such other place as the Directors may appoint; or
- (iii) (except where a certificate has not been issued) not accompanied by the certificate of the share to which it relates or such other evidence reasonably required by the Directors to show the right of the transferor to make the transfer; or
- (iv) in respect of more than one class of share; or
- (v) in the case of a transfer to joint holders of a share, the number of joint holders to whom the share is to be transferred exceeds four.

Pre-emption rights

There are no rights of pre-emption under the Articles in respect of transfers of issued Ordinary Shares. In certain circumstances, the Company's Shareholders may have statutory pre-emption rights under the Companies Act in respect of the allotment of new shares in the Company. These statutory pre-emption rights would require the Company to offer new shares for allotment to existing Shareholders on a pro rata basis before allotting them to other persons. In such circumstances, the procedure for the exercise of such statutory pre-emption rights would be set out in the documentation by which such shares would be offered to the Company's Shareholders.

Directors

The Company may by ordinary resolution appoint any person to be a director or may by special resolution remove any director.

The Directors may from time to time permit any person appointed to be a Director to continue in any executive office or employment held by him before he was so appointed.

Unless and until the Company in a general meeting shall otherwise determine, the number of Directors shall not be less than two.

Subject to the provisions of the Articles, the Directors may otherwise regulate their meetings as they think fit. Questions arising at any meeting shall be determined by a majority of votes. In case of an equality of votes the Chairman of the meeting shall have a second or casting vote.

Members of the Board, or any committee or sub-committee of the Directors, may participate in a meeting of the Directors or of such committee by means of a conference telephone or similar communications equipment allowing all persons participating in the meeting to hear each other at the same time.

Borrowing powers

Subject as provided in the Articles and to the provisions of any relevant legislation, the Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking,

property and uncalled capital or parts thereof and to issue debentures and other securities whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

Directors' interests and restrictions

- (a) Subject to the provisions of any relevant legislation and provided that he has disclosed to the Directors the nature and extent of any material interest of his, a Director may be a party to, or otherwise interested in, any transaction, contract or arrangement with the Company and he may be a Director or other officer of, or employed by, or a party to any transaction or arrangement with, or otherwise interested in any body corporate promoted by the Company or in which the Company is otherwise interested and that Director shall not, by reason of his office, be accountable to the Company for any benefit which he derives from any such office or employment or from any such transaction or arrangement or from any interest in any such body corporate; and no such transaction or arrangement shall be liable to be avoided on the ground of any such interest or benefit.
- (b) Save as provided in the Articles, a Director shall not vote at a meeting of the Directors in respect of any contract or arrangement or any other proposal whatsoever in which he has an interest which (together with any person connected with him within the meaning of s252 Companies Act) is to his knowledge a material interest, other than an interest in shares or debentures or other securities of the Company, a Director shall not be counted in the quorum at a meeting in relation to any resolution on which his is not entitled to vote.
- (c) A Director shall (in the absence of some material interest other than those indicated below) be entitled to vote (and be counted in the quorum) in respect of any resolution concerning any of the following matters namely:
 - (i) the giving of any guarantee, security or indemnity in respect of money lent or obligations incurred by him at the request of or for the benefit of the Company or any of its subsidiaries;
 - (ii) the giving of any guarantee, security or indemnity in respect of a debt or obligation of the Company or any of its subsidiaries for which he himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;
 - (iii) any proposal concerning an offer of shares or debentures or other securities of or by the Company or any of its subsidiaries for subscription or purchase or exchange in which offer he is or will be interested as a participant in the underwriting or sub-underwriting of such offer;
 - (iv) any proposal concerning any other company in which he is interested, directly or indirectly and whether as an officer or Shareholder or otherwise, provided that he (together with persons connected with him) does not to his knowledge hold an interest in shares representing one per cent. or more of the issued shares of any class of such company (or of any third company through which his interest is derived) or of the voting rights available to members of the relevant company;
 - (v) any proposal concerning the adoption, modification or operation of a pension, superannuation fund or retirement death or disability benefits scheme or an employees' share scheme (within the meaning of s1166 Companies Act) under which he may benefit and which relates to employees and/or Directors of the Company and does not accord to such Director any privilege or benefit not generally accorded to the persons to whom such scheme relates;
 - (vi) any proposal under which he may benefit concerning the giving of indemnities to Directors or other officers of the Company which the Directors are empowered to give under the Articles;
 - (vii) any proposal concerning the purchase, funding and/or maintenance of insurance which the Company is empowered to purchase fund and/or maintain for or for persons who include any Director or other officer of the Company under which he may benefit; and
 - (viii) any proposal under which he may benefit concerning the provision to Directors of funds to meet expenditure defending proceedings.

- (d) Where proposals are under consideration to appoint two or more Directors to offices or employments with the Company or with any company in which the Company is interested or to fix or vary the terms of such appointments, such proposals may be divided and considered in relation to each Director separately and in such case each of the Directors concerned (if not debarred from voting under bullet point two above) shall be entitled to vote (and be counted in the quorum) in respect of each resolution except that concerning his own appointment.
- (e) If any question shall arise at any meeting as to the materiality of a Director's interest or as to the entitlement of any Director to vote and such question is not resolved by his agreeing voluntarily to abstain from voting, such question shall be referred to the chairman of the meeting (or where the interest concerns the chairman himself to the deputy chairman of the meeting) and his ruling in relation to any Director shall be final and conclusive except in a case where the nature or extent of the interests of the Director concerned have not been disclosed fairly.

Remuneration

- (a) Each of the Directors may (in addition to any amounts payable under the two following paragraphs or under any other provision of the Articles) be paid out of the funds of the Company such sum by way of Directors' fees as the Directors may from time to time determine.
- (b) Any Director who is appointed to hold any employment or executive office with the Company or who, by request of the Company, goes or resides abroad for any purposes of the Company or who otherwise performs services which in the opinion of the Directors are outside the scope of his ordinary duties may be paid such additional remuneration (whether by way of salary, commission, participation in profits or otherwise) as the Directors (or any duly authorised committee of the Directors) may determine and either in addition to or in lieu of any remuneration provided for by or pursuant to any other Article.
- (c) Each Director may be paid his reasonable travelling expenses (including hotel and incidental expenses) of attending and returning from meetings of the Directors or committees of the Directors or general meetings or any separate meeting of the holders of any class of shares in the Company or any other meeting which as a Director he is entitled to attend and shall be paid all expenses properly and reasonably incurred by him in the conduct of the Company's business or in the discharge of his duties as a Director.

Pensions and other benefits

The Directors may exercise all the powers of the Company to provide benefits, either by the payment of gratuities or pensions or by insurance or in any other manner whether similar to the foregoing or not, for any Director or former Director, or any person who is or was at any time employed by, or held an executive or other office or place of profit in, the Company or any body corporate which is or has been a subsidiary of the Company or a predecessor of the business of the Company or of any such subsidiary and for the families and persons who are or was a dependant of any such persons and for the purpose of providing any such benefits contribute to any scheme trust or fund or pay any premiums.

Appointment and retirement of Directors

- (a) The Directors shall have power to appoint any person who is willing to act to be a Director, either to fill a casual vacancy or as an additional director but so that the total number of Directors shall not exceed the maximum number fixed (if any) by or in accordance with the Articles. Any director so appointed shall retire from office at the annual general meeting of the Company next following such appointment. Any director so retiring shall be eligible for re-election.
- (b) Subject as provided in the Articles, the Company may by ordinary resolution elect any person who is willing to act as a Director either to fill a casual vacancy or as an addition to the existing Directors or to replace a Director removed from office under the Articles but so that the total number of Directors shall not at any one time exceed any maximum number fixed by or in accordance with the Articles.
- (c) At each annual general meeting a minimum number equal to one-third of the number of those Directors who are not due to retire at the annual general meeting under sub-paragraph a above

(for the purposes of this paragraph “**Relevant Directors**”) (or, if their number is not a multiple of three, the number nearest to but not greater than one-third) shall retire from office. Directors retiring under paragraph e below shall be counted as part of this minimum number.

- (d) The Directors to retire by rotation pursuant to paragraph c above shall include (so far as necessary to obtain the minimum number required and after taking into account the Directors to retire under paragraph e below) any Relevant Director who wishes to retire and not to offer himself for re-election. Any further Directors so to retire shall be those of the other Relevant Directors who have been longest in office since their last re-election or appointment and so that as between persons who became or were last re-elected Directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot. A retiring Director shall be eligible for re-election.
- (e) In any event, each Director shall retire and shall (unless his terms of appointment with the Company specify otherwise) be eligible for re-election at the annual general meeting held in the third calendar year (or such earlier calendar year as may be specified for this purpose in his terms of appointment with the Company) following his last appointment, election or re-election at any general meeting of the Company held at the date of adoption of the Articles.
- (f) At the meeting at which a Director retires under any provision of the Articles, the Company may by ordinary resolution fill the vacated office by appointing a person to it, and in default the retiring Director shall be deemed to have been re-appointed except where:
 - (i) that Director has given notice to the Company that he is unwilling to be re-elected; or
 - (ii) at such meeting it is expressly resolved not to fill such vacated office or a resolution for the reappointment of such Director shall have been put to the meeting and not passed.

In the event of the vacancy not being filled at such meeting, it may be filled by the Directors as a casual vacancy in accordance with sub-paragraph a above.

The retirement of a Director pursuant to paragraphs c, d and e shall not have effect until the conclusion of the relevant meeting except where a resolution is passed to elect some other person in the place of the retiring Director or a resolution for his re-election is put to the meeting and not passed and accordingly a retiring Director who is re-elected or deemed to have been re-elected will continue in office without break.

Indemnity of officers

Subject to the provisions of any relevant legislation, every Director and other officer of the Company is entitled to be indemnified by the Company against all costs, charges, losses, expenses and liabilities incurred by him in the execution and discharge of his duties or in relation to those duties.

Annual general meetings

The Company shall in each year hold a general meeting as its annual general meeting in addition to any other meetings in that year, and shall specify the meeting as such in the notice convening it. The annual general meeting shall be held at such time and place as the Directors may appoint.

Calling of general meetings

The Directors may call a general meeting (other than an annual general meeting) whenever they think fit, and shall proceed with proper expedition to convene a general meeting if the members and the Companies Act require them to do so.

Length of notice

An annual general meeting shall be called by at least 21 clear days' notice in writing and any other general meeting shall be called by at least 14 clear days' notice in writing, such notice to be given in accordance with the Articles.

Contents of notice and attendance

Every notice of meeting of the Company shall:

- (a) be sent or supplied to all members other than those who under the provisions of the Articles are not entitled to receive such notices from the Company;
- (b) specify the place and the day and time of the meeting;
- (c) may appoint: (i) a proxy to exercise all or any of the member's rights to attend, speak and vote at the meeting; and (ii) more than one proxy in relation to the meeting if each proxy is appointed to exercise the rights attached to a different share or shares held by the member;
- (d) in the case of an annual general meeting, specify the meeting as such;
- (e) in the case of any general meeting at which business other than ordinary business is to be transacted, specify the general nature of such business; and
- (f) if the meeting is called to consider a special resolution, include the text of the resolution and the intention to propose the resolution as a special resolution.

For the purposes of determining which people may attend or vote at a meeting and how many votes such people have, the notice of meeting may give a time by which people must be entered on the register in order to be entitled to attend or vote at the meeting. This time must not be more than 48 hours before the time fixed for the meeting and, when calculating this 48 hour period, no account is to be taken of any part of a day that is not a working day.

Quorum of meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business but the absence of a quorum shall not preclude the appointment of a chairman which shall not be treated as part of the business of a meeting. Two persons present and entitled to vote upon the business to be transacted, each being either a member or a proxy for a member or a duly authorised representative of a corporation which is a member shall be a quorum for all purposes.

6. Other relevant laws and regulations

- 6.1 The Company is a public limited company incorporated. Accordingly, the Takeover Code applies to the Company and will, amongst other things, regulate any takeover offer for the Company and any other transaction which has as its objective or potential effect (directly or indirectly) obtaining or consolidating control of the Company. For this purpose, control is defined as an interest or interests in shares carrying more than 30 per cent. of the voting rights of a company, irrespective of whether such interest or interests give de facto control.
- 6.2 Rule 9 of the Takeover Code states that, where any person or group of persons acting in concert acquires (whether by one transaction or a series of transactions) an interest or interests in shares which carry 30 per cent. or more of the voting rights of a company, such person or persons acting in concert must make a general offer for the remaining issued share capital of such company. Rule 9 of the Takeover Code also states that any person or group of persons acting in concert that is interested in shares which in aggregate carry not less than 30 per cent. and not more than 50 per cent. of the voting rights of a company must make an offer for the remaining issued share capital of the company should there be any increase in the in the percentage of the shares carrying voting rights in which they or any person acting in concert with them are interested. An offer under Rule 9 of the Takeover Code must be made in cash and at the highest price paid by the person or persons required to make the offer for any interest in shares of the company in question during the 12 months prior to the announcement of such offer.
- 6.3 A shareholder in a public company incorporated in the UK whose shares are admitted to trading on AIM is required pursuant to Rule 5 of the Disclosure Guidance and Transparency Rules to notify the company of the percentage of their voting rights if the percentage of voting rights which they hold as a shareholder or through their direct or indirect holding of financial instruments (or a combination of such holdings) reaches, exceeds or falls below three per cent., four per cent., five per cent., and each one per cent. threshold thereafter up to 100 per cent. as a result of an acquisition or disposal of shares.

- 6.4 Pursuant to ss979 to 991 of the Companies Act, where a takeover offer has been made for the Company and the offeror has acquired or unconditionally contracted to acquire not less than 90 per cent. of the voting rights carried by those shares, the offeror may give notice, to the holder of any shares to which the offer relates which the offeror has not acquired or unconditionally contracted to acquire that he wishes to acquire and is entitled to so acquire, to acquire those shares on the same terms as the general offer.
- 6.5 Pursuant to Part 22 of the Companies Act, the Existing Articles and (if approved by Shareholders at the General Meeting, the New Articles), the Company is empowered by notice in writing to require any person whom the Company knows to be, or has reasonable cause to believe to be interested in the Company's shares or, at any time during the three years immediately preceding the date on which the notice is issued has been so interested, within a reasonable time to disclose to the Company particulars of any interest, rights, agreements or arrangements affecting any of the shares held by that person or in which such other person as aforesaid is interested (so far as is within his knowledge).

7. Directors of the Company

- 7.1 Details of the Directors, their business addresses and their functions in the Company are set out on page eight of this document under the heading "Directors, Secretary and Advisers". Each of the Directors can be contacted at the principal place of business of the Company at 6th Floor, Octagon Point, St Paul's, London EC2V 6AA.
- 7.2 In addition to being directors of the Company, the Directors hold or have held the directorships of the companies and/or are or were partners of the partnerships specified opposite their respective names below within the five years prior to the date of this document:

Directors

<i>Director's name</i>	<i>Current directorships</i>	<i>Previous directorships (within the past five years)</i>
David Jeffreys Williams	Breedon Group plc Conygar Advantage Limited Conygar Cross Hands Limited Conygar Haverfordwest Retail Limited Conygar Rhosgoch Limited Dunnings Ltd DW Pension Fund Ltd Grissan Ltd Jersey Royal Land Holdings Ltd Lamont Property Acquisition (Jersey) I Limited Lamont Property Acquisition (Jersey) II Limited Lamont Property Acquisition (Jersey) IV Limited Lamont Property Acquisition (Jersey) V Limited Lamont Property Acquisition (Jersey) VII Limited Lamont Property Holdings Limited MyEye Technology Ltd Oxford Biodynamics plc Peclat Ltd Shearwater Subco Limited TAPP Maidenhead Limited TAPP Property Limited Tessera Investment Partners LLP	Marwyn 10 Buckingham Street LLP Marwyn 11 Buckingham Street LLP Tessera Partners UK Limited

<i>Director's name</i>	<i>Current directorships</i>	<i>Previous directorships (within the past five years)</i>
David Jeffreys Williams <i>(continued)</i>	The Advantage Property Income Trust Limited TOPP Bletchley Limited TOPP Holdings Limited TOPP Property Limited Wentworth Ltd	
Michael Joseph Stevens	Shearwater Subco Limited	Airbus Defence and Space Limited Airbus DS Limited Airbus Group Endeavr Wales Cassidian Holdings Limited SIKA International Limited
Robin Simon Southwell	CGA Sandown Limited David Linley & Co Limited David Linley Holdings Limited Fairmile Court (Cobham) Management Company Limited Farnborough International Limited Joliade Limited Parkside School Trading Company Limited Parkside School Trust	Air League Enterprises Limited Airbase Flight Support Limited Airbase Holdings Limited Airbase Interiors Limited Airbus DS Limited Airbus Group Limited Cassidian Cybersecurity Limited Cassidian Holdings Limited Chambre de Commerce Francaise de Grande-Bretagne Limited China Delta Export Limited Concord Filing Products Limited Core Enterprise Management Limited On Air Dining Limited Sierra Nevada UK Limited
Stephen Robert Ball	RelianceACSN Limited	Amor Group Limited FS Walker Hughes Limited Fusion Air Traffic Services Limited HMT Vehicles Limited Invisys Limited Leidos Innovations UK Ltd Lockheed Martin Aerospace Systems Integration, LLC Lockheed Martin UK Ampthill Group Limited Lockheed Martin UK Ampthill Limited Lockheed Martin UK Ampthill Services Limited Lockheed Martin UK Holdings Limited Lockheed Martin UK Integrated Systems and Solutions Limited Lockheed Martin UK Kudos Limited Lockheed Martin UK Limited Lockheed Martin UK Strategic Systems Limited Seabed Resources Development Limited UK Seabed Resources Limited

<i>Director's name</i>	<i>Current directorships</i>	<i>Previous directorships (within the past five years)</i>
Giles Kirkley Willits	Alliance Films (UK) Limited Astley Baker Davies Limited Entertainment One Overseas Holdings Limited Entertainment One UK Holdings Limited Entertainment One UK Limited Entertainment One UK Rights Limited Film Resources Limited Judy Willits Consulting Limited Medusa Communications and Marketing Limited	Alliance Films (UK) Dark Skies Limited Alliance Films (UK) Development Limited Alliance Films (UK) Sinister 2 Limited Contender Online Limited eOne Features (Development) Limited eOne Features (Halloween) Limited eOne Features (IMS) Limited eOne Films (BRR) Limited eOne Films (EITS) Limited eOne Films (MFTK) Limited eOne Films AMTR Limited eOne Films Insidious 3 Limited LVK Distribution Limited Rubber Duck Entertainment Limited Seville Productions (Dallaire) Inc Suite Distribution Limited
Christopher John Eadie	Castilla Mining Limited Chris Eadie Associates Limited Rose Cuba Limited Rose Gypsum Limited Rose Petroleum plc	None

7.3 RMS Communications PLC, of which David Williams was a non-executive director, was placed into compulsory liquidation in September 1999. The company held its final meeting of creditors in February 2010 and was subsequently dissolved in June 2010.

China Delta Export Ltd, of which Robin Southwell was a director, was placed into creditors' voluntary liquidation in December 2011. The company held its final meeting of creditors in May 2015 and was subsequently dissolved in September 2015.

Concord Filing Products Ltd, of which Robin Southwell was a director, appointed joint administrators in December 2013. The company moved from administration to creditors' voluntary liquidation in December 2014.

MVC Entertainment Limited, of which Giles Willits was a director until July 2005 when the business was sold, had administrators appointed by its new owners in December 2005. The company then moved from administration to creditors' voluntary liquidation in July 2006. The company held its final meeting of creditors in September 2009 and was subsequently dissolved in December 2009.

7.4 Save as disclosed in paragraph 7.3, as at the date of this document, no Director has:

- (a) any unspent convictions in relation to indictable offences;
- (b) been declared bankrupt or been subject to any individual voluntary arrangement;
- (c) been a director of any company which has been placed in receivership, compulsory liquidation, creditors' voluntary liquidation, administration, company voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors whilst he was a director of that company or within 12 months after he ceased to be a director of that company;
- (d) been a partner in any partnership which has been placed in compulsory liquidation, administration or partnership voluntary arrangement whilst he was a partner of that partnership or within 12 months after he ceased to be a partner in that partnership;

- (e) been the owner of any asset or been a partner in any partnership which had an asset placed in receivership whilst he was a partner of that partnership or within the 12 months after he ceased to be a partner of that partnership; or
- (f) been subject to any public criticisms by any statutory or regulatory authorities (including recognised professional bodies) or been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.

8. Directors' service agreements and letters of appointment

The following agreements have been entered into between the Directors and the Company:

8.1 David Williams

David Jeffreys Williams was appointed as Chairman on 20 April 2015.

Mr Williams' serves as Chairman to the Company pursuant to a letter of appointment dated 29 September 2016. Mr Williams' time commitment is anticipated to be 24 days per annum and his appointment is terminable by either party on three months' written notice. Mr Williams' appointment will be automatically terminated if he is not elected or re-elected by the Shareholders or if he ceases to be a Director.

The fee payable to Mr Williams is £50,000 per annum, which is to be paid in equal monthly instalments in arrears. Fees are subject to annual review, the first review will be effective from 1 October 2017. The Company, at its expense, also provides Mr Williams with directors' and officers' liability insurance and reimburses him for the reasonable cost of obtaining independent professional advice where necessary in the furtherance of his responsibilities as Non-Executive Chairman of the Company.

8.2 Mo Stevens

Michael Joseph Stevens was appointed as a Director on 3 October 2016.

Mr Stevens serves as a Chief Executive Officer of the Company pursuant to a service agreement dated 16 September 2016.

Mr Stevens is entitled to a salary of £210,000 per annum, which shall be reviewed annually by the Board. Mr Stevens is also eligible to a discretionary bonus if the Company puts a bonus scheme in place, on terms to be determined by the Remuneration Committee of the Board. The Company has agreed to contribute a value equalling five per cent. of Mr Stevens' annual salary into a personal pension scheme nominated by Mr Stevens.

Mr Stevens' service agreement is terminable on six months' written notice by either party at any time.

Mr Stevens has also agreed to customary confidentiality restrictions and restrictive covenants relating to non-competition and non-solicitation of employees, customers and suppliers for a period of six months following termination.

The Company, at its expense, also provides Mr Stevens with directors' and officers' liability insurance.

8.3 Robin Southwell

Robin Simon Southwell was appointed as a Director on 10 October 2016.

Mr Southwell serves as a Non-Executive Director to the Board pursuant to a letter of appointment dated 7 October 2016.

Mr Southwell's time commitment is anticipated to be 24 days per annum, his appointment will continue for three years and is terminable by either party on three months' written notice at any time. Mr Southwell's appointment will be automatically terminated if he is not elected or re-elected by the Shareholders or if he ceases to be a Director.

The fee payable to Mr. Southwell is £25,000 per annum, which is to be paid in equal monthly instalments in arrears. Fees are subject to annual review, the first review will be effective from 1 November 2017. The Company, at its expense, also provides Mr Southwell with directors' and officers' liability insurance and reimburses him for the reasonable cost of obtaining independent professional advice where necessary in the furtherance of his responsibilities as Non-Executive Director of the Company.

8.4 Stephen Ball

Stephen Robert Ball was appointed as a Director on 24 October 2016.

Mr Ball serves as a Non-Executive Director to the Board pursuant to a letter of appointment dated 21 October 2016.

Mr Ball's time commitment is anticipated to be 24 days per annum, his appointment will continue for three years and is terminable by either party on three months' written notice at any time. Mr Ball's appointment will be automatically terminated if he is not elected or re-elected by the Shareholders or if he ceases to be a Director.

The fee payable to Mr. Ball is £25,000 per annum, which is to be paid in equal monthly instalments in arrears. Fees are subject to annual review, the first review will be effective from 1 November 2017. The Company, at its expense, also provides Mr Ball with directors' and officers' liability insurance and reimburses him for the reasonable cost of obtaining independent professional advice where necessary in the furtherance of his responsibilities as Non-Executive Director of the Company.

8.5 Giles Willits

Giles Kirkley Willits was appointed as a Director on 9 December 2016.

Mr Willits' services as Non-Executive Director to the Company are procured by a letter of appointment dated 9 December 2016. Mr Willits' time commitment is anticipated to be 24 days per annum and his appointment is terminable by either party on six months' written notice.

The fee payable to Mr. Willits is £1 per annum. Mr Willits is also entitled to 521,739 options over Ordinary Shares of the Company (granted under an Existing Option Deed), exercisable at nil cost and vesting in twelve equal tranches across the first full year of his appointment as Non-Executive Director. The annual fee will increase to £24,000 per annum subject to Mr Willits remaining a Non-Executive Director beyond the first anniversary of his appointment and the full vesting of his options.

The Company, at its expense, also provides Mr Willits with directors' and officers' liability insurance and reimburses him for the reasonable cost of obtaining independent professional advice where necessary in the furtherance of his responsibilities as a Non-Executive Director of the Company.

8.6 Christopher John Eadie

Christopher John Eadie was appointed as a Director on 8 September 2016.

Mr Eadie serves as an Executive Director of the Company pursuant to a service agreement dated 11 June 2007 (as subsequently amended).

Mr Eadie is entitled to a salary of £50,000 per annum.

Mr Eadie's service agreement terminates automatically on the occurrence of certain change of control events and is otherwise terminable by either party on twelve months' notice.

The Company, at its expense, also provides Mr Eadie with directors' and officers' liability insurance.

8.7 Save as specified in this paragraph, there are no existing or proposed service agreements, consultancy agreements or letters of appointment between any of the Directors and any member of the Existing Group which provide benefits upon termination of employment or otherwise.

9 Directors' shareholdings and other interests

9.1 As at 19 April 2017, being the last practicable date prior to the publication of this document, the interests (all of which are beneficial except as shown below) of the Directors in the existing share capital of the Company and (so far as is known to the Directors having made appropriate enquiries) persons connected with them (which expression shall be construed in accordance with s252 Companies Act) are as follows:

<i>Name</i>	<i>Number of Ordinary Shares</i>	<i>Percentage of Company's issued share capital (per cent.)</i>
David Jeffreys Williams ¹⁰	101,083,994	18.89
Michael Joseph Stevens	10,625,000	1.99
Robin Simon Southwell	10,625,000	1.99
Stephen Robert Ball	10,625,000	1.99
Giles Kirkley Willits	5,625,000	1.05
Christopher John Eadie	5,125,001	0.96

9.2 As at 19 April 2017, being the last practicable date prior to the publication of this document, the Directors and (so far as is known to the Directors having made appropriate enquiries) persons connected with them (which expression shall be construed in accordance with s252 Companies Act) have the following options over Ordinary Shares pursuant to the Existing Option Deeds:

<i>Name</i>	<i>Date of grant</i>	<i>Number of Ordinary Shares under option</i>	<i>Exercise price per share (pence)</i>	<i>Exercise period</i>
Christopher John Eadie	3 October 2016	1,000,000	1	3 October 2016 to 3 October 2021
Giles Kirkley Willits	9 December 2016	521,739	Nil cost	10 December 2017 to 30 June 2018

9.3 As at 19 April 2017, being the last practicable date prior to the publication of this document, the Directors hold the B1 Shares in the Subsidiary pursuant to the Subsidiary Incentive Scheme as shown in the table below. Under the terms of the Subsidiary Incentive Scheme, those Directors who hold B1 Shares may, subject to certain targets being met, elect to sell their respective B1 Shares to the Company and the Company shall acquire those B1 Shares in consideration for cash or by the issue of new Ordinary Shares (at the Company's discretion). Further details of the Subsidiary Incentive Scheme including details of the targets and relevant time periods for exercise are set out in paragraph 11.3 of this Part X.

<i>Name</i>	<i>Date of issue of B1 Shares</i>	<i>Number of B1 Shares owned</i>	<i>Issue price of B1 Shares</i>
Michael Joseph Stevens	28 December 2016	75,000	£0.032
David Jeffreys Williams ¹¹	28 December 2016	30,000	£0.032
Giles Kirkley Willits	28 December 2016	35,000	£0.032

9.4 Save as disclosed in this document, none of the Directors have any interests, whether beneficial or non-beneficial, in the issued share capital or loan capital of any member of the Existing Group and nor does (so far as is known to the Directors having made appropriate enquiries) persons connected with them (which expression shall be construed in accordance with s252 Companies Act).

9.5 There are no potential conflicts of interest between any duties to the Company of the Directors and their private interests and other duties.

¹⁰ David Williams holds his Ordinary Shares personally as well as through Wentworth Limited and Platform Securities Nominees

¹¹ David Williams holds his options over Ordinary Shares through Wentworth Limited

9.6 There are no outstanding loans granted by any member of the Existing Group to any of the Directors and there are no guarantees provided by any member of the Existing Group for the benefit of any of the Directors.

9.7 Save as disclosed in this document, no Director nor any member of his immediate family nor any person connected with him has a related financial product (as defined in the AIM Rules for Companies) referenced to the Ordinary Shares being admitted.

10. Employees

10.1 The Existing Group currently has three employees (including Mo Stevens). SecurEnvoy currently has 13 employees.

10.2 The table below sets out the number of persons employed by the Company during the financial years ended 2014, 2015 and 2016:

<i>Financial year</i>	<i>Average number of persons employed</i>
2016	0 employees
2015	1 employee
2014	1 employee

10.3 The table below sets out the number of persons employed by SecurEnvoy during the financial years ended 2014, 2015 and 2016:

<i>Financial year</i>	<i>Average number of persons employed</i>
2016	13 employees
2015	13 employee
2014	12 employee

10.4 Details of the Company's share incentive arrangements are set out in paragraph 11 of this Part X.

10.5 SecurEnvoy operates an option scheme but this will be closed prior to Completion so there will be none in place on Admission. The New Option Schemes will be implemented by the Company on Completion which will be available to certain employees and to consultants of SecurEnvoy. Details of the New Option Schemes are set out in paragraphs 11.4 and 11.5 of this Part X.

11. Share incentive arrangements

11.1 A summary of the principal terms of the Company's share incentive arrangements is set out in the following paragraphs. This summary does not form part of any of the arrangements and should not be taken as affecting the interpretation of their detailed terms and conditions.

11.2 Existing Option Deeds

Between 3 October 2016 and 27 February 2017, various current and former Directors and the chairman of the Advisory Panel were granted options under various option deeds entered into with the Company.

As at 19 April 2017, a total of 3,378,882 Ordinary Shares were subject to outstanding options granted under the Existing Option Deeds. The exercise price of the options granted under three of the Existing Option Deeds is £0.01, while the options granted under the other two are exercisable at nil cost. The Directors do not intend to grant any further options under the Existing Option Deeds.

The following summarises the principal terms of the Existing Option Deeds as they apply to outstanding options.

(a) Exercise of options

An option generally may not be exercised before the date or dates specified in the relevant option agreement. The options granted to the relevant option holder may not be exercised later than the fifth

anniversary of the date of grant or any earlier time specified in the option agreement for this purpose. Giles Willits' options may only be exercised after the first anniversary of the date of the option agreement and on or before the date specified in the option agreement for this purpose. Lord Reid's options may only be exercised in three equal tranches, on the dates specified in the option agreement for this purpose. The options are not subject to any performance conditions.

(b) Takeovers and corporate events

If a person (together with persons acting in concert with that person) obtains control of the Company, the court sanctions an arrangement for the reconstruction or amalgamation of the Company, any person becomes bound or entitled to acquire shares or obtains direct or indirect ownership of more than 50 per cent. of the Company's Ordinary Share capital, options may, in specified circumstances, be exercised during a specified period following the relevant event.

(c) Adjustment of options

In the event of any increase or variation of the share capital of the Company by way of capitalisation or rights issue, sub-division, consolidation or reduction, the Company shall make such adjustments to options as it considers fair and reasonable. The Company shall give notice to the option holder promptly, and in any event within five business days, of any such event.

(d) Options not transferable

The options granted under the Existing Option Deeds may not be assigned by either the Company or the option holder without the prior written consent of the other.

(e) Amendment

No variation of the Existing Option Deeds shall be effective unless it is in writing and signed by or on behalf of each party.

11.3 **Subsidiary Incentive Scheme**

On 18 January 2017, the Subsidiary issued 160,000 "B" ordinary shares of £0.000001 which are designated as B1 Shares ("**B1 Shares**") to certain directors or employees of and consultants to the Company (or in the case of one director, to a company controlled by that director) at a price of £0.032 per share.

(a) Put option

The holder of a B1 Share has the right to sell that share to the Company at the relevant Put Price (the "**Put Option**"), by giving notice to the Company during the relevant Exercise Period following a Trigger Event, provided that the CAGR Target is met. For these purposes:

- (i) The "**Put Price**" per B1 Share is 1/160,000 of 16 per cent. of:
 - (A) the Exercise Date Market Capitalisation; less
 - (B) the "**Initial Value**" of £2,284,510.50; less
 - (C) less any amounts subscribed for shares in the Company between the issue date of the B1 Shares and the date of the Trigger Event; plus
 - (D) the aggregate amount of dividends paid in respect of shares in the Company between the issue date of the B1 Shares and the date of the Trigger Event.
- (ii) A "**Trigger Event**" is the first to occur of the following:
 - (A) the third anniversary of the Commencement Date, provided that the CAGR Target has been met at that date;
 - (B) the fifth anniversary of the Commencement Date; or
 - (C) a specified change of control of the Company or the Subsidiary (a "**Change of Control**").

- (iii) The “**Exercise Period**” is:
 - (A) if the Trigger Event is the third anniversary of the Commencement Date, the period starting on that anniversary and ending on the fifth anniversary of the Commencement Date, or, if earlier, 30 days after a Change of Control;
 - (B) if the Trigger Event is not the third anniversary of the Commencement Date, the period of thirty days commencing on the date of the Trigger Event (or such longer period as the Remuneration Committee may permit;

in each case subject to extension if the holder is prevented from exercising the Put Option by the Company’s share dealing code or other restriction on dealing.

- (iv) The “**Commencement Date**” is 29 September 2016.
- (v) The “**CAGR Target**” is met in relation to a Trigger Event if the Trigger Event Value equals or exceeds the Target Value at that time.
- (vi) The “**Trigger Event Value**” in relation to a Trigger Event means the number of Ordinary Shares comprised in the Adjusted Share Capital at that date multiplied by the value of an Ordinary Share at that time.
- (vii) The “**Adjusted Share Capital**” means 174,350,286 Ordinary Shares, being the number of Ordinary Shares in issue at the Commencement Date, subject to adjustment to take account of any dividends paid by the Company, and if there is a variation of share capital or other corporate event applying to the Company such that the Remuneration Committee determines that an adjustment would be appropriate.
- (viii) The “**Target Value**” means the Initial Value increased by 12.5 per cent. per annum from the Commencement Date to the date of the Trigger Event, compounding on each anniversary of the Commencement Date.
- (ix) The “**Exercise Date Market Capitalisation**” means the number of Ordinary Shares in issue on the Exercise Date multiplied by the value of an Ordinary Share at the Exercise Date.
- (x) The “**Exercise Date**” means:
 - (A) where a holder of B1 Shares exercises the Put Option and the Trigger Event is the third anniversary of the Commencement Date, the date on which the exercise notice is given, or if later the date he delivers the duly completed stock transfer form in relation to the transfer of the B1 Shares; and
 - (B) where the Trigger Event is not the third anniversary of the Commencement Date, the date of the Trigger Event.

If the CAGR Target is not met in relation to a Trigger Event, the Put Price is nil. If the CAGR Target is not met in relation to a Trigger Event, or the Put Option has not been exercised by the end of the Exercise Period, the Company may require a holder of B1 Shares to transfer those shares to it for no consideration.

The Company may satisfy the Put Price by the issue of Ordinary Shares to the holder of B1 Shares.

(b) Leaver provisions

If the relevant director, employee or consultant ceases to be a director, employee or consultant of the Company (the “**Leaver**”) in certain circumstances, the Company may within six months of the departure require the holder of the B1 Shares to transfer them to the Company at a price determined by reference to whether the Leaver is a Good Leaver or a Bad Leaver (as defined in the individual subscription agreement).

For a Good Leaver, the price is the Put Price that would apply if the Leaver’s departure were a Trigger Event (which may be nil). For a Bad Leaver, the price is the lower of the price paid for the B1 Share or the price that would apply for a Good Leaver.

11.4 Employee Option Plan

The Company adopted the Employee Option Plan on 19 April 2017. It provides for the grant of options to acquire Ordinary Shares, which can be in the form of tax-advantaged EMI options where the relevant criteria are met. The plan is intended to be an employees’ share scheme, as defined in the Companies Act,

so that shareholder authority is not needed for the Directors to allot shares pursuant to it, nor do the statutory pre-emption rights apply to those shares.

(a) Operation

The Employee Option Plan is to be operated principally by the Board of Directors of the Company, or a duly constituted committee of that Board appointed for the purposes of the plan. It is envisaged that the powers of the Board under the plan will primarily be operated by the Remuneration Committee.

(b) Timing of grant of options

Options will only be granted within the period of forty-two days after the adoption date or the end of a closed period, save where the Board determines that exceptional circumstances justify the grant of options at a different time. Options may not be granted at any time when the grant would be prohibited by, or in breach of, the Market Abuse Regulation or any other law, regulation with the force of law or the AIM Rules for Companies. Options may not be granted after the tenth anniversary of the date the plan was adopted.

(c) Exercise price

Options may not normally be granted with an exercise price per share less than the closing price of an Ordinary Share on the business day immediately preceding the date of grant.

(d) Eligibility

Options can be granted to any employee of the Company or of any subsidiary of the Company. EMI options can only be granted to employees who meet the relevant legislative requirement for the amount of their working time that is committed to the Company and its subsidiaries.

(e) Overall limit

An option may not be granted if it would cause the number of “dilutive shares” to exceed ten per cent. of the Company’s issued share capital at the time. Dilutive shares on any date are all shares of the Company that have been issued on the exercise of options or the satisfaction of other awards granted under any share incentive scheme of the Company (including the Employee Option Plan and the Non-Employee Option Plan), or that remain capable of issue under any such options or awards, in each case where the grant of the option or award occurred during the shorter of the period of ten years ending on and including that date and the period since the date the Shares were first admitted to AIM. For these purposes shares transferred from treasury are treated as shares that are issued.

(f) Performance conditions

The Board may, but is not obliged to, specify one or more appropriate performance conditions for an option at the time it is granted, which determines whether and to what extent the option may be exercised. Any performance condition may be varied or waived at the Board’s discretion provided that it is fairer measure of performance and not more difficult or materially easier to satisfy than the original performance condition.

(g) Exercise of options

Options not subject to a performance condition will normally become exercisable on the vesting date specified when the option was granted (which may not be before the first anniversary of the date of grant). Where performance conditions apply, options will normally only become exercisable if and to the extent such conditions have been satisfied. No option may be exercised later than the tenth anniversary of the grant date. Options may not be exercised at a time when that grant would be prohibited by, or in breach of, the Market Abuse Regulation or any other law, regulation with the force of law or the AIM Rules for Companies.

(h) Cessation of employment

Where an option holder ceases to be a group employee, or dies, before the option has become exercisable, the option will lapse in relation to a number of shares, determined by reference to the time from cessation or death to the time the option would normally become exercisable compared to the time from the date of grant to the time the option would normally become exercisable. If the option holder is a good

leaver, he can exercise the remainder of the option during the period of 90 days beginning on the earlier of the normal vesting date or the date the option becomes exercisable in relation to a corporate event. If the option holder dies, the remainder of his option may be exercised in the 12 months following the date of death, subject to any reduction applied by the Board to reflect the extent to which any performance condition was not satisfied at the date of death. For other leavers, exercise would be at the discretion of the Board. A good leaver is an option holder who ceases to be a group employee by reason of: injury, ill-health or disability; redundancy; retirement; or the sale of the company or business that employs the option holder. Where an option holder ceases to be a group employee after the option has become exercisable, he may exercise the option for a period following the cessation, save where he is summarily dismissed. An option holder will not be treated as ceasing to be an employee until he is no longer an employee or director of any group company.

(i) Corporate events

Where control of the Company is acquired by a person (together with any persons acting in concert with that person), options will generally be exercisable for a period of 90 days after the change of control. Where the change of control is as a result of a compromise or arrangement sanctioned by the Court under s899 of the Companies Act, the options may be exercised during the period specified by the Board. The Board may also allow the exercise of options in circumstances where it considers a change of control is likely to occur. Where options are exercised early in connection with a change of control, the number of shares in relation to which the option may be exercised will be reduced accordingly, and may be subject to a further reduction to reflect the extent to which any performance condition is not met at the time of the change of control. If options are not exercised during the relevant period they will lapse.

(j) Exchange of options

Subject to the satisfaction of certain conditions, each option holder may, by agreement with the acquiring company within a specified period, exchange an old option for a new replacement option. Any new option granted is treated as if it was acquired at the same time as the old option that it replaces.

(k) Variation of share capital

In the event of a variation of the Company's share capital (whether by way of capitalisation issue (other than a scrip dividend), rights issue, consolidation, sub-division or reduction of capital or otherwise), the number of shares subject to an option may be adjusted by the Board in a manner that, in its reasonable opinion, it considers to be fair and appropriate. However, the total amount payable on the exercise of an option in full may not be increased.

(l) Options not transferable

Options granted under the Employee Option Plan are non-assignable and non-transferable (although transmission to an option holder's personal representatives on the death of the option holder is permitted). Any attempt to assign or transfer will result in the lapse of the options.

(m) Relationship with employment contract

Participation in the Employee Option Plan will not be a term of an option holder's contract of employment, and options will not form part of an option holder's pensionable earnings.

(n) Amendment

The Board may amend the Employee Option Plan from time to time. However, no amendment may apply to options granted before the amendment was made if it would materially adversely affect the interests of the option holders.

11.5 Non-Employee Option Plan

The Company adopted the Non-Employee Option Plan on 19 April 2017. It provides for the grant of options to subscribe for Ordinary Shares to directors of and/or consultants to the Company or any of its subsidiaries who are not employees of any such company at the date of grant. The terms of the plan are similar to the Employee Option Plan, subject to such changes as are necessary to enable it to apply to non-employees. There are no provisions for the grant of EMI options, and the leaver provisions apply once an

option holder is no longer an employee or director of, or a consultant to, any group company. There is an overall limit on the number of shares which can be put under option that works in the same way as for the Employee Option Plan.

The Non-Employee Option Plan will not be an employees' share scheme as defined in the Companies Act, and therefore the grant of options under it (which are in the form of rights to subscribe) will require authority from shareholders and the statutory pre-emption rights will need to be disapplied in relation to these grants. The relevant authority and disapplication for the grants are intended to be covered by the Company's general authority and disapplication.

12. Related party transactions

Save as disclosed below or otherwise disclosed in this document or in the notes to the historical financial information in Part V (*Historical financial information on the Company*), none of the members of the Existing Group have entered into any related party transaction, as defined by the AIM Rules for Companies since 31 March 2016.

On 30 September 2016, David Williams, and Chris Eadie (via his wife) subscribed for new Ordinary Shares at a value of £300,000 and £35,000 respectively (issued at 1 pence per share) as part of a placing carried out by the Company and announced on 21 September 2016. This constituted a related party transaction under the AIM Rules for Companies. The independent Directors at that time consulted with WH Ireland and considered the terms of the transaction with David Williams and Chris Eadie to be fair and reasonable insofar as the Shareholders are concerned.

On 9 January 2017, David Williams, Mo Stevens, Chris Eadie (via his wife), Robin Southwell, Stephen Ball and Giles Willits subscribed for, in aggregate, 18,125,000 new Ordinary Shares (being a total aggregate of £725,000 at the price of 4 pence per share) as part of the placing announced by the Company on 21 December 2016. The Directors participation in the placing constituted a related party transaction under the AIM Rules for Companies. Sean Finlay, who was an independent director for those purposes at the time of the transaction, considered, having consulted with WH Ireland, that the terms of the Directors subscription was fair and reasonable insofar as the Shareholders of the Company are concerned.

13. Significant shareholdings

13.1 As at 19 April 2017, the last practicable date prior to the publication of this document, save as set out below, the Company is not aware of any persons who directly or indirectly have an interest of three per cent. or more of the Company's capital or voting rights:

<i>Name of Shareholder</i>	<i>Number of Ordinary Shares</i>	<i>Percentage of issued capital (per cent.)</i>
David Jeffreys Williams ¹²	101,083,994	18.89
Schroders plc & Schroder Investment Management Limited	75,000,000	14.01
Killik & Co.	38,772,733	7.24
HSBC Bank plc	34,011,894	6.35
Tiger Brave Investments Limited	30,650,000	5.73
Blankstone Sington Ltd	23,450,000	4.38
Spreadex Ltd	20,490,856	3.83

¹² David Williams holds his Ordinary Shares personally as well as through Wentworth Limited and Platform Securities Nominees

13.2 Following Admission, the following persons will (so far as is known to the Directors having made appropriate enquiries, and assuming no take up under the Open Offer and assuming the Directors (excluding Chris Eadie) participate in the Placing in the amounts that they have expressed intention to subscribe) directly or indirectly have an interest of three per cent. or more of the Company's capital or voting rights:

<i>Name of Shareholder</i>	<i>Number of Ordinary Shares</i>	<i>Percentage of issued capital (per cent.)</i>
David Jeffreys Williams ^{13 14}	113,583,994	12.14
Schroder Investment Management	105,000,000	11.23
Andrew Kemshall	87,200,000	9.32
Steven Watts	87,200,000	9.32
Hargreave Hale	59,670,000	6.38
Killik & Co.	47,522,733	5.08
Columbia Threadneedle	44,828,190	4.79
HSBC Bank plc	34,011,894	3.64
Tiger Brave Investments	30,650,000	3.28

13.3 As at 19 April 2017, being the last practicable date prior to the publication of this document, the Company was not aware of any person, who following Admission could directly, indirectly, jointly or severally exercise control over the Company.

13.4 As at 19 April 2017, being the last practicable date prior to the publication of this document, the Company is not aware of any arrangements the operation of which may at a subsequent date result in a change in control of the Company.

14. Principal investments

The Company has made the following principal investments for the financial years covered by the historical financial information of the Company as set out in Part V (*Historical financial information on the Company*), up to the date of this document:

- (a) 20 per cent. equity investment held in Morille Mining SLU; and
- (b) 715,000 ordinary shares held in Plymouth Materials Limited (ASX: PLH).

15. Material contracts

15.1 The following contracts (not being contracts entered into in the ordinary course of business):

- (a) have been entered into by any member of the Existing Group during the two years immediately preceding the date of this document; or
- (b) have been entered into by a member of the Enlarged Group and contain provision under which any member of the Enlarged Group has any obligation or entitlement which is or may be material to any member of the Enlarged Group at the date of this document:

(i) Engagement letter with Tessera

An engagement letter dated 6 March 2017 made between (1) the Company and (2) Tessera, pursuant to which the Company has appointed Tessera to assist with project management, preparation and execution in relation to the Acquisition, Admission and Placing.

¹³ David Williams holds his Ordinary Shares personally as well as through Wentworth Limited and Platform Securities Nominees

¹⁴ On the basis that he fulfills his intention to participate in the Placing

Under the terms of the agreement, the Company agreed to pay a fee of £200,000 upon Admission of the Company to trading on AIM. Tessera is also entitled to recover any reasonable travel or out-of-pocket expenses (plus VAT) incurred in connection with the provision of the engagement.

(ii) Nomad and Broker Agreement

A Nomad and Broker Agreement dated 19 April 2017 between (1) the Company and (2) WH Ireland pursuant to which WH Ireland has agreed to act as the Company's nominated adviser and broker in relation to the Admission and subsequent admission to trading on AIM. The Company has agreed to pay to WH Ireland an annual retainer.

The Company has given certain customary indemnities and undertakings to WH Ireland in connection with the Nomad and Broker Agreement and other matters relating to the Company and its affairs.

(iii) 2016 Placing Agreement

A placing agreement dated 21 December 2016 between (1) the Company and (2) WH Ireland pursuant to which WH Ireland agreed to use reasonable endeavours to procure (subject to certain conditions) subscribers for a placing of new Ordinary Shares in the Company. The Company agreed to pay WH Ireland a commission of five per cent. of an amount equal to the aggregate value of the new Ordinary Shares subscribed for by placees, a commission of one per cent. of an amount equal to the aggregate value of the new Ordinary Shares subscribed for by other placees (other than the Directors and Tessera) and a corporate finance fee of £20,000. Under the 2016 Placing Agreement, the Company has given certain customary warranties to WH Ireland and the Company has given certain customary indemnities and undertakings to WH Ireland in connection with the placing to which the 2016 Placing Agreement relates and other matters relating to the Company and its affairs.

(iv) Placing Agreement

A placing agreement dated 19 April 2017 between (1) the Company and (2) WH Ireland pursuant to which WH Ireland agreed to use reasonable endeavours to procure subscribers for the Placing Shares and to apply to the London Stock Exchange for Admission. The Placing Agreement is conditional on various matters including the passing of the Resolutions required to effect the Placing and Admission, Completion of the Acquisition having occurred, there being no material breach of warranty and there being no material adverse change. The Company has agreed to pay to WH Ireland a commission ranging from five per cent. to one per cent. of the value of the Placing Shares placed with different investors (and zero per cent. for participating by the Directors and Tessera) and a corporate finance fee of £125,000. Under the Placing Agreement, the Company has given certain customary warranties to WH Ireland and the Company has given certain customary indemnities and undertakings to WH Ireland in connection with the Placing and other matters relating to the Company and its affairs.

(v) Lock-in Deeds

Lock-in deeds dated 20 April 2017 have been entered into between the Company, WH Ireland and the Sellers pursuant to which the Sellers have agreed not to dispose of any of their respective interests in Ordinary Shares for a period of 12 months following Completion. The Sellers have also agreed that any sales of their shareholdings will be made (subject to certain conditions being fulfilled) through WH Ireland for the purpose of maintaining an orderly market in the Ordinary Shares for a period 24 months following Completion.

In respect of the Lock-in Deeds entered into by the Founders, in the event of a claim for a breach of the warranties in the SPA or a claim under the tax covenant within 12 months following Completion, the Founders are permitted to settle any such claims by using the proceeds from the sale of their Consideration Shares, provided that the Founders must first settle their liability relating to such claims from their own cash resources up to certain agreed levels.

(vi) Orderly Market Deeds

Orderly market deeds dated 19 April have been entered into between the Company, WH Ireland and the Directors pursuant to which the Directors have agreed that any sales of their shareholdings will be made (subject to certain conditions being fulfilled) through WH Ireland for the purpose of maintaining an orderly market in the Ordinary Shares for a period 12 months following Admission.

(vii) SPA

The Company and the Founders entered into the SPA on 20 April 2017 pursuant to which the Company has agreed to acquire and the Founders have agreed to sell their respective shares in SecurEnvoy.

The Consideration for the Acquisition is £20 million, which will be satisfied on Completion by the payment by the Company of £10 million in cash and £10 million by the issue of 200,000,000 Ordinary Shares at a price of 5 pence per Ordinary Share, in each case to the Sellers pro rata to their shareholding in SecurEnvoy.

SecurEnvoy is being acquired on a cash free and debt free basis. The Cash Consideration is subject to customary working capital and cash adjustments following Completion.

Completion of the SPA is conditional on the approval of the Resolutions at the General Meeting, Admission occurring and no material adverse change having occurred in respect of SecurEnvoy prior to Completion. The Company has agreed to use all reasonable endeavours to procure the satisfaction of the conditions relating to Admission and the passing of the Resolutions at the General Meeting. If the conditions to Completion are not satisfied by 31 May 2017 (or such later date as the Company and the Founders may agree) or any fact occurs which prevents the conditions from being satisfied by that date, the Purchaser may (and in respect of the material adverse change condition only, the Founders may), elect to terminate the SPA. If the conditions to Completion are not satisfied by 31 May 2017 (or such later date as the Company and the Founders may agree), the SPA shall automatically terminate.

The SPA contains customary warranties relating to the Founders' ownership and title to their shares, as well as customary business and commercial warranties and specific indemnities from the Founders as well as a tax covenant given by the Founders in respect of certain tax liabilities which are or may become payable by SecurEnvoy. The SPA also contains customary limitations on the Founders' liability under the SPA, including time and financial limitations. Claims for breach of warranty must be brought within 18 months of Completion, save in respect of tax claims which must be brought within seven years of Completion. The maximum cap on liability of the Founders is limited to the amount of consideration that they respectively receive pursuant to the SPA in respect of certain fundamental warranties and tax claims, and thirty per cent. of the consideration that they respectively receive under the SPA in respect of general warranty claims. In the event of a claim for a breach of the warranties in the SPA or a claim under the tax covenant within 12 months following Completion, the Founders are permitted to settle any such claims by using the proceeds from the sale of their Consideration Shares, provided that the Founders must first settle their liability relating to such claims from their own cash resources up to certain agreed levels.

Pursuant to the SPA, the Founders have also agreed to enter into certain agreed form documents on Completion including, amongst others, new service agreements with the Company, the Restrictive Covenants and the Lock-in Deeds.

The SPA also provides that the Option Holder SPA will be entered into on Completion by the Company and the Option Holders, pursuant to which the Option Holders agree to sell their respective shares in SecurEnvoy and provide customary warranties relating to the Option Holders ownership and title to their shares.

The SPA is governed by the laws of England and Wales.

(viii) Minority SPA

The Company and the Minority Sellers entered into the Minority SPA on 20 April 2017 pursuant to which the Company has agreed to acquire and the Minority Sellers have agreed to sell their respective shares in SecurEnvoy.

The Consideration for the Acquisition is £20 million, which will be satisfied on Completion by the payment by the Company of £10 million in cash and £10 million by the issue of 200,000,000 Ordinary Shares at a price of 5 pence per Ordinary Share, in each case to the Sellers pro rata to their shareholding in SecurEnvoy.

SecurEnvoy is being acquired on a cash free and debt free basis. The Cash Consideration is subject to customary working capital and cash adjustments following Completion.

Completion of the Minority SPA is conditional on the approval of the Resolutions at the General Meeting, Admission occurring and no material adverse change having occurred in respect of SecurEnvoy prior to Completion. The Company has agreed to use all reasonable endeavours to procure the satisfaction of the conditions relating to Admission and the passing of the Resolutions at the General Meeting. If the conditions to Completion are not satisfied by 31 May 2017 (or such later date as the Company and the Founders may agree) or any fact occurs which prevents the conditions from being satisfied by that date, the Purchaser may (and in respect of the material adverse change condition only, the Founders may), elect to terminate the SPA. If the conditions to Completion are not satisfied by 31 May 2017 (or such later date as the Company and the Founders may agree), the SPA shall automatically terminate.

The Minority SPA contains customary warranties relating to the Minority Sellers ownership and title to their shares.

The Minority SPA is governed by the laws of England and Wales.

(ix) Restrictive Covenant

The Company and the Founders entered into the Restrictive Covenant on 20 April 2017, the terms of which are conditional upon Completion occurring.

Under the terms of the Restrictive Covenant, the Founders have agreed to certain restrictions relating to the SecurEnvoy business, customers, suppliers and employees for a period of two years following Completion.

16. Litigation

There are no, and have been no, governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened against it of which the Company is aware) during the period of 12 months prior to the date of this document which may have, or may have had in the recent past a significant effect on the Company's and/or the Enlarged Group's financial position or profitability.

17. Property

17.1 The Existing Group's principal properties are as follows:

<i>Property</i>	<i>Function</i>	<i>Type</i>
6th Floor, Octagon Point, St Paul's, London EC2V 6AA	Office space	Lease

17.2 As far as the Company is aware there are no environmental issues that may affect the utilisation of these properties or any other tangible fixed assets.

17.3 SecurEnvoy's principal properties are as follows:

<i>Property</i>	<i>Function</i>	<i>Type</i>
1F7, The Square, Basing View, Basingstoke, RG21 4EB, England	Office	Licence

18. Intellectual property and licences

18.1 SecurEnvoy's intellectual property consists of trademarks, trade secrets, know-how, patents granted and patents pending.

18.2 SecurEnvoy has the following patents granted and pending, which cover aspects of their MFA products:

<i>Territory</i>	<i>Application No.</i>	<i>Status</i>	<i>Title</i>	<i>Filing date</i>
Europe	EP03254769.7	Pending	Secure Messaging	30 July 2003
US	US10/886,152	Granted	Secure Messaging	6 July 2004
UK	GB1022002.8	Granted	Preloaded SMS	24 December 2010
Europe	EP09180943.4	Pending	Preloaded SMS	30 December 2009
US	US12/649,485	Granted	Preloaded SMS	30 December 2010
UK	GB12223466.2	Pending	Time Stamp	28 December 2012
Europe	EP13199417.0	Pending	Time Stamp	23 December 2013
US	US14/140,617	Granted	Time Stamp	26 December 2013

18.3 The Company holds certain trademarks and domain names.

19. Working capital

The Directors are of the opinion that, having made due and careful enquiry and taking into account the net proceeds of the Placing, the working capital available to the Enlarged Group is sufficient for its present requirements, that is for at least 12 months from the date of Admission.

20. Significant Change

20.1 There has been no significant change in the financial or trading position of the Company since 30 September 2016, the date to which the last financial information relating to the Company (as shown in Part V (*Historical financial information on the Company*)) was published, except for the placing of new Ordinary Shares in October 2016 and January 2017 which generated gross proceeds of £1.2 million and £6.0 million respectively.

20.2 There has been no significant change in the financial or trading position of SecurEnvoy since 31 December 2016, the date to which the last financial information relating to SecurEnvoy (as shown in Part VI (*Historical financial information on SecurEnvoy*)) was prepared.

21. Auditors

21.1 The auditors of the Existing Group are BDO LLP, whose address is 55 Baker Street, London W1U 7EU. The auditors are a member of the Institute of Chartered Accountants' of England and Wales.

21.2 The financial information included in this document in respect of the Company does not constitute statutory accounts within the meaning of s434(3) of the Companies Act. Statutory accounts of the Company for the financial years ended 31 March 2014, 31 March 2015 and 31 March 2016 have been delivered to the Registrar of Companies and in respect of the statutory accounts for the financial years ended 31 March 2014, 31 March 2015 and 31 March 2016, the Company's auditor has made a report under s495 of the Companies Act in respect of each of those statutory accounts and each such report was an unqualified report and did not contain a statement under s498 (2) or (3) of the Companies Act.

21.3 The financial information included in this document in respect of SecurEnvoy does not constitute statutory accounts within the meaning of s434(3) of the Companies Act. Statutory accounts of SecurEnvoy for the financial years ended 31 December 2014 and 31 December 2015 have been delivered to the Registrar of Companies and in respect of the statutory accounts for the financial years ended 31 December 2014 and 31 December 2015, the Company's auditor has made a report under s495 of the Companies Act in respect of each of those statutory accounts and each such report was an unqualified report and did not contain a statement under s498 (2) or (3) of the Companies Act. The statutory accounts for the financial year ended 31 December 2016 has not yet been delivered to the Registrar of Companies.

22. Expenses

22.1 The total costs, charges and expenses payable by the Company in connection with the Acquisition, Admission, the Placing and the Open Offer are estimated to be £1.6 million (exclusive of VAT).

22.2 No person (excluding professional advisers otherwise disclosed in this document and trade suppliers) has received, directly or indirectly, from the Company within the 12 months preceding Admission, or entered into contractual arrangements (not otherwise disclosed in this document) to receive on or after Admission, directly or indirectly, from the Company any of the following:

- (a) fee totalling £10,000 or more;
- (b) securities in the Company with a value of £10,000 or more, calculated by reference to the Issue Price of the Ordinary Shares; or
- (c) any other benefit with a value of £10,000 or more.

23. Consents

23.1 KPMG LLP has given and has not withdrawn its written consent to the inclusion in this document of its accountant's report on the historical financial information relating to SecurEnvoy in Part VI (*Historical financial information on SecurEnvoy*) in the form and context in which it appears and has authorised the contents of that report for the purposes of the AIM Rules for Companies.

23.2 WH Ireland has given and not withdrawn its written consent to the issue of this document with the inclusion in it of its name in the form and context in which it appears.

24. Sources of Information

Where information in this document has been sourced from a third party, the source has been given along with the information, it has been accurately reproduced and, so far as the Company is aware and able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

25. Copies of documents

Copies of this document, the Existing Articles, and the New Articles will be available free of charge during normal business hours on any weekday (except Saturdays, Sundays and public holidays) at the offices of WH Ireland, 24 Martin Lane, London EC4R 0DR and will also be available on the Company's website www.theshearwatergroup.co.uk from the date of this document until the date which is one month from the date of Admission.

Dated: 20 April 2017

SHEARWATER GROUP PLC

(Incorporated and registered in England and Wales with registered no. 05059457)

NOTICE OF GENERAL MEETING

Notice is hereby given that a General Meeting of Shearwater Group plc (the “Company”) will be held at the offices of Mayer Brown International LLP, 201 Bishopsgate, London EC2M 3AF on 8 May 2017 at 10:00 a.m. for the following purposes:

ORDINARY RESOLUTIONS

To consider, and if thought fit, pass Resolutions 1, 2 and 3 as ordinary resolutions:

1. THAT the proposed acquisition by the Company of the entire issued share capital of SecurEnvoy Limited (“**SecurEnvoy**”) pursuant to: (i) a share purchase agreement dated 20 April 2017 and entered into between (1) Andrew Kemshall as a seller, (2) Stephen Watts as a seller, and (3) the Company as purchaser (the “**SPA**”), (ii) a minority share purchase agreement dated 20 April 2017 and entered into between (1) various individual minority shareholders in SecurEnvoy, as sellers, and (2) the Company as purchaser (the “**Minority SPA**”), and (iii) a share purchase agreement to be entered into between (1) various individual option holders in SecurEnvoy as sellers, and (2) the Company as purchaser, on completion of the Acquisition (as defined below) (the “**Option Holder SPA**” and, together with the SPA and the Minority SPA, the “**Acquisition Agreements**”) (the “**Acquisition**”), on the terms summarised in the admission document of the Company dated 20 April 2017 (“**Admission Document**”), be and is hereby approved in accordance with Rule 14 of the AIM Rules for Companies and the directors of the Company (or a duly constituted committee thereof) be and are hereby authorised to cause the Acquisition Agreements and all documents and matters provided in any of them and related to any of them to be completed and at their discretion to amend, waive, vary and/or extend any of the terms of the Acquisition Agreements and/or any other document referred to in any of them or connected with any of them in whatever way they consider to be necessary or desirable, and to do all such things as they may consider necessary, expedient or appropriate (provided that any modifications to the Acquisition Agreements or other documents are not material modifications in the context of the proposed transaction as a whole).
2. THAT, the directors of the Company be generally and unconditionally authorised for the purposes of s551 of the Companies Act 2006 (the “**Act**”) to allot ordinary shares in the Company or to grant rights to subscribe for or to convert any security into ordinary shares in the Company:
 - i. up to a maximum aggregate nominal amount of £2,000,000 to the sellers under the Acquisition Agreements in respect of the new ordinary shares in the capital of the Company to be issued to the Sellers (as defined in the Admission Document) in part consideration of the Acquisition; and
 - ii. for cash up to a maximum aggregate nominal amount of £2,254,881.08 pursuant to the Placing and the Open Offer (as defined and further described in the Admission Document) to such persons and at such times and upon such conditions as the directors may determine;

such authorities to expire at the earlier of the conclusion of the next annual general meeting of the Company after the passing of this resolution and 8 October 2018 save that the Company may before that expiry make an offer or agreement which would or might require shares to be allotted after that expiry and the directors of the Company may allot shares in pursuance of such an offer or agreement as if the authority conferred by this resolution had not expired.

This authority is in addition to the authority conferred on the directors pursuant to s551 of the Act at the Company’s annual general meeting held on 29 September 2016.

3. THAT, the directors of the Company be generally and unconditionally authorised for the purposes of s551 of the Companies Act 2006 (the “**Act**”) to allot ordinary shares in the Company or to grant rights to subscribe for or to convert any security into ordinary shares in the Company otherwise than pursuant to Resolution 2, up to a maximum aggregate nominal amount of £3,202,462, such authority to expire at the earlier of the conclusion of the next annual general meeting of the Company after the passing of this resolution and 8 October 2018 save that the Company may before that expiry make an offer or agreement which would or might require shares to be allotted after that expiry and the directors of the Company may allot shares in pursuance of such an offer or agreement as if the authority conferred by this resolution had not expired.

This authority replaces the authority conferred on the directors pursuant to s551 of the Act at the Company’s annual general meeting held on 29 September 2016 and is in addition to the authority set out in Resolution 2 above.

SPECIAL RESOLUTIONS

To consider, and if thought fit, pass Resolutions 4, 5 and 6 as special resolutions:

4. THAT, subject to the passing of Resolution 2 above, the directors of the Company be empowered pursuant to s570(1) of the Act to allot equity securities in the Company or to grant rights to subscribe for or to convert any security into shares in the Company pursuant to the authority conferred by Resolution 2 above as if s561(1) of the Act did not apply to that allotment or grant, provided that this power shall be limited to the allotment of equity securities for cash up to the maximum nominal amount of £2,254,881.08 to persons applying for ordinary shares in connection with the Placing and the Open Offer (as defined and further described in the Admission Document).

This authority shall expire at the earlier of the conclusion of the next annual general meeting of the Company to be held after the date of the passing of this resolution and 8 October 2018 save that the Company may before that expiry make an offer or agreement which would or might require equity securities to be allotted after that expiry and the directors of the Company may allot equity securities in pursuance of that offer or agreement as if the power conferred by this resolution had not expired.

This authority is in addition to the authority conferred on the directors pursuant to s570(1) of the Act at the Company’s annual general meeting held on 29 September 2016.

For the purposes of this resolution, the expression “**equity securities**” and references to “**allotment of equity securities**” respectively have the meanings given to them in s560 of the Act.

5. THAT, subject to the passing of Resolution 3 above, the directors of the Company be empowered pursuant to s570(1) of the Act to allot equity securities in the Company or to grant rights to subscribe for or to convert any security into shares in the Company pursuant to the authority conferred by Resolution 2 above as if s561(1) of the Act did not apply to that allotment or grant, provided that this power shall be limited to the allotment of equity securities, otherwise than pursuant to Resolution 4 above, up to a maximum aggregate nominal amount of £1,441,108,

This authority shall expire at the earlier of the conclusion of the next annual general meeting of the Company to be held after the date of the passing of this Resolution and 8 October 2018 save that the Company may before that expiry make an offer or agreement which would or might require equity securities to be allotted after that expiry and the directors of the Company may allot equity securities in pursuance of that offer or agreement as if the power conferred by this resolution had not expired.

This authority replaces the authority conferred on the directors pursuant to s570(1) of the Act at the Company’s annual general meeting held on 29 September 2016 and is in addition to the authority set out in Resolution 4 above.

For the purposes of this resolution, the expression “**equity securities**” and references to “**allotment of equity securities**” respectively have the meanings given to them in s560 of the Act.

6. THAT the New Articles (as defined and further described in the Admission Document) be adopted as the articles of association of the Company in substitution for, and to the exclusion of, the existing articles of association.

By Order of the Board

Registered Office
22 Great James Street
London
WC1N 3ES

Christopher John Eadie
Company Secretary

20 April 2017

NOTES:

- (a) Only those shareholders entered on the relevant register of members (the "**Register**") for certificated or uncertificated shares of the Company (as the case may be) at 6:00 p.m. on 6 May 2017 (or if the General Meeting is adjourned, 48 hours before the time fixed for the adjourned General Meeting) (the "**Specified Time**") will be entitled to attend or vote at the General Meeting in respect of the number of shares registered in their name at the time. Changes to entries on the Register after the Specified Time will be disregarded in determining the rights of any person to attend or vote at the meeting. Should the meeting be adjourned to a time not more than 48 hours after the Specified Time, that time will also apply for the purpose of determining the entitlement of members to attend and vote (and for the purpose of determining the number of votes they may cast) at the adjourned meeting. Should the meeting be adjourned for a longer period, then to be so entitled, members must be entered on the Register at the time which is 48 hours before the time fixed for the adjourned meeting or, if the Company gives notice of the adjourned meeting, at the time specified in the notice.
- (b) Any member may appoint a proxy to attend, speak and vote on his/her behalf. A member may appoint more than one proxy in relation to the meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares of the member. A proxy need not be a member, but must attend the meeting in person. Forms of Proxy should be lodged with the Company's Registrar or submitted not later than 48 hours before the time for which the meeting is convened. Completion of the appropriate Form of Proxy does not prevent a member from attending and voting in person if he/she is entitled to do so and so wishes.
- (c) CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the General Meeting (and any adjournment thereof) by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider should refer to their CREST sponsors or voting service provider(s), who will be able to take the appropriate action on their behalf.
- (d) In order for a proxy appointment or instruction made by means of CREST to be valid, the appropriate CREST message (a "**CREST Proxy Instruction**") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message (regardless of whether it relates to the appointment of a proxy, the revocation of a proxy appointment or to an amendment to the instruction given to a previously appointed proxy) must be transmitted so as to be received by the Company's agent, Neville Registrars Limited (CREST Participant ID: 7RA11), no later than 48 hours before the time appointed for the meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Application Host) from which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.
- (e) CREST members and, where applicable, their CREST sponsor or voting service provider, should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider, to procure that his CREST sponsor or voting service provider takes) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsor or voting service provider are referred in particular to those sections of the CREST Manual (available at www.euroclear.com/CREST) concerning practical limitations of the CREST system and timings.
- (f) The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
- (g) As at 19 April 2017 (being the last working day prior to the publication of this notice), the Company's issued share capital consisted of 535,250,286 ordinary shares of £0.001 each, carrying one vote each. So, the total voting rights in the Company as at that date are 535,250,286.

- (h) Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.
- (i) Any member attending the meeting has the right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the meeting but no answer needs to be given if to do so would interfere unduly with the business of the meeting or involve the disclosure of confidential information or if the answer has already been given on a website in the form of an answer to a question or, finally, if it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

