

Shearwater Group plc
Annual report and financial statements
30 June 2025

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Shearwater Group plc is an award-winning group providing cyber security, managed security and professional advisory solutions to help create a safer online environment for organisations and their end users.

The Group's differentiated full service offering spans cyber security solutions, managed security services, security governance, identity access management, data discovery, risk and compliance. Its growth strategy is focused on building a scalable group that caters to the entire spectrum of cyber security and managed security needs. The Group is based in the UK, serving customers across the globe across a broad range of industries.

Visit us online at www.shearwatergroup.com

Financial Highlights

£39.5m (↑ 29% vs FY24*) Revenue	£2.2m (↑ 91% vs FY24*) Adjusted EBITDA	£0.6m (↑ 187% vs FY24*) Adjusted profit before tax	£5.1m (↑ 2% vs FY24) Cash at bank
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* FY25 data covers the 15-month period to 30 June 2025. Movements vs prior year income statement balances have been annualised to show 12/15 of the FY25 result in comparison to the result for FY24.

FY24 comparative data has restated to reflect a change in accounting policy with regards to the method of revenue recognition on cloud-hosted software and third-party support and warranties sold as part of integrated cyber-security solutions. Further detail on this is provided within the Financial Review on pages 21 to 25.

Definitions of alternative performance measures Adjusted EBITDA and Adjusted loss before tax can be found in note 2 of the Group financial statements.

At a glance

The Group provides technology solutions and professional advisory services focused around the cyber, security and regulatory requirements of corporate clients.

Where we operate

4
offices

c.50
countries

c.90
employees

Our offerings are delivered from our two divisions

Services

Focused on delivering the Group's managed security and cyber solutions, test, advisory and consultancy as well as our strategic third-party partners' technical solutions.

Revenue **94%**

Software

Designs and builds leading-edge software to help clients secure and make their corporate environments compliant.

Revenue **6%**

Our vision

To become the provider of choice delivering Next Generation Technology, Professional Advisory and Cyber Security Services and Solutions.

Our purpose

To provide high-quality, dependable products and services that help create a safer online environment when doing business for our customers and key stakeholders.

Strategic priorities

Our core strategy is to build shareholder value by becoming the UK provider of choice, delivering premium, next-generation cyber technology, professional advisory and advanced cyber security services. This will be achieved through:

- Driving growth across existing accounts, through up-selling next-generation market-leading technology.
- Expanding the scope and volume of in-house services provided in support of this technology.
- Leveraging our track record of success through active marketing investment to add new accounts.
- Greater cross-fertilisation of services to support procurement of new business through joint bids across the Group.
- Continued development of our people, processes and partner relationships to maximise our ability to deliver value for our clients.

The Directors believe that this strategy will allow the business to deliver organic growth. Where opportunities arise at the right valuation, which are complementary to the Group's strategy, we will also seek to scale the Group through targeted acquisitions, building market share and benefiting from economies of scale.

Our commitment to our stakeholders

See more on pages 15 and 16.

We are committed to:

- Delivering further growth, enhancing shareholder value.
- Further investment in innovation of our products and services for the benefit of our customers.
- Supporting and developing our people, helping them to realise their potential.
- The promotion of an environmentally responsible supply chain.

Chairman's statement

David Williams
Chairman

I am delighted to report on a period of excellent progress for Shearwater Group, during which we delivered significant growth in both revenue and Adjusted EBITDA profitability. This strong performance reflects the success of our strategy, the quality of our people and the growing relevance of our services in a complex and fast-moving cybersecurity landscape.

Cybersecurity: a strategic imperative

Cybersecurity is now a key strategic issue for almost every organisation. The threat environment is becoming increasingly sophisticated, with cyber risks escalating in scale, frequency and impact. Over recent months, the cost of failure has never been more visible — reinforcing the critical importance of cyber resilience as a Board-level priority.

This context places Shearwater Group in a position of strength. Our portfolio of award-winning businesses, each with a strong reputation in their respective fields, continues to be trusted by some of the most prestigious companies in the world. This trust is earned through the consistent quality of our delivery, the depth of our technical expertise, and the proven value we provide to our customers in safeguarding their most critical digital assets.

Performance and progress

The Group delivered strong organic growth in the 15 months to 30 June 2025. Our improved underlying profitability demonstrates the benefits of our strategic positioning and our commitment to driving long-term value for all stakeholders.

We have continued to invest in innovation, in our people, and in broadening the scope of our services, ensuring we remain ahead of emerging threats while supporting clients in navigating increasingly complex regulatory and technological environments.

Our people and stakeholders

None of this would be possible without the exceptional people across our Group. I would like to extend my sincere thanks to our executive team and our talented colleagues throughout the business, whose commitment, professionalism and deep domain expertise are central to our success.

I would also like to thank our Non-executive Directors and members of our Advisory Panel for their insight and guidance, and to express our appreciation to our customers and shareholders for their continued loyalty and trust in Shearwater Group.

Looking ahead

Cybersecurity will remain a defining challenge for organisations globally and with that comes opportunity. With a strong reputation, trusted client relationships and a clear strategic direction, Shearwater Group is well positioned to continue delivering sustainable growth and value. We have a strong balance sheet, with significant net cash. As we look to the future, we do so with confidence.

On behalf of the Board, thank you for your continued support.



David Williams
Chairman

10 November 2025

Chief Executive's review

Philip Higgins
Chief Executive Officer

The period to 30 June 2025 was one of significant financial and operational progress for Shearwater Group as we strengthened our position as a trusted partner for cutting-edge cybersecurity solutions. Building on a streamlined corporate structure, we have enhanced our Services division, reflected in the increase in larger contract wins and we continue invest in innovation to improve delivery and resilience.

Revenue of £39.5 million represented annualised year-on-year growth of 29% (FY24: £24.4 million (restated)), while Adjusted EBITDA of £2.2 million represented growth of 91% (FY24: £0.9 million (restated)).

We maintain a robust balance sheet, closing the period with £5.1 million in cash (FY24: £5.0 million) and no debt. This position was strengthened further by a £1.75 million customer receipt in the week following the period end.

Our strong financial foundation, combined with a growing customer base, a well-established reputation, and the increasing imperative for organisations to invest in cybersecurity, positions Shearwater well for continued profitable growth as we look ahead to FY26.

Group operational review

The 15-month period to 30 June 2025 coincided with an increasingly complex cybersecurity landscape. The frequency and sophistication of threats facing businesses continued to grow, ranging from opportunistic attacks by individuals to highly co-ordinated efforts by nation states targeting critical infrastructure and financial systems. The tools available to those with malicious intent are also evolving rapidly, driven in no small part by the advancement of artificial intelligence. At the same time, organisations are navigating increasingly decentralised working practices, introducing new vulnerabilities that require continuous monitoring and mitigation.

While the existence of these threats is not new, our performance in FY23 and FY24 was impacted by extended decision-making cycles, which in turn delayed expected revenues. Such critical investment decisions, however, cannot be deferred indefinitely. We are now seeing a positive shift. While procurement processes remain complex, there is a growing trend towards organisations committing to essential cybersecurity spend, influenced by the increasingly visible consequences of inaction, both in terms of business disruption and regulatory penalties over the past year.

The Group operates through two divisions:

Services – which delivers cybersecurity solutions through third-party software and hardware, engineering services, advisory capabilities and penetration testing; and

Software – focused on our proprietary identity verification and access management solutions.

These two divisions experienced differing fortunes during the period. Our Services division, which now accounts for 94% of Group revenue (up from 90% in FY24 (restated)), delivered significant growth. In contrast, trading conditions were more challenging within our Software division, which represented 6% of revenue in the period (down from 10% in FY24 (restated)). We have been working to mitigate the challenges that the Software division has experienced, which we believe will result in stronger financial performance in FY26 and beyond.

Further detail on each division's performance is provided in their respective sections of this report.

During FY24, we initiated a process to streamline the Group's corporate structure. This included integrating our Xcina Consulting business into Brookcourt and the GeoLang software into SecurEnvoy. This rationalisation was completed in FY25, supporting our ambition to drive greater operational efficiency as we move forward, enabling us to focus spend on new product development and driving revenue growth.

At Shearwater, we are proud to operate at the forefront of technological innovation. In June 2025, we were delighted to announce that Brookcourt Solutions became one of the first organisations in the UK to achieve ISO 42001 certification, the pioneering international standard for Artificial Intelligence Management Systems (AIMS). This milestone not only reinforces our commitment to ethical and responsible AI practices but also reflects the deep expertise within our Group in setting industry standards for cybersecurity and digital governance. As AI continues to transform business, we are dedicated to ensuring it is deployed in a secure, transparent and human-centric manner.

Services

FY25 was a year of strong growth for the Services segment, with revenue reaching £37.0 million, representing a 34% increase on an annualised basis compared to FY24 (restated). We continue to deliver high-calibre, specialist cyber-security solutions for clients across a broad range of industries in both the public and private sectors, once again however, our revenues were underpinned by our sustained strength in the Telecoms and Financial Services sectors.

We continue to invest in new client acquisition, to drive a broader and more diversified client base. During FY25, this resulted in four clients who each contributed over £2 million in revenue during the period, compared to two in FY24, providing a stronger platform for growth and building greater resilience to our revenues.

Alongside our work with blue-chip businesses in the private sector, we continue to see a significant opportunity in the public sector and have made good progress in capitalising on this. A notable milestone during H1 FY25 was our acceptance onto the UK Government's G-Cloud 14 procurement framework, which is already generating a pipeline of new and scalable prospects.

In line with our commitment to innovation and service excellence, during FY25 we invested in the development of a proprietary AI tool aimed at enhancing both the quality of our solutions and the efficiency with which we respond to client tenders and technical requests. This investment is expected to support future revenue growth in a scalable and cost-effective manner. As a further testament to our leadership in the application of emerging technologies, we were proud that Group company Brookcourt Solutions became one of the first organisations globally to achieve the prestigious ISO 42001 certification for the responsible and effective management of AI systems.

While FY25 was overall a very positive year for the Services segment of the business, growth within this segment was not uniform across all Group companies. During FY24, our penetration testing business, Pentest Limited, had delivered a record performance, supported by a major fixed-term project with a US-based software provider. This project concluded at the end of Q1 FY25.

Although our penetration testing team continued to deliver high-quality work across a broad client base during FY25 and the pipeline of opportunities across the year has remained strong, this business has suffered from delays in client decision making and speed of mobilisation throughout the period. As a result it hasn't been able to replace certain major projects that have culminated in the period with others of the same scale. Consequently revenue from the Pentest business was significantly lower than in the previous year.

While the Board continues to believe strongly in the long-term prospects of the Pentest business, underpinned by the strength of its brand and a high-calibre team, the reduced revenue in FY25 prompted a reassessment of the carrying value of goodwill and intangible assets dating back to the original acquisition of the business in 2019. Accordingly, an exceptional non-cash impairment charge has been recognised in the period. Further detail on this is provided in the financial review.

	2025 15 months	2025 annualised	2024 (restated)	Variance (annualised)
	£m	£m	£m	%
Revenue	37.0	29.6	22.0	34.5%
Gross profit	8.0	6.4	5.5	17.1%
Gross margin %	21.6%	21.6%	24.8%	
Overheads	4.7	3.7	3.9	(4.1%)
Adjusted EBITDA ¹	3.3	2.7	1.6	70.2%
Adjusted EBITDA margin %	9%	9%	7%	

¹ Adjusted EBITDA above is prior to Group costs as set out in Note 3.

Software

During FY25 we continued to invest in development of our proprietary software. Multi-factor authentication tools are becoming an ever more vital tool in the defence against cyber-attacks and the enhancements we have made throughout the period continue to differentiate our product from others on the market. Key development achievements during the period include:

- **Enhanced Security:** The V5 R3 release provides additional security metrics coupled with our AI detection, reduces false positives and the overhead and time of investigation is key to being secure.
- **Advanced Management for Windows Logon Agent:** Deploy 1,000's of agents seamlessly, with zero touch. Automatically configure and update from a single console, protect console and remote desktop environments with SecurEnvoy MFA.
- **True Location:** Detect impossible travel between user sessions and force logout when detecting abnormal user behaviour. New Mobile application bringing true location, login from a declared safe zone or location deviation.
- **Credential Reset:** Self-service, to reduce helpdesk calls regarding issues with passwords or MFA options, users can recover and keep operational with no helpdesk support.
- **RESTful API:** Providing ability for third party systems and code developers to integrate and utilise SecurEnvoy administration and authentication.

Our multi-factor authentication tools are deployed across more than 750 clients around the world, sold and marketed through our comprehensive global network of distributors and re-sellers. In May 2025, our route to market was further strengthened, with the product becoming directly available through Amazon Marketplace for the first time.

Despite these strengths, trading remained challenging through FY25. Revenue of £2.6 million represented a decline of 14% year-on-year on an annualised basis (FY24 (restated): £2.4 million), influenced by competitive pressures, notably the wide availability of the Microsoft Authenticator product, which many organisations receive at no extra cost as part of their broader Microsoft subscription. The additional features added through FY25 extend the degree of differentiation that our product enjoys, in particular for those clients looking for an on-premise solution.

As we enter FY26, we retain a strong belief in the size of the opportunity for multi-factor authentication software and the quality and the extent of the differentiation in our product. We believe this will enable our software business to return to growth in the year ahead. Notwithstanding this confidence, in the context of the reduction in revenue seen over the past three years, Directors have reviewed the appropriateness of the value of goodwill and intangible assets held on the Group balance sheet in respect of the SecurEnvoy business. The results of this review are contained within the financial review.

	2025 15 months £m	2025 annualised £m	2024 (restated) £m	Variance (annualised) %
Revenue	2.6	2.0	2.4	(14.9%)
Gross profit	1.6	1.3	1.7	(25.2%)
Gross margin %	62%	62%	71%	
Overheads	1.0	0.8	0.8	(4.6%)
Adjusted EBITDA ¹	0.6	0.5	0.9	(51.6%)
Adjusted EBITDA margin %	21%	21%	38%	

¹ Adjusted EBITDA above is prior to Group costs as set out in Note 3.

Growth strategy

Becoming a cybersecurity leader

Our vision is clear: to drive growth and shareholder value by becoming the UK provider of choice, delivering premium, next-generation cyber technology, professional advisory and advanced cyber security services.

Strengthening organic growth: fuelling our momentum

Over recent years market conditions have necessitated a focus on delivering organic growth in revenue and underlying profitability. In the near term, we will continue to seek to build on the strong foundations we have created to increase revenue and profits in our existing Group businesses. M&A remains a strategic pillar, however, and where opportunities exist to bring complementary businesses into the Group at valuations that represent good value for our shareholders then we will look to do so.

A differentiated offering

Our Services division carries preferred partner status for a client base comprising blue-chip organisations, for all things security, offering comprehensive managed solutions, penetration testing and insightful advisory services. We provide a seamless, end-to-end experience that empowers our clients.

Our Software division is developing a revolutionary next-generation platform that converges access management and data discovery. Leveraging our zero-trust access solution, our platform safeguards users, devices, and data – anywhere, anytime.

Delivering sustainable growth

Our medium-term strategy prioritises achieving consistent, sustainable revenue and profit growth. With a deep commitment to innovation and an unwavering focus on customer success, we are confident in delivering value for our stakeholders in the years to come.

Market opportunity

Businesses globally are experiencing significant growth in the number and complexity of cybersecurity challenges that they face, requiring the implementation of controls and technology solutions to build and embed resilience, meet regulatory mandates and reduce overall risk.

This trend is only likely to continue. The World Economic Forum noted in its Cyber Security Outlook report in 2024 that "Fewer than one in ten respondents believe that in the next two years generative AI will give the advantage to defenders over attackers¹."

¹ Source: World Economic Forum: WEF Global Cyber Security Outlook 2024

This is driving a rapid increase in the size of the cybersecurity market. Fortune Business Insights valued this global market at \$219 billion in 2025, estimating it will grow to \$563 billion by 2032 at a CAGR of 14.4%².

Mordor Intelligence places the UK cybersecurity market at US\$ 12.88 billion in 2025, forecasted to grow to US\$ 21.51 billion by 2030, at a CAGR of 10.8% for 2025–2030³.

All this means a growing need for the services which Shearwater Group offers, driving significant opportunities for the business. Shearwater's offering is well placed to cater to the need for businesses' proactive approach to cybersecurity measures, offering access to a differentiated full-service cyber security in a rapidly expanding market. Further to supportive market trends, our growth strategy, stronger financial position, prestigious customer base, industry recognition and talented team, we are poised to capitalise on opportunities and deliver substantial returns on investment.

Board update

In August 2024, we were pleased to welcome Jonathan Hall to the Group as our new Chief Financial Officer. Jonathan was formally appointed to the Board on 25 September 2024 following our Annual General Meeting. Adam Hurst, our Interim Chief Financial Officer, completed his contract and left the Company on that date, following a successful handover period. I'd like to extend my thanks to Adam for his valuable support during the interim period as we managed the transition to a new permanent Chief Financial Officer.

Current trading and outlook

In the early months of FY26 trading has remained in line with expectations. The level of interest in services of all companies within the Shearwater Group has remained high, as businesses increasingly recognise the need for robust cybersecurity investment. We are encouraged by the level of customer engagement that we are seeing and while we are cognisant that we continue to operate in a competitive marketplace, we are confident that the calibre of our team and our products, our proven track record and our strong network of client relationships, place us at a competitive advantage. We therefore look forward to the remainder of FY26 and beyond with optimism.



Philip Higgins
Chief Executive Officer

10 November 2025

² Source: Fortune Business Insights – Cybersecurity Market Analysis - 2032

³ Source: Mordor Intelligence UK Cybersecurity Market Size & Share Analysis - Growth Trends & Forecasts (2025 - 2030)

Business model

Our business model from our Services division delivers award-winning solutions and business advisory services directly to a portfolio of blue-chip clients while our Software division consists of supplying innovative software products (SaaS based and on-premise) through a vast network of global resellers.

Key strengths

- Ability to provide broad offer for our clients – fulfilling end-to-end organisational resilience needs.
- Owned IP (SaaS based and on-premise offerings).
- A proven track-record of delivering effective, high-quality solutions.
- Strong client relationships.
- Advanced technology, both in-house and through a network of trusted partner relationships.
- Agile business differentiated from larger players.
- Two divisions, operating independently, supported by shared services.
- Cross-Group collaboration to help create incremental opportunities.

Our operating model

Provide cyber security, managed security and professional advisory solutions:

- Managed services & warranties
- Security solutions
- Software licences from our own IP
- Advisory & engineering

Services

- Provide enhanced wrap-around services that enable our clients to receive greater value from their investment.
- Provide leading professional expertise on technology and business risk management at a competitive price.
- Provision of a round-the-clock managed security centre. The Cyber Security Operations Centre uses Extended Detection & Response and works to detect, analyse, investigate and respond to mitigate and contain potential threats.
- Global client base across FTSE 350, Fortune 500, Government and SMEs.

Future plans and aspirations:

Sell deeper and wider to existing client base and attract new customers through our multi-award-winning service and solution offerings.

As market conditions allow, select acquisition targets that add clients and scale to our core business.

Software

- Sold globally via a two-tier distribution reseller network.
- Our software works in the cloud, on-premise and a hybrid of the two.
- Over 90% recurring revenue coming from clients renewing contracts during the period.

Future plans and aspirations:

Introduce additional internally developed products/functionalities creating upsell opportunities to existing client base. Utilise global sales platform to introduce our software to new clients.

Read more on our strategy on page 11.

Underpinned by our responsible operations, robust risk management and strong governance.

ESG

Read more on pages 17 to 20

Risks

Read more on pages 26 to 30

Governance

Read more on pages 31 to 50

Strategy

Growth strategy

Drive growth and create shareholder value by becoming the UK provider of choice, delivering premium, next-generation cyber technology, professional advisory and advanced cyber security services.

Focused organic growth

Deliver organic growth across our existing group of companies.

- Driving growth across existing accounts, through up-selling next-generation market-leading technology.
- Expanding the scope and volume of in-house services provided in support of this technology.
- Leveraging our track record of success through active marketing investment to add new accounts.
- Increasing cross-fertilisation of services to support procurement of new business through joint bids across the Group.
- Continuing development of our people, processes and partner relationships to maximise our ability to deliver value for our clients.

Our future goal:

Where opportunities arise at the right valuation, which are complementary to the Group's strategy, we will also seek to scale the Group through targeted acquisitions, building market share and benefiting from economies of scale.

Strategy in action

The Group's customer base comprises a broad range of FTSE 100, Fortune 500 and SMEs. Our focus remains on providing operational resilience to ensure information, assets, applications and infrastructure are protected.

Highlighted below is a selection of case studies from Group portfolio companies which demonstrate how we've helped several organisations to achieve cyber security peace of mind. Further case studies are featured on the [Shearwater Group website](#).

Services division

Brookcourt Receives Landmark AI Management Systems Certification

<https://www.shearwatergroup.com/brookcourt-achieve-landmark-accreditation-2/>

Brookcourt Solutions and Xcina Consulting

Supporting a Strategic Technology Shift in the UK's Renewable Energy Sector

<https://www.shearwatergroup.com/case-studies/uk-renewable-energy-supplier>

Pentest

Software division

Enhancing Security now and in the Future with SecurEnvoy's Access Management Solution

<https://securenvoy.com/case-studies/moneysolver/>

SecurEnvoy

Immediate Action to Counteract a Malware Attack and Improve Ongoing Security with SecurEnvoy's MFA Solution

<https://securenvoy.com/case-studies/mfa-nl-homefurnishings-firm/>

SecurEnvoy

KPIs

Financial:

Revenue for the year

(£m)

£39.5m (129%)²

Driven by growth in the Services segment of the business, as clients face up to the challenge of an increasingly complex threat environment.

26.7	24.4 ¹	39.5
2023	2024	2025

Description:

This measure details the demand for the Group's services.

Strategic link:

The Group is committed to investment into sales and marketing as well as innovation into new products and services that will drive future top line revenue growth.

Adjusted EBITDA³

(£m)

£2.2m (191%)²

A significant improvement in underlying profitability, driven by increased revenues within the Services segment of the business, delivered while retaining tight control over operating expenditure.

(0.2)	0.9 ¹	2.2
2023	2024	2025

Description:

This measure details the underlying performance of the Group before adjusting for one-off income and charges, depreciation and amortisation. This measure is used as a basis for incentivising business leaders and is one that is recognised by our shareholders.

Strategic link:

The Board monitors this metric to ensure that operating expenditure is under control and that the revenues we produce deliver an acceptable level of profitability, which ultimately contributes to the Group's earnings.

Adjusted profit/(loss) before tax⁴

(£m)

£0.6m (1187%)²

A return to an Adjusted profit before tax, reflecting the increased revenues from the Services segment of the business.

(1.3)	(0.6) ¹	0.6
2023	2024	2025

Description:

This measure details the Group's underlying trading profit excluding one-off income or charges and amortisation and impairment of acquired intangibles, which is a non-cash accounting adjustment. This measure does include depreciation and amortisation of internally generated capital expenditure as well as finance costs incurred by the Group.

Strategic link:

The Group looks to deliver improved value to its shareholders and the Directors feel that this measure provides a good underlying like-for-like metric of how the business is trading on a year-on-year basis.

1. Restated to reflect impact of prior year adjustment, as outlined in the financial review
2. Annualised to reflect movement based on 12/15 of total for the 15-month period to 30 June 2025
3. Adjusted EBITDA excludes exceptional items which are in their nature one-off, share-based payment costs, depreciation, amortisation, fair value adjustments for deferred consideration to be settled in shares, other operating income, contingent consideration and impairment.
4. Adjusted profit/(loss) before tax excludes acquisition amortisation in addition to the adjusting items detailed above to calculate adjusted EBITDA.

Adjusted EPS

(Pence)

3.0p

Adjusted earnings per share was 3.0 pence reflecting the improved underlying profitability.

Adjusted	(0.4)	0.5	3.0
Reported	(34.3)	(8.8)	(50.2)
	2023	2024	2025

Description:

This measure presents the adjusted profit/(loss) after tax attributable to shareholders for each ordinary share (basic). This provides a measure of trading performance in addition to the impact of how we finance our business, whether it be interest charged on debt or changes in the amount of equity issued. Further details can be found in note 8 of the Group financial statements.

Strategic link:

The Group looks to return to delivering consistent annual growth in adjusted earnings per share.

Net cash

(£m)

£5.1m

Increase in cash balance from profitable trading, subject to normal working capital inflows and outflows from major contracts. The Company retains no debt.

4.0	5.0	5.1
2023	2024	2025

1. Adjusted net cash figure includes a £1.3 million adjustment for deferred VAT (reported net cash figure was £7.3 million).

Description:

Made up of cash and cash equivalents less any loan liabilities (excluding lease liabilities), this metric provides a measure of the Group's liquidity.

Strategic link:

Ensuring that the Group has the means to fund its growth ambition; both organic and inorganic as well as ensuring it retains the ability to service its debts when they become due.

Free cash flows

(£m)

£0.3m

Trading inflows in the year supported continued investment into the development of internally developed software to provide access to highly valuable recurring revenue streams that generate high gross margins.

(2024: £1.2m)

(1.4)	1.2	0.3
2023	2024	2025

Description:

This measure includes operating cash flow for the period less capital expenditure, which shows how much actual cash has been generated/used from its operations and capital expenditure for a period. This measure can be distorted by the unwinding of working capital between reporting periods which can result in both positive and negative movements, therefore it is useful to look at this measure over a number of years.

Strategic link:

The Group looks to maintain healthy free cash flows from its existing business as this provides a source of finance to support future organic and inorganic growth.

Non-financial:
New customer wins

92
New customers

113	93	92
2023	2024	2025

Description:
The number of new clients buying software or services from the Group.

Strategic link:
The addition of new client logos is a key contributor to the Group's organic growth strategy.

Revenue by type

Future contracted revenue
(£m)

£15.4m

Up 31% year-on-year, following strong sales performance, including a number of multi-year contracts signed during H2 of FY25. £10.7 million of this total expected to be realised within the 12 months following the period end.

n/a	11.8	15.4
2023	2024	2025

Description:
Already contracted revenue still to be recognised in future periods. Following the revised accounting policy in respect of revenue recognition, this is a new KPI, which has been calculated from FY24 onwards, reflecting the value of revenue that has been contracted at the end of a period, but is still to be recognised.

Strategic link:
Securing multi-year contracts, with a proportion of revenue secured in advance of a financial year will assist in providing stability and consistency to earnings.

Stakeholders

Key stakeholders include:

Communities

We aim to make a positive contribution to the communities in which our businesses are part of.

Customers

As requirements change, we strive to maintain strong relationships, ensuring regular communication so that we are able to deliver in line with their needs, expectations and the changing environment.

Employees

We look to provide a safe, fulfilling and happy working environment to our people, balancing work/life pressures, providing personal development and equal opportunities for individuals to advance their careers.

Shareholders

Both institutional and retail investors are vital to our business. We aim to provide regular updates on how the Group is performing with regard to the execution of its strategy with the aim of driving shareholder value.

Suppliers

Maintaining strong relationships with our supply chain means that we are able to source at competitive prices whilst maintaining the Group's position on responsible ethical sourcing.

Section 172 statement

Shearwater Group's Directors recognise their obligation to promote the success of the Company for the benefit of all of its members. In doing so, each Director has (amongst other matters) to consider:

- the likely consequences of any decision in the long term;
- the interests of the Company's employees;
- the need to foster the Company's business relationships with customers, suppliers and others;
- the impact of the Company's operations on the community and the environment;
- the desirability of the Company to maintain a reputation for high standards of business conduct; and
- the need to act fairly between members of the Company.

The Board promotes a rigorous decision-making process, with the objective of ensuring that decisions align to the Group's culture of transparency and fairness to its members, which the Directors believe is key to support the long-term delivery of the Group's strategy. In addition to this, a robust decision-making process looks to mitigate the impact of the businesses' principal risks and uncertainties that exist.

Communities and the environment

How we engaged:

We have continued to review our impact on the communities where we operate, ensuring that our people are aware of the Group's environmental objectives and policies, raising awareness of our businesses carbon footprint. Through our continued partnership with DODO, our external carbon offset partner, we have invested in projects in order to offset the carbon created by our businesses.

The Group continues to support its employees who wish to participate in local charitable activities within their communities.

Impact of engagement:

We have invested in several carbon-capturing projects during the year, offsetting the carbon created by the business to maintain our carbon-neutral status.

The Group has looked to support its employees' charity participation by providing time off and has maintained a matched funding programme to support individual fundraising efforts.

Please see responsible operations on pages 17 to 20

Customers

How we engaged:

As a business, we pride ourselves on our relationships with customers and we understand the importance of taking time to understand the challenges they face. This allows us to develop effective strategies and solutions to fit our customers' needs, creating sustainable long-term relationships. We seek feedback from our customers so that we can always look to improve our service.

Impact of engagement:

We continue to work closely with long-term customers to understand their changing requirements. In the current year over 70% of revenues were again generated from long-standing customers with a relationship in excess of three years, demonstrating the commitment the Group has enjoyed from its customers during the year.

Please see responsible operations on pages 17 to 20

Employees

How we engaged:

We maintain a workplace where employees can fulfil their potential, voice their ideas and enjoy a positive and supportive environment. Our approach to reward and recognition is regularly reviewed and tailored to meet the evolving needs of our workforce.

Impact of engagement:

Our employees are empowered to help shape the future of our business by encouraging active participation through regular team meetings and surveys. This year, we introduced an employee share scheme, enabling our team to directly benefit from the Company's financial success. Additionally, we continue to champion sustainability through initiatives such as our Electric Vehicle Scheme. Recognising the vital connection between health, wellbeing and work, we provide a range of benefits designed to support both physical and mental health to ensure they are well supported.

Please see responsible operations on pages 17 to 20

Shareholders

How we engaged:

Our Chairman and CEO maintain regular contact with our institutional investors and our AGM provides an opportunity to meet individual investors. In addition to this, our CEO and CFO present to retail investors twice a year through the IMC platform. The Board works closely with its broker and other advisers to ensure that the views of shareholders are represented in key decisions taken by the Board.

Impact of engagement:

We have aimed to ensure that our shareholders are regularly updated, through trading updates and interim and full-year online retail investor presentations.

Please see strategy on page 11 and responsible operations on pages 17 to 20

Suppliers

How we engaged:

We diligently select suppliers that we look to create long-term collaborative relationships with, working to ensure that we are part of an effective supply chain.

Impact of engagement:

The Group retains strong relationships with partners across the supply chain, in particular with providers of key technology tools, with time taken to fully understand the capabilities of the respective products and how these develop over time. This means both that our teams are fully appraised of the capabilities of the latest technological products on the market and how they can best solve our clients' needs, but also that vendors who value our collaborative approach have on multiple occasions become a channel for identifying new opportunities.

Please see strategy on page 11 and responsible operations on pages 17 to 20

Responsible operations

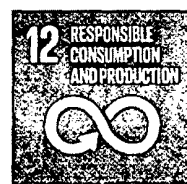
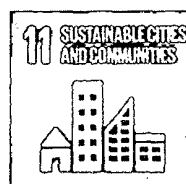
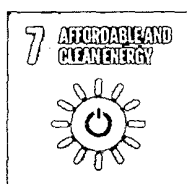
We continue to conduct our business in a way that's sustainable, recognising our responsibilities towards our stakeholders – including clients, employees, shareholders, suppliers and the wider communities where we operate – are integral to our business.

Central to this is managing our impact on the environment and taking care of our people, who are at the forefront of our success, and continue to perform resiliently and professionally.

We remain committed to delivering our ESG strategy and throughout the year have continued to extend our initiatives in this area.

We maintain a set of values that define our Group culture and incorporate them in all our operating procedures. We support today's changing social environment and therefore will do what we can to strive for a better, fairer, greener, more tolerant and kinder society.

UN SDGs



100%
carbon offset

Our ESG strategy

<u>Protecting our environment</u>	<u>Supporting our team</u>	<u>Maintaining strong governance</u>
We will prevent pollution, minimise waste from our offices, and adopt good environmental practices. We aim to establish best-practice environmental management systems throughout our business to improve our efficiency with resources.	We have identified our key social issues, including the health and safety of our people, effective staff engagement, employee wellbeing and mindfulness, training opportunities, and diversity and equal opportunity. Workplace culture and employee engagement in an ever-evolving hybrid working environment has continued to be an area of focus.	A strong focus on governance is a vital part of our ability to implement sustainable practices across our operations. We work with experts to ensure we always follow the most appropriate governance practices.
Read more on pages 17 and 18	Read more on page 18	Read more on page 18

Protecting our environment

We are committed to sustainable trading and continually look to improve our practices, ensuring we operate in an environmentally responsible manner.

We look to minimise the environmental impact of our activities; we aim to prevent pollution, minimise waste from our workplaces and adopt good environmental management practices, integrating environmental management systems into all our business processes.

We commit to review our greenhouse gas (GHG) emissions annually. This commitment includes a yearly quantification of Scope 1, 2 and a subset of Scope 3 emissions.

Our carbon footprint report is in line with the Greenhouse Gas Protocol, the most widely used international carbon calculation methodology, compatible with other greenhouse gas (GHG) standards such as ISO 14064-1:2019. This also allows for direct integration with national and international GHG registries.

The emitting activities covered in the report for the financial year 2025 include direct emissions resulting from equipment we own or control and emissions from purchased electricity (referred to as Scope 1 and 2 emissions, respectively). Following our change in financial year from April–March to July–June, this year's FY25 reporting period spans 15 months, from April 2024 to June 2025. FY25 is also our first year preparing a Streamlined Energy and Carbon Reporting (SECR) disclosure; we will report annually on energy use and associated GHG emissions going forward. They also include selected indirect emissions – those resulting from travel, commuting, software, hardware, working from home and additional service costs (referred to as Scope 3 emissions). Under the GHG Protocol, reporting direct and indirect emissions from purchased electricity is compulsory. All other Scope 3 emissions are reported voluntarily. Depending on the reliability of the data, we have reported as many voluntary emissions as possible. We incorporated the emissions generated from our employees' commuting habits and the emissions generated by working from home. Our carbon footprint is largely made up of office operations, general services and employee commuting.

We continue to work with Tërrea (formerly DODO), our external carbon offset partner, using their automated carbon accounting platform, to help ensure the third-party certification of our emissions calculation. Each year, we also offset our entire carbon footprint, so we capture every bit of CO₂ we release. Tërrea also helps with the offsetting, helping us invest in carbon-capturing projects across the world.

As well as offsetting our footprint, we aim to continue reducing our emissions, and will be exploring how we can drive further reductions in operations and the supply chain to support our sustainability strategy.

Fiscal year	Tonnes CO ₂ e	
	2025	2024
CO₂ emissions by category		
Office	195.4	237.3
Employee	64.0	54.3
Marketing	47.7	22.6
Technology	46.7	35.1
Business travel	27.5	29.4
Food and accommodation	14.3	13.7
Total	395.6	392.4

We calculated our greenhouse gas emissions at 395.6 tonnes of CO₂e for the FY25 reporting period. This year's figure covers a one-off 15-month period (April 2024 - June 2025) following our change of financial year. Despite the extended window, the increase on FY 2024 is just 0.82% (+3.2 tonnes). We have offset these emissions by investing in high-quality carbon-capturing projects that support eight UN Sustainable Development Goals. Project-by-project information is set out in the 'Carbon offsets: A case study' section of the report.

Viewed through a like-for-like lens, the trend is firmly positive. For a twelve-month period aligned to the new financial year (July 2024 - June 2025), our footprint is 326.8 tonnes of CO₂e versus 392.4 tonnes in FY 2024 - a 16.7% reduction (-65.6 tonnes). The small headline movement in the 15-month figure reflects improvements in methodology, including more accurate building-related calculations and the use of the most recent emission factors, alongside the continued delivery of the Company's carbon-reduction initiatives. We remain focused on further reductions across our operations and supply chain.

Environmental objectives and policies

In addition to offsetting, we continue to promote a number of initiatives to ensure our whole business is as 'green' as possible, this includes:

Switch it off!

We ensure desktop PCs, monitors, printers, any other electronic equipment and lights are turned off at night. We also regularly review which equipment can be powered down.

Cut down on travel

We find we can manage many of our client and manufacturer meetings using phone conferencing and web-based collaboration. This avoids unnecessary travel and also saves time. When travel is unavoidable, we promote car-free travel. We are also encouraged by our clients selecting more cloud and subscription-based services, which our engineering teams can provide remotely, reducing the need for on-site attendance.

All green at Shearwater

We recycle as many paper, card, plastic, aluminium, glass and computer consumables as we can. We have continued to move our marketing campaigns away from paper-based direct mail to online where possible. We also encourage our people and clients not to print documentation where possible.

Waste

We strive to reduce, recycle or reuse where we can, but any waste we can't eliminate, we dispose of in a safe and responsible manner.

Web meetings and website

We look to utilise our capabilities for web-based meetings where appropriate, including live video conferencing and online presentations. Most of our corporate, promotional and product literature is available online, to minimise the use of paper.

Company car policy

We encourage the use of public transport for attending meetings and do not currently offer company cars to employees. We would like to thank our employees for their continued support and understanding of this responsibility to the environment.

Desktop use

Without affecting service standards, performance or growth, where appropriate, we use equipment with few moving parts. This means low power requirements and heat output. We also centralise data requirements for the same reasons. This ensures the power needed at the desktop is appropriate for the tasks undertaken, with no stand-by or non-operational running costs.

Green IT box

With our Green IT box service, we offer a secure, compliant, cost-effective and easy recycling service for redundant IT equipment. This helps companies meet their legal IT-disposal requirements at a much lower cost per item than comparable services.

Carbon offsets: A case study

This year, we have invested in several carbon-reduction projects in order to capture our Company's emissions.

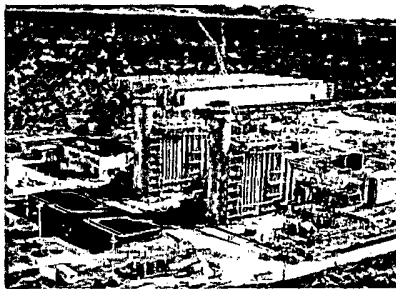


China Hebei Province Wind Farm

Generating wind energy in Hebei Province and displacing fossil-fuel generated energy, improving local air quality.

Hebei Kangbao Sanxiatian Wind Farm Project is located in Zhangjiakou City, Hebei Province, P.R.China. The wind farm contains 33 sets of turbines with a total installed capacity of 49.5 MW. Electricity generated by the project is delivered to the North China Power Grid (NCPG) and displaces power that would have been supplied by fossil-fuel fired power plants, thereby avoiding greenhouse gas emissions and other air pollutants, including SO₂, NO_x, and PM. The project is well regarded by the local community and received strong stakeholder support during the construction phase in 2008. Operation of the wind farm commenced in 2009, and the project continues to improve air quality and boost tax revenues for the regional government.

Technology: Wind

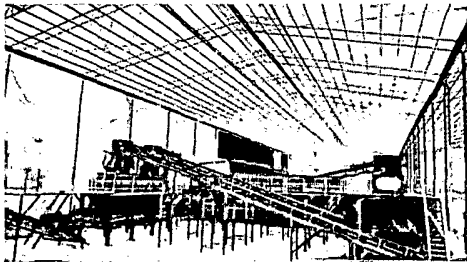


Renewable energy from natural gas plant in Dominican Republic

The proposed project includes construction of a Heat Recovery Steam Generator (HRSG) that will take advantage of the open cycle generation of the existing natural gas-based power plant in Los Mina to produce steam, which will in turn be used to power a 108 MW steam turbine. Los Mina power plant currently includes two 105 MW units, with average historical production of 80MW each, due to grid system requirements. The total capacity of the plant will increase from 210 MW to an expected 318 MW.

The potential GHG emissions reduction is based on the fact that electricity generated by the project activity using HRSGs will offset electricity from the national grid which is highly fuel oil and open-cycle based. Furthermore, the project enables a higher supply of energy to the local market using the same amount of fuel, enables a better utilisation of non-renewable resources, and in turn enables further development of the country, which is currently limited by its energy supply.

Technology: Renewable Energy



The first issued indirect soil carbon sequestration project in China

This project converts organic waste into fertiliser for local farmers, replacing chemical fertilisers. This switch significantly boosts soil's organic carbon content, enhances physical and chemical properties, and improves the soil's ecological environment.

A new composting plant treats organic waste, diverting it from solid waste disposal sites to produce organic fertilizer. The project consists of a fermentation system and a fertilizer production system, each with sub-processes. It operates at two sites:

- Instance 1: Processes 400,000 tonnes of wet organic waste annually, yielding 300,000 tonnes of fertiliser.
- Instance 2: Processes 150,000 tonnes of wet organic waste annually, yielding 110,000 tonnes of fertiliser.

Technology: Waste Disposal

Location: Hebei, China

Location: Santo Domingo, Distrito
Nacional, Dominican Republic

Location: Hong Kong, China

Streamlined Energy and Carbon Reporting (SECR)

Reporting Period: 1 July 2024 – 30 June 2025

Methodology:

- Reporting in line with the UK Government's Environmental Reporting Guidelines: including Streamlined Energy and Carbon Reporting Guidance (2019), the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018, and the GHG Protocol Corporate Accounting and Reporting Standard.
- Organisational boundary: UK operations.
- Emission factors: UK Government 2024 and 2025 Conversion Factors (gross CV).
- All figures are location-based; market-based Scope 2 not reported due to lack of supplier-specific fuel mix data.
- Heating and electricity consumption estimated from floor area (5,307 sq ft) using established intensity benchmarks.

Annual reporting figures

Source & Scope	Consumption (kWh)	Emissions (tCO ₂ e)
Scope 1 – Heating (natural gas)	83,324	15.2
Scope 2 – Purchased electricity	33,526	6.7
Scope 1 + 2 Total	116,850	21.9
Scope 3 – Transport (grey fleet & car hire)	n/a	0.6
Company vehicles/fuels	0	0

Total UK energy consumption: 116,850 kWh (Scope 1 + Scope 2).

Intensity ratio: 0.244 tCO₂e per FTE (based on 90 full-time equivalent employees).

Energy efficiency action in FY25:

- Continued hybrid working to reduce travel and office occupancy.
- Improved building-related emissions calculation by updating floor-area data.
- Ongoing carbon reduction initiatives including reduced business travel and more efficient office operations.

First-year SECR note

This is Shearwater's first year preparing an SECR disclosure. The Group will include SECR reporting in future years' Directors' reports to ensure full compliance going forward. The extended FY25 reporting period (15 months) was due to a change in financial year end from March to June; this SECR disclosure covers the new twelve-month FY (Jul 2024 – Jun 2025) for comparability.

This SECR disclosure forms part of the Directors' report for Shearwater Group plc and its UK operations.

Financial review

I am pleased to report a period of strong growth for the 15 months to 30 June 2025, with significant improvements in both revenue and underlying profitability. Revenue reached £39.5 million, representing annualised year-on-year growth of 29% (FY24 (restated): £24.4 million (restated) for the 12 months to 31 March 2024).

Adjusted EBITDA rose to £2.2 million, an increase of 91% on the same basis (FY24 (restated): £0.9 million), while adjusted profit before tax improved to £0.6 million compared with a loss of £0.6 million in FY24. The statutory loss before tax of £13.4 million (FY24 (restated): £3.2 million) was impacted by exceptional costs of £11.3 million, principally relating to a non-cash impairment charge against the carrying value of goodwill and intangibles in certain subsidiaries, which is outlined in further detail in the exceptional costs section below.

We maintained a robust balance sheet, closing the period with £5.1 million in cash (FY24: £5.0 million) and no debt; a position further strengthened by a £1.75 million receipt from one customer in the week following the period end.

A summary of the Group's financial performance for the year is set out below:

	2025 15 months	2024 12 months (restated)
	£m	£m
Revenue	39.5	24.4
Gross profit	9.6	6.9
Administrative expenses (underlying) ¹	(7.4)	(6.0)
Adjusted EBITDA	2.2	0.9
Adjusted EBITDA margin	6%	4%
Net finance charges	0.1	(0.1)
Depreciation	(0.2)	(0.2)
Amortisation of intangible assets – computer software	(1.5)	(1.2)
Adjusted profit/ (loss) before tax	0.6	(0.6)
Amortisation of acquired intangible assets	(2.6)	(2.1)
Impairment of intangible assets	(11.1)	-
Other exceptional items	(0.3)	(0.6)
Loss before tax	(13.4)	(3.3)
Taxation credit	1.4	1.1
Loss after tax	(12.0)	(2.2)

¹ Administrative expenses (underlying) excludes items that are not included within Adjusted EBITDA such as finance charges, depreciation, amortisation, impairment, share-based payment charges and exceptional items.

Prior year adjustment

As part of our continued review of accounting policies to ensure alignment with IFRS 15 Revenue from Contracts with Customers, the Group has reassessed the timing of revenue recognition in respect of certain cloud-hosted software solutions and associated third-party support within the Services segment of the business.

Historically, revenue from these products and services was recognised at a point in time when the software was delivered to the customer. This treatment was considered appropriate given that, in prior years, the majority of the Group's software offerings were delivered as relatively finished, on-premise products, with limited ongoing updates or enhancements after delivery. As the provider of an integrated solution, Shearwater's role was also largely completed on delivery of this solution, with the responsibility for ongoing hosting and updates primarily being the responsibility of the underlying software provider.

As the nature of cyber threats has evolved, however, so too has the Group's product suite. A number of key offerings are now delivered as cloud-hosted Software as a Service ("SaaS") solutions. These products are continually updated and enhanced throughout the contract term to ensure customers benefit from the most current protection and latest functionality. Under IFRS 15, such arrangements are considered to provide a continuous service over time, and accordingly, it is now deemed more appropriate to recognise the revenue related to these types of services over the duration of the contract, rather than at the point of initial delivery.

Revenue from on-premise software licences will continue to be recognised at a point in time, consistent with when control of the licence transfers to the customer. Where such contracts include distinct support, maintenance, or servicing components, these elements will be recognised over time, reflecting the ongoing nature of the service provided across the contract period.

The decision that it is more appropriate to recognise revenue relating to cloud-hosted services and support agreements over a period of time, has resulted in the identification of an error in the prior year. As such, the application of IFRS 15 as outlined above has been applied

retrospectively and has resulted in a prior year adjustment to restate comparative information. Further details of the financial impact are provided in note 1a to the consolidated financial statements.

The impact of applying this change in FY25 was to slightly reduce both revenue and Adjusted EBITDA. Had the Group retained its previous accounting policy, revenue for the 15-month period to 30 June 2025 would have been £41.4 million (FY24 (restated): £22.6 million), representing annualised growth of 46%. Adjusted EBITDA on the same basis as shown in the 2024 year-end financial statements would have been £2.3 million (FY24 (pre-restatement): £0.9 million), representing growth of 113%.

Following this change in policy, as of 30 June 2025 the Group had £15.4 million (FY24 (restated): £11.8 million) of work that was contracted but the revenue for which had not yet been recognised. Of this, it is expected that £10.7 million (FY24 (restated): £9.2 million) will be recognised in the 12 months following the balance sheet date.

Revenue and gross profit

Revenue for the 15-month period ended 30 June 2025 of £39.5 million represented 29% growth on the prior year on an annualised basis (2024 (restated): £24.4 million).

The table below provides a breakdown of revenues for the current year:

	2025 15 months £m	2025 annualised £m	2024 restated £m
Services			
Managed services & warranties	9.9	7.9	9.8
Security solutions	21.6	17.4	6.9
Advisory & engineering	5.4	4.3	5.3
Software			
Software licenses	2.6	2.0	2.4
Total revenue	39.5	31.6	24.4

The Services division delivered strong growth during the period, with increased revenue principally driven by an increased demand for managed service solutions provided by Brookcourt. While procurement cycles across the industry remain extended, a trend that has impacted the past two financial years, there has been encouraging movement towards companies committing to the necessary investment in their cybersecurity defences. This shift has particularly benefited Brookcourt, which continues to strengthen its position as a trusted partner for blue-chip clients.

Growth within the Services division was, however, not uniform across all subsidiaries. Pentest recorded record revenues in FY24, driven by a material fixed-term contract with a major US software provider. This contract concluded at the end of Q1 FY25. Although Pentest remains a highly regarded brand within the penetration testing market and secured 50 new client engagements during the year, these were typically of a smaller scale and it was not possible to fully replace the revenue associated with this contract. As a result, Pentest revenues declined by 26% on an annualised basis compared with FY24.

Management retains confidence in the long-term prospects of Pentest; however, given the lower level of revenue expected in the short-term, the Board considered it appropriate to reduce the carrying value of goodwill associated with the original acquisition of Pentest. Accordingly, the goodwill balance was reduced from £2.8 million to £1.1 million, giving rise to a one-off non-cash impairment charge of £1.7 million in the period.

Revenue from the Software division declined by 14% on an annualised basis to £2.6 million (FY24: £2.4 million). During the period, a number of important performance upgrades were delivered, further enhancing the functionality of our proprietary platforms. Aligned to a clear understanding of where our holds a competitive advantage in the market and the opening of new channels to market, Directors are confident that this segment is well positioned to return to growth in FY26. Nonetheless, given the reduced level of revenue, the Board has reassessed the carrying value of goodwill and intangible assets associated with the Software business, resulting in a one-off non-cash impairment charge of £9.3 million in the period.

The value-in-use calculations applied to determine the impairment to goodwill and intangible assets in the consolidated statement of financial position were also used to assess the carrying value of investments in the Company statement of financial position. This resulted in an impairment of £13.4 million being applied to this investment value. This was the principal contributor to an overall loss for the Company of £14.6 million in the period.

Gross margin

The gross margin reduced from 28% in FY24 to 24% in FY25. This principally reflected a shift in the sales mix, with an increase in the proportion of revenues coming from the Solutions segment of the business and a reduction in revenue from the higher margin Software segment.

Even within the Services segment, there was a reduction in the gross margin from 25% to 21%, which reflected an increased proportion of sales of integrated cybersecurity solutions, including elements of third-party software and hardware and a reduced proportion of penetration testing services, which typically deliver a higher gross margin, but which have a higher associated fixed cost.

A reduction in gross margin from 71% to 62% in the Software segment of the business reflected the reduced revenue, with cost of sales in this segment primarily relating to sales staff and sales promotion expenditure, which doesn't automatically reduce if revenues drop.

Administrative expenses

Underlying administrative expenses reduced by 2% on an annualised basis to £7.4 million (FY24: £6.0 million) as the Group continues to tightly manage its fixed cost base.

Adjusted EBITDA

The net impact of the factors outlined above was that the Group delivered a 91% annualised improvement in Adjusted EBITDA to £2.2 million for FY25 (FY24 (restated): £0.9 million).

The table below provides a breakdown of the Group's adjusted EBITDA:

	2025 15 months £m	2025 annualised £m	2024 restated £m
Services and Software	3.9	3.1	2.3
Central administrative expenses	(1.7)	(1.3)	(1.4)
Adjusted EBITDA	2.2	1.8	0.9
Adjusted EBITDA margin %	6%	6%	4%

Finance charges

The Group earned net finance income of £0.1 million in the period (FY24: net cost of £0.1 million). Having retained a healthy cash position through the period, the Group used short-term deposits to earn interest on cash balances, while retaining the flexibility to appropriately manage its working capital requirements.

Depreciation

Depreciation of £0.2 million (2024: £0.2 million) was in line with the level in the prior period and mainly comprises depreciation of right-of-use assets.

Amortisation of intangible assets

Amortisation of computer software of £1.5 million, equated to £1.2 million on an annualised basis, in line with the prior year (FY24: £1.2 million). This relates to the amortisation of development expenditure incurred since acquisition on the Group's proprietary software solutions.

Adjusted profit/ (loss) before tax

The Group made an adjusted profit before tax of £0.6 million, (£0.5 million on an annualised basis). This compared to an adjusted loss before tax for the prior year of £0.6 million. The improvement reflected the increased revenue, coupled with ongoing tight control of underlying administrative expenses.

Amortisation of acquired intangible assets

Amortisation of acquired intangible assets was £2.6 million, equating to £2.1 million on an annualised basis, exactly in line with the prior year (FY24: £2.1 million).

Share-based payments

Share-based payment charges were less than £0.1 million in the period (2024: £0.0 million) notwithstanding the issue of a further tranche of options under the Group's ESOP scheme in January. Full details on the calculation of the Group's share-based payment charge are included within note 17.

Exceptional items

Exceptional items of £11.3 million (FY24: £0.5 million) included:

- Impairment of goodwill and intangible assets: £11.1 million (FY24: £nil); primarily relating to a reduction in the carrying value of goodwill and acquired intangible items from the acquisitions of SecurEnvoy Limited and Pentest Limited; and
- Restructuring costs: £0.1 million (FY24: £0.4 million): relating to the completion of an exercise to rationalise the group structure and reduce the number of group entities and also right-sizing of the cost base in Pentest Limited.
- Other costs: £0.2 million (FY24: £0.2 million): including completion of a one-off strategic project from FY24 and forex losses and legal costs from one foreign exchange provider breaching the terms of an agreed forward contract.

Reported loss before tax

The reported loss before tax of £13.4 million (2024: £3.2 million) reflected the improved underlying operating performance of the business, offset by the amortisation of acquired intangibles and the one-off exceptional items impacting the period.

Taxation

The income tax credit for the year of £1.4 million (FY24: £1.1 million), was primarily driven by a reduction of £1.3 million in the deferred tax liability during the period. This in turn was split between a £0.7 million reduction relating to the amortisation intangible assets and a £0.6 million credit resulting from the exceptional impairment charge in the period.

The Group received £0.3 million in cash in the period in respect of R&D tax claims up to and including the period to 31 March 2023. Further claims will be prepared in respect of the FY24 and FY25 financial years, however, no assets have been recognised in respect of these until the Group has greater visibility on the likely value to be received in respect of these periods.

Statement of financial position

Intangible assets

Intangible assets decreased in the year by £13.8 million to £28.9 million at 30 June 2025 (2024: £42.7 million). This movement incorporates £1.3 million of investment into continued development of the Group's software assets (2024: £1.0 million), less the exceptional impairment charge of £11.1 million (prior to offsetting impact of deferred tax) and £4.1 million of amortisation, of which £2.6 million relates to acquired intangibles and £1.5 million to internally developed computer software.

Property, plant and equipment

Property, plant and equipment decreased slightly in the year by £0.2 million to £0.3 million at 30 June 2025 (2024: £0.5 million), reflecting depreciation in the year exceeding the value of new fixed asset additions.

Trade and other receivables

Trade and other receivables at 30 June 2025 totalled £17.6 million, an increase of 6% on the restated total at the end of the prior period (FY24 (restated): £16.6 million). This shift is primarily the result of timing differences around key contracts, with a higher volume of activity in FY25 than in the prior year, with revenues weighted towards H2. The Group continues to have no material issues with bad debts.

The revised accounting policy in respect of revenue recognition is typically expected to result in an increase in prepayments, as certain payments to suppliers, which are typically made at the start of each year of a contract will now be spread over the contract duration. Conversely, accrued income will typically be lower than under the previous policy, as uninvoiced revenue from future years of multi-year agreements will not be recognised at the outset of a contract on cloud-hosted software solutions and third-party servicing agreements.

Trade and other payables (falling due within one year)

Trade and other payables reduced from £16.4 million (restated) and the end of FY24 to £15.8m at the end of FY25. As with receivables, this principally simply reflected the timing of supplier billing under key contracts.

It is expected that accruals will typically be lower than under the previous accounting policy, with future year supplier obligations under multi-year cloud-hosting and third-party servicing contracts no longer accrued at the outset. Conversely, deferred revenue is expected to increase, as invoiced revenue on these contracts is deferred over the contract duration.

Creditors: amounts falling due after more than one year

Creditors due after more than one year reduced from £4.9 million (restated) at the end of FY24 to £3.7 million at the end of FY25. This was almost exclusively driven by a £1.4 million reduction in the deferred tax liability in the period, resulting from a combination of ongoing amortisation and the one-off exceptional impairment charge in the period.

Statement of cash flows

The Group generated cash inflows in the year of £0.1 million (2024: £1.0 million). Cash flows related to working capital generation are always subject to some variation relating to the timing of payments under material contracts within the Services segment of the business. In the first week following the year end the Group received one major receipt for £1.75 million from a project sold and implemented during FY25. Had this been received one week earlier, it would have made a material difference to the cash flow shown for the period. Over the medium term, however, the impact of such fluctuations will even out and Directors believe that if the business continues to deliver on its targeted adjusted EBITDA profitability this will drive positive cash flows for the business.

This is driven largely by the return to positive adjusted EBITDA and positive working capital generation, particularly in the second half of the year. Working capital benefited in the year from the profile of long term deals concluded in previous years. The Group continued to invest in the Software division, with £1.0 million invested into internally developed software, the latest of which, SecurEnvoy's Access Management v.4.0 R2, went live in May 2024. The Group continued to collect cash effectively, with minimal bad debt.

The table below provides a summary of cash flows in the year:

	2025	2024
	£m	£m
Adjusted EBITDA	2.2	0.9
Movements in working capital	(1.0)	1.1
Cash generated from operations	1.2	2.0
Adjusted cash generated from operations	1.5	2.4
Exceptional items (cash impact)	(0.3)	(0.4)
Net cash generated from operating activities	1.2	2.0
Capital expenditure (net of disposal proceeds)	(1.4)	(1.1)
Tax received	0.3	0.3
Net finance costs received/ (paid)	0.1	(0.1)
Payments of lease liabilities	(0.2)	(0.2)
Movement in cash	0.1	1.0
Opening cash and cash equivalents	5.0	4.0
Closing cash and cash equivalents	5.1	5.0

The above cashflow is extracted from the statutory presentation and adjusted to show exceptional items on a like-for-like basis as this is the basis reviewed by the Directors.

Capital expenditure

Capital expenditure of £1.4 million (2024: £1.1 million) in the year primarily includes capitalisation of external and internal software costs for developing our software business's product sets. On an annualised basis, this level of expenditure remains consistent year-on-year. Expenditure on property, plant and machinery remains minimal.

Financing activities

Expenditure on lease liabilities of £0.2 million (£0.2 million on an annualised basis) remained in line with the prior year (2024: £0.2 million).

The Group earned net finance income of £0.1 million in the period (FY24: net cost of £0.1 million) through the use of short-term deposits to earn interest on cash balances (2024: net finance costs paid of £0.1 million).

Key performance indicators

The Board believes that revenue, adjusted EBITDA and adjusted profit before tax are key metrics to monitor the performance of the Group, as they provide a good basis to judge underlying performance and are recognised by the Group's shareholders.

Alternative performance measures

The Group uses alternative performance measures alongside statutory measures to manage the performance of the business. In the opinion of the Directors, alternative performance measures can provide additional relevant information on past and future performance to the reader in assessing the underlying performance of the business. The table within note 2 of the consolidated financial statements details definitions of adjusted EBITDA and adjusted (loss)/profit before tax measures. Note 8 details the definition of adjusted EPS.

Movement of the balance sheet date

During FY25 Directors elected to change the Group's financial year end from 31 March to 30 June, to better align the Group's financial year with its customer procurement cycle. Historically, material contracts have frequently been concluded around the old March year end. This presented challenges in providing accurate and timely guidance to investors. The Board believes the revised year-end will enable greater clarity and consistency in the Group's reporting.



Jonathan Hall
Chief Financial Officer

10 November 2025

Principal risks and uncertainties

Risk management framework

The Board is responsible for ensuring that the Group has systems in place to ensure that the Group's principal risks and uncertainties are identified, assessed and mitigating actions implemented in an effective and timely manner.

The table below details the roles and responsibilities for managing the Group's principal risks and uncertainties:

Board

Responsible for setting the Group's policy on risk management, establishing appropriate systems to monitor risk management and internal control. The Board is also responsible for determining the Group's appetite to risk in achieving its strategic objectives.

Audit Committee

Responsible for advising the Board on risk exposure and review of internal controls that are in place to mitigate risk.

Executive

Responsible for maintaining an effective system to identify and manage key risks to the Group, understanding the materiality of each risk and potential mitigations that can be put in place to reduce exposure.

Local businesses

Responsible for maintaining an effective system to identify and manage risk at a local level, implementing mitigating measures where possible.

Risk appetite

The Group works to balance its exposure to operational, financial and other risks against opportunities for growth, in pursuit of achieving its strategic priorities and objectives. The Board accepts that risk is a factor that is present in the business's everyday trading and, whilst many opportunities carry a level of risk, it is vital that the potential impact of each type of risk is understood, and, where possible, mitigation planning is carried out to ensure that the identified risk is of an acceptable level for the business.

Our risk appetite is reviewed at least annually and takes into account both changes that we have seen and what we expect to see within the external market the Group operates in. This review may influence our strategy as we look to maintain a balanced risk profile whilst maximising opportunities to deliver against the Group's strategy.

The Group has a zero tolerance to risks that relate to non-adherence to laws and regulations, which it considers to be an unacceptable risk.

Emerging risks

The Directors monitor the continuously evolving macro and micro-economic environment and assess any potential impact to the Group's businesses. This will occasionally identify additional risks that need to be considered by the business and planned for where it is possible.

Whilst not a new factor, the impact of climate change continues to be a risk that needs to be monitored as the impact of natural disasters could have potential knock-on impacts for our stakeholders. We will continue to monitor this risk and remain committed to sustainable trading which includes ethical procurement. More details can be found in the Group's sustainability report on pages 17 to 20 of how the Group promotes sustainable trading.

In the current year, we have continued to enhance data protection through a framework aligned with the ICO's Accountability Tracker to manage and monitor all data protection risks including those relating to third-party products and services. This is set out in the Regulatory section below, with performance against this framework reported as a standing item at each Board meeting. We have also undertaken a number of data breach simulation exercises, testing several different scenarios including a ransomware attack, a phishing incident, an insider threat instance and a supply chain attack.

The Directors have identified seven principal risks to the Group that would threaten the business's ability to execute its strategy, its future financial performance and reputation. These are detailed below, with mitigating actions listed:

Technology

The markets in which the Company operates 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 Company's existing technology and products obsolete. If the Company 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.

The advancement of AI-based automation technologies provides companies with the opportunity to accelerate the advancement of their existing technologies.

Mitigating actions

- The Group remains dedicated to continuously advancing its internally developed software and technologies while also identifying and integrating leading third-party solutions. This year we have continued to invest in software development to ensure that our product offerings remain current and relevant.
- We have a number of industry experts working across our Group companies, who work together with the objective to improve the Group's product offering, ensuring that we keep pace with technological change and the threats that the Group's customers face.
- We continually monitor the availability and capabilities of third-party solutions and vendor partners to ensure that the products offered by our Solutions business continue to address the latest threats facing our customers.

Risk level

Pre-mitigation - High

Post-mitigation - High

Change

No change (2024: No change)

Link to strategy

Ensuring that the software products we sell are innovative and address the latest cyber threats will position us well in a fast-growing marketplace.

Intellectual property

The Group owns a number of software assets that it has created and continuously developed over a number of years. These form the products that are sold within the Software division of our business. The Group continues to invest in the development of new product sets to complement existing products. Whilst the Group seeks to protect its intellectual property through a range of mitigating actions, this does not provide any assurances that a third party will not infringe upon the Group's intellectual property, release confidential information about it or claim technology which is registered to the Group.

Mitigating actions

- The Group maintains robust security around its internally developed technology and patents are filed where possible.
- Employment contracts provide some protection around the release of information relating to product know-how.
- The Group takes a zero-tolerance approach to intellectual property infringement and will take necessary steps to enforce its rights to protect its intellectual property assets.

Risk level

Pre-mitigation - Moderate

Post-mitigation - Low

Change

Decreased (2024: No change)

Link to strategy

Continued development of internally developed software provides the Group access to highly valuable recurring revenue streams that generate high gross margins. A reduced risk level in FY25 reflects the increased weighting of the Solutions business in delivery of the overall Group strategy.

Recruitment and retention of key personnel

The 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 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.

The Board recognises this risk and supports the Group's people strategy which encompasses, among other things, culture, training and development, capability and competence assessments, succession planning, reward and recognition structures, to help attract and appropriately incentivise key personnel.

The rewards for businesses to develop the best-in-class technologies continue to fuel demand for the best employees.

Mitigating actions

- We have enhanced training and development opportunities for all employees so that they are able to advance within their role.
- We promote a culture of openness where all employees are able to express their views and suggestions, actively contributing to decision making.
- The Board takes an active role in succession planning to ensure that we build strong teams and processes around key individuals to reduce dependence on any one individual.
- Continued review and enhancement of employee benefits.

Risk level

Pre-mitigation - High

Post-mitigation - High

Change

No change (2024: No change)

Link to strategy

Attracting and retaining the best candidates will help drive innovation of products and solutions, ensuring that we are able to deliver growth.

Please see Stakeholders on pages 15 and 16 and Supporting our team on page 17.

Key Contracts

The Group relies on certain key customers for a material proportion of its revenue. Whilst the Group benefits from high customer retention levels, there can be no guarantees that all or any customers will continue their relationship with the Group beyond the existing contractual period currently in place. Certain customers have the right to terminate their contractual arrangements with the Group or discontinue using the Group's services without notice or on short notice. In addition to this, changes in client spending patterns brought about by the clients' operational priorities and/or budgetary restraints can result in delays to expected projects, which along with losses of major customer contracts could adversely affect the Group's business, financial position, results or future operations.

The current macroeconomic conditions add pressure for some customers which can result in delays or pauses to investment decision making.

Mitigating actions

- We continue to create and maintain long-term relations with our customers, taking the time to understand their needs fully. Key to achieving long-term relationships with customers is ensuring that as a minimum we always deliver in line with customer expectations.
- We have continued to invest in sales and marketing roles as well as investing in marketing to achieve new customer growth for the Group to reduce the reliance on existing customers.
- During the period there were four clients, each responsible for contributing more than £2 million of revenue, up from two in FY24.

Risk level

Pre-mitigation - High

Post-mitigation - High

Change

No change (2023: No change)

Link to strategy

Investment into developing long-term relationships, taking time to listen and understand our clients' needs and delivering excellent service presents upsell opportunities. Broadening the number of clients each contributing a material proportion of revenue also provides the Group with increased financial resilience.

Please see Stakeholders on pages 15 and 16.

Economic uncertainty including major incidents

Whilst economic uncertainty creates both challenge and opportunity, the negative impact to the Group's key stakeholders could result in the loss of customers and additional pressures on the Group's supply chain.

Recent years have seen a significantly increased level of geopolitical instability with global conflict, changes to international trading arrangements and other world events all impacting the global economy. The resulting economic uncertainty can result in organisations restricting or reducing their budgetary spend, even where they do not have appropriate cyber and IT security in place.

Mitigating actions

Owing to the non-discretionary nature of many of the Group's products and services, the Group is in a more robust position than would be the case in many other sectors. The Group retains close contact with its key stakeholders, addressing challenges as they arise, ensuring they are aware of the latest threats and providing support and flexibility where needed.

Risk level

Pre-mitigation - High

Post-mitigation - Medium

Change

Decreased (2024: No change)

Link to strategy

Recent high-profile cyber-attacks have highlighted the need for client investment in cybersecurity solutions. While financial pressures will always have an impact on a client's ability to commit to investment, through FY25, we have started to see clients committing to planned investment that may have been deferred in previous periods.

Please see Market opportunity section of the Chief Executive Officer's report on page 6.

Cyber security attacks

The Group is a high-profile target for third parties wishing to gain unauthorised access to the Group's networks, or to bypass or breach its products. Any breach of the Group's networks or products, whether through a deliberate hack or unintentional event, may cause significant business disruption to the Group or its customers and result in the Group incurring the costs of remedying any breach. Furthermore, the Group's reputation may be damaged, leading to a loss of customer, industry and investor confidence.

The advancement of AI-based technologies can provide cyber-criminals with tools that can automate and accelerate deployment of cyber-attacks.

Mitigating actions

- The Group's employees participate in training and testing to promote awareness of cyber threats.
- The Group has established a secure network infrastructure, supported by its own in-house team of information security and cyber security specialists, who are able to monitor, identify and respond to any incident, and if required, recover any data or information. We invest to continually enhance the robustness of our IT security.
- Our internally developed software products are subject to regular third-party testing as part of the ongoing development process both prior to launch and once the product is being used by the Group's customers. Where new threats emerge, product updates are made available and communicated to the Group's customers so that they are able to maintain continuity of protection.
- Our Solutions business has recently been awarded ISO 42001 (Artificial Intelligence Management Systems) to help navigate the complexities of AI across the Group.

Risk level

Pre-mitigation - High
Post-mitigation - High

Change

No change (2024: No change)

Link to strategy

Our products and solutions help protect companies from security threats. Increased cyber-attacks present an opportunity for us, as companies look to invest in effective defensive solutions.

Please see Market opportunity section of the Chief Executive Officer's report on page 6.

Regulation

New industry regulation and government legislation continues to be 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 Group is unable to provide products or services to its 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.

Continued change/enhancement of regulation and best practice increases the pre-requisite for companies to having appropriate, up-to-date cyber and IT security in place in order to trade. As an example, insurers are asking for details of companies' cyber and IT security systems and processes as part of their customer due diligence when assessing premiums.

Mitigating action

- We constantly monitor a variety of Government bodies to ensure that we can plan for future developments within the legislative landscape, allowing us to ensure that our services are up to date and relevant.
- The Group's Advisory Panel takes an active role in monitoring legislative developments which could create both opportunities and challenges for our companies.
- The Group's Data Protection Officer is responsible for ensuring the Group's continued compliance with the new data protection requirements which have most recently come into force.
- We have implemented a framework aligned with the ICO's Accountability Tracker to manage and monitor all data protection risks including those relating to third-party products and services, processor due diligence checks and controller-processor contract requirements. In addition, we use a dedicated third-party risk management platform to monitor risks relating to critical third parties.

Risk level

Pre-mitigation - High
Post-mitigation - Moderate

Change

No change (2024: No change)

Link to strategy

Changes in compliance and regulation from industry bodies and law creates an obligation that companies need to respond against. Our companies' services and solutions are able to help companies fulfil their compliance requirements.

Please see Strategy on page 11

Board of Directors

The following is a list of the names and positions of the current members of the Board.

Key:

- N Nomination Committee member
- R Remuneration Committee member
- A Audit Committee member
- * Committee Chair

David Williams

Chairman
A N* R*

Appointed to the Board:

April 2015

Key areas of prior experience:

David has significant experience building companies in the public and private sectors, having chaired a large number of these, both in an executive and non-executive capacity.

Philip Higgins

Chief Executive Officer

Appointed to the Board:

December 2018

Key areas of prior experience:

Phil has over 30 years' industry experience, during which time he has been instrumental in the delivery of next-generation technology solutions to many leading global FTSE 100 and FTSE 250 companies. Phil joined the Board in December 2018 and was appointed Chief Executive Officer of Shearwater Group in April 2019. Following a six-year secondment to the US as International Business Director for Info Products Europe (now SCC), Phil returned to the UK market in 2001. After a brief spell at NSC Global and three years at Repton (now CDW), he co-founded Brookcourt Solutions in 2005.

Jonathan Hall

Chief Financial Officer

Appointed to the Board:

September 2024

Key areas of prior experience:

Jonathan is an experienced financial leader, who has spent the past ten years in senior finance roles across AIM listed businesses. Jonathan qualified as a Chartered Accountant with Arthur Andersen, before spending seven years as a Management Consultant with PA Consulting. Jonathan was Finance Director of Saracens Ltd and the wider Premier Team Holdings Group of which it was part. From there he joined Gfinity plc as Chief Financial Officer, leading the listing of the world's first listed esports company and latterly assuming the role of Chief Operating Officer. Immediately prior to joining Shearwater Group, Jonathan held an interim Commercial Finance role with AIM listed Behavioural Change business MindGym plc

Robin Southwell OBE

Non-executive Director
R

Appointed to the Board:

October 2016

Key areas of prior experience:

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 recently acquired and subsequently became Chairman of Fairline Yachts in addition to being Chairman of Linley Furniture, a Fellow of the Royal Aeronautical Society and an Ambassador of the RAF Museums. He has been appointed as a DTI Business Ambassador by the UK Government and received his OBE in 1997 for services to exports.

Stephen Ball

Senior Independent Non-executive Director

A N

Appointed to the Board:

October 2016

Key areas of prior experience:

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 Ampthill, 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.

Giles Willits

Non-executive Director

A*

Appointed to the Board:

December 2016

Key areas of prior experience:

Giles has over 25 years' experience in senior leadership and financial roles. Until June 2022 he was the chief financial officer of IG Design Group plc (AIM: IGR). Prior to this, Giles was chief financial officer of FTSE 250 listed Entertainment One Ltd (LSE: ETO). Giles was formerly director of group finance of J Sainsbury plc and Woolworths Group plc. He is currently a non-executive director at Acceler8 Ventures plc, Chief Executive Officer at Intuitive Investments plc and Treasurer/Council member at the University of Nottingham.

Advisory Panel

Rt Hon Lord Reid of Cardowan
Advisory Panel Chairman

Lord Reid joined the Group 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 a former member of the International Affairs and Defence Select Committee and the National Security Strategy Committee.

Marcus Willett CB OBE
Advisory Panel

In April 2019, Marcus Willett CB OBE joined the Advisory Panel. Marcus was formerly the Deputy Head of GCHQ having served 33 years with the organisation. He was also GCHQ's first Cyber Director and has established and led major UK cyber programmes. Marcus has held posts across the wider UK intelligence and security community and is currently the Senior Adviser for Cyber at the International Institute for Strategic Studies, a world-leading authority on global security, political risk and military conflict.

The Group's Advisory Panel is led by Rt Hon Lord Reid of Cardowan. The Advisory Panel's main objective is to monitor advancements in the digital resilience sector and assist the Group in accessing growth opportunities through the extensive network of contacts each panel member possesses. Panel members have been actively involved in independent engagements with the executives from our portfolio companies, providing support and guidance as needed.

Advisory Panel report

The threat landscape

This past year has seen a significant surge in the range and volume of attempted cyber-attacks, having already been copious beforehand, and an equally significant rise in the seriousness of the impacts on the victims of those attacks that succeed. There are three main reasons. First, the vast sums to be made through cyber criminality. Second, the continuing rise of geopolitical tensions, including ongoing conflicts such as those in Ukraine and the Middle East, which has resulted in states resorting even more to cyber-means to try and achieve a strategic advantage. Third, malign cyber actors - be they states, hacktivists or criminals - have become more sophisticated at breaking into business systems, using an array of new tools and techniques. As just one example, they are exploiting commercially available generative AI to power their socially engineered phishing of potential targets; to develop their malware; and to plan their operations.

Within that context, the most significant threat to organisations remains attempted extortion by cyber criminals using ransomware to lock or encrypt data and systems and/or steal and threaten the exposure of sensitive data. The year has seen an increasing focus by the groups on very targeted operations against high value sectors, but nevertheless opportunistic attacks also remain abundant. These operations are supported by an extensive and sophisticated cybercriminal ecosystem - some groups specialise in coding the malware, some in gaining access to networks, some in exploiting the access, some in running online markets for stolen data and credentials, and others as cryptocurrency specialists for the payout. The money being made is in the trillions of US dollars - if it were an economy, cyber criminality would be the world's third largest after the US and China. And beyond the usual - often Russia-based - culprits, the past year has seen increasing damage caused by English-speaking - including UK-based - criminal groups, such as those behind the significant disruption caused in the UK to the likes of M&S, Harrods, the Co-op and Jaguar Land Rover.

As for state actors, Russia and its proxies have this past year increased their already intensive 'cyber campaign' against those countries providing aid to Ukraine. This includes widespread intelligence gathering and IT vandalism. But the biggest shock has been the revelation that the Chinese had breached the telecommunications systems of up to 80 countries (Salt Typhoon) and had positioned disruptive cyber capabilities on a wide swathe of critical national infrastructure in at least the US (Volt Typhoon). The Chinese used advanced tradecraft, making the intrusions harder to detect and mitigate and forcing experts to consider the possibility that Chinese cyber capability may be on a road to equalling and even surpassing the cyber sophistication of the US and its closest allies. While starting from a much lower base, Iran and North Korea have also increased the sophistication of their cyber activity, with North Korea focusing heavily on financial assets, especially the blockchain world of cryptocurrency.

In response

For organisations in the public and private sectors their response to this threat landscape must be based on a Board-level assessment of the risk to the organisation. This is dependent on the Board realising that the risk is to the organisation's ability to function and, for companies, therefore to market reputation and the financial bottom line. Added to this, government regulations - for example, in the US, the EU and the UK - are beginning to catch up with the real world of malign cyber activity, leading to increasingly stringent standards being set, and increasingly heavy fines for organisations found to be in breach of them. These are all reasons that the cyber risk should never be treated as purely technical and left solely in the hands of the organisation's technical experts.

An organisation must therefore understand the specific nature of the constantly evolving threats to its networks and data. And it must keep abreast of cyber security best practice and the standards and regulations of most relevance, noting that these can vary across industrial and business sectors. It must invest in cybersecurity solutions that sufficiently meet relevant standards and regulations. But perhaps more importantly, the investment must be in line with managing the real risk posed by cyber threats to its business, noting that, despite the threat environment portrayed above, investing in appropriate cybersecurity will still stop the vast majority of attempted cyber incursions. However, an organisation must also expect some attacks to get through and must therefore design and regularly test, including at Board level, appropriate breach response and recovery mechanisms. And thinking strategically, it must build resilience into its operations, especially how it handles data that is critical to running its business and/or is reputationally sensitive.

Mirroring the malign actors, the response must also include making sensible use of the new tools, techniques and technologies on offer in the cyber security sector, such as AI-assisted defence, recovery and resilience. But perhaps the fastest growing demand is for Zero Trust architecture, providing continuous and robust assurance as to who is accessing which of the organisation's networks and data, rather than just verifying a user at first login and to only a moderately robust level. Zero Trust is more a strategic approach than a product. If done correctly, and given the threat landscape depicted above, Zero Trust offers an organisation a real competitive advantage. Conversely, if Zero Trust is treated merely as a tick-box project or merely a tool-buying exercise, the result could be just expensive but ineffective gadgetry to add to the organisation's asset register.

Shearwater Group plc

We have written in previous years why we believe Shearwater Group's cyber security offer is so strong. For example, it is a market consolidator, covering the full range of cybersecurity requirements. It delivers end-to-end capability, including consultancy and advice, auditing, threat intelligence, pentesting and red teaming, managed services, and advanced technical solutions. We have also noted previously its use of cutting-edge technology, including AI and deep learning; the benefits that have accrued from its substantial investment in R&D; and its ability to work in close partnership with its clients to design solutions appropriate to their needs. This has included helping them streamline their operations effectively in response to economic pressures.

This year, we also highlight further commercial traction, reinforcing Shearwater's position as a trusted partner in enterprise resilience. This includes a significant new contract with a leading UK telecommunications/media customer and a significant contract renewal. We highlight further recognition of the Group's innovation, including a landmark AI certification. Equally, we note that its provision of identity-first Zero Trust access and multi-factor authentication, the adaptability to client needs of the managed services and solutions it offers, and its supply of the testing and data discovery that underpin continuous assurance, combine to show its capabilities map directly onto the fast-growing demand for a Zero Trust approach.

In our view, all of the above significantly differentiates Shearwater from point-solution vendors, giving clients a one-stop shop for their cyber security and resilience requirements and providing them with solutions tailored to their needs rather than just being kit a company wants to sell. We therefore expect Shearwater to grow as a valued and trusted partner of organisations committed to improving their cyber security.

Chairman's introduction to governance

David Williams
Chairman

Dear Shareholder

I am pleased to introduce Shearwater Group plc's governance report for the 15-month period to 30 June 2025 on behalf of the Board.

The Board is responsible for maintaining a high level of corporate governance across the Group, which I believe is an essential foundation in allowing our business to deliver on its strategy of building a group of cyber security, managed security and professional advisory companies with a leading product, solution or service capability whose full potential can be unlocked through active management and capital investment. I believe that good governance facilitates effective communication, provides clear direction on the execution of the Group's strategy which will drive sustainable growth and achieve value for stakeholders.

The Board is responsible for setting the Group's governance policy, which looks to support the creation of opportunities for growth, driving value for shareholders whilst balancing an acceptable risk profile.

I would like to thank our people for their continued commitment to the Group, in addition to extending my thanks to our customers, suppliers, shareholders and all stakeholders for their support.

David Williams
Chairman
10 November 2025

Current Board demographics

Tenure

17%	10+ years
66%	6 to 10 years
17%	0 to 5 years

Position

50%	Non-executive Director
33%	Executive Director
17%	Chairman

Age

33%	70+ years
17%	61 to 70 years
33%	51 to 60 years
17%	41 to 50 years

Corporate governance report

Introduction

The Group has adopted the QCA Corporate Governance Code (the 'QCA Code') and has worked to follow the guidance and principles set out within the code. Further details can be found on the Group's website under the following link: [Corporate Governance - Shearwater Group plc](#)

The Board believes that the QCA Code is the most appropriate for the size, scale and complexity of the Group and is focused on developing the Group for the long-term benefit of all its shareholders and other key stakeholders. Details of how the Group complies with each of the ten QCA Code principles are incorporated into the business model, strategy and stakeholders sections of this report. These are referenced in the table below.

Strategy		Reference
Deliver growth		
01.	Establish a strategy and business model which promote long-term value for shareholders.	See more on pages 10 to 11
02.	Seek to understand and meet shareholder needs and expectations.	See more on pages 15 to 16
03.	Take into account wider stakeholder and social responsibilities and their implications for long-term success.	See more on pages 17 to 20
04.	Embed effective risk management, considering both opportunities and threats, throughout the organisation.	See more on pages 26 to 30
Maintain a dynamic management framework		
05.	Maintaining the Board as a well-functioning, balanced team led by the Chair.	See more on pages 31 to 32
06.	Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities.	See more on pages 31 to 32
07.	Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement.	See more on page 37
08.	Promote a culture that is based on ethical values and behaviours.	See more on pages 15 to 16
09.	Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board.	See more on pages 36 to 38
Build trust		
10.	Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders.	See more on pages 17 to 20

Governance framework

A brief description of the Board and its committees and a statement regarding the Group's system of internal financial control is included in the governance framework below.

The Board

Responsible for the strategic direction, investment decisions and proper management of the affairs of the Group. Executive Directors are full-time permanent employees of the Group. They set the strategy for the business and manage its activities on a day-to-day basis. Non-executive Directors play a vital role in supporting the Executive team, providing independent insight and constructive challenge on strategy, performance, and governance matters. They contribute through active participation at Board meetings and through their work on the respective committees. Each Non-executive Director commits such time as is necessary to discharge their duties, with an estimated time commitment of approximately two days per month.

Remuneration Committee

Responsible for determining and agreeing with the Board the framework for the remuneration packages for Directors. The Remuneration Committee considers all aspects of the Executive Directors' remuneration and the policy for, and scope of, any termination payments.

Read the Committee report on page 43.

Audit Committee

Responsible for ensuring that appropriate financial controls are in place, monitoring the integrity of the financial statements of the Group, reviewing the effectiveness of the Group's accounting and internal control systems, reviewing reports from the Group's auditor relating to the Group's accounting and internal controls, and reviewing the interim and annual results and reports to shareholders.

Read the Committee report on pages 40 to 42.

Nomination Committee

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 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.

Read the Committee report on page 39.

Executive leadership team

Responsible for execution of the strategy, governance and the business's performance.

Details of all members of the Board are set out on pages 31 to 32.

Internal financial control

The Board is responsible for establishing and maintaining the Group's system of internal financial controls. Internal financial control systems are designed to meet the particular needs of the Group and the risk to which it is exposed, and by its very nature can provide reasonable, but not absolute, assurance against material misstatement or loss.

The Directors continue to review the Group's systems of internal financial control to ensure that they are appropriate to the size of the business. The Directors have reviewed the effectiveness of the procedures presently in place and consider that they are appropriate to the nature and scale of the operations of the Group. The Directors will continue to reassess internal financial controls as the Group expands.

Independence

The Board considers Stephen Ball, Robin Southwell and Giles Willits to be independent.

Board governance

The Board is responsible for defining the vision, purpose and strategy for the Group, working closely with the executive team to deliver a business model for our stakeholders.

There is a distinct and defined definition between the Chairman and Chief Executive Officer. The Chairman is responsible for the effective working of the Board. The Chief Executive Officer is responsible for the operational management of the business and for the execution of the strategy agreed by the Board.

Board evaluation

The Group's Nomination Committee carries out regular internal evaluation of the performance of the Board. The Committee recognises and is committed to addressing the need to increase diversity amongst the Board and its members.

Focus areas this year

The Board

Strategy

- Assessing the organic and strategic opportunities for the Group, including geographic expansion and enhancement of product and service offering.

Financial

- Reviewed the robustness of the Group's financial position.
- Reviewed the potential impact to the Group with regard to factors brought about by the changing economic conditions which has continued to see customer budget constraints and delayed customer decision making.

Governance

- Communication with our employees.
- Promotion of policy awareness to our employees including enhanced training.

Meetings and attendance

The table below details Directors' attendance at Board meetings during the current year:

David Williams (Chairman) 9/9

Philip Higgins 9/9

Jonathan Hall 6/6

Adam Hurst 3/3

Stephen Ball 9/9

Robin Southwell 8/9

Giles Willits 9/9

Attended/Eligible to attend

Nomination Committee report

David Williams

Chairman of the Nomination Committee

Committee attendance

David Williams (Chairman) 2/2

Stephen Ball 2/2

The table above details Committee members' attendance over the past twelve months.

Dear Shareholder

On behalf of the Board, I am pleased to present the Nomination Committee report for the 15-month period ending 30 June 2025.

Roles and responsibilities

The role of the Nomination Committee is to review and ensure that the make-up of the Board comprises a diverse and knowledgeable skill set from its members which as a whole creates a balanced and appropriate Board function.

The Nomination Committee is also responsible for:

- considering succession planning for Directors and other key senior management positions across the Group;
- assisting when required with the recruitment process for other senior management vacancies;
- reviewing the time commitment required for Non-executive Directors;
- when required, identifying and nominating candidates to fill Board vacancies; and
- making recommendations for the Board to consider regarding membership of the Audit and Remuneration Committees.

Committee members

The Committee consists of myself as Chair and my fellow Non-executive Director Stephen Ball.

The Committee met twice during the year. The meetings are attended by Committee members and, by invitation, other Directors.

Key activities and actions over the past year

Strategic review

During the year the Committee monitored the progress of the business against its strategic objectives and of the Executive team in delivering against these.

Composition of the Board

The Committee met to review the composition of the Board and confirm the appointment of a new Chief Financial Officer. The process of appointing a new Chief Financial Officer was supported by an external recruitment agency to generate a short-list of candidates with the right skills and experience. Suitable candidates were then interviewed by the Interim Chief Financial Officer, Group CEO, Chairman and Audit Committee Chair, prior to a final recommendation being made.

During the coming year

We will continue to monitor that the Board is comprised of members who have the appropriate skill sets required to function effectively in our ever-changing environment.

Approved on behalf of the Nomination Committee by:



David Williams

Chairman of the Nomination Committee

10 November 2025

Audit Committee report

Giles Willits

Chairman of the Audit Committee

Committee attendance

The table below details Committee members' attendance over the past twelve months.

Giles Willits (Chairman) 4/4

Stephen Ball 4/4

David Williams 3/4

Dear Shareholder

On behalf of the Board, I am pleased to present the Audit Committee report for the 15-month period ending 30 June 2025.

The Group has continued to develop its processes and practices in order to best support its stakeholders alongside delivering a robust year-end balance sheet at 30 June 2025.

During the year the Committee has taken steps to ensure that the Group develops its financial operations, working within a robust and effective internal control environment. In addition, the Committee reviewed the provision of external audit services and ratified the appointment of a new, permanent, Chief Financial Officer during the period.

Roles and responsibilities

The role of the Audit Committee is to oversee on behalf of the Board the Group's corporate governance responsibilities with regard to financial reporting, internal controls and risk management systems. The Committee monitors the integrity of the interim and annual financial statements and concludes, on behalf of the Board, that the annual accounts are fair, balanced and understandable and provide the shareholder with the necessary information to assess the Group's strategy, financial position and performance.

The Audit Committee is also responsible for:

- providing oversight and challenge to the financial reporting;
- providing the Board with its opinion as to the Group's assessment of any new accounting standards;
- ensuring the Group adopts a suitable risk management system based on its size and complexity;
- agreeing the remuneration for the audit and reporting to the Board on the performance of the external auditor;
- making recommendations to the Board regarding the appointment and removal of the external auditor;
- assessing the requirement of an internal audit function within the Group; and
- ensuring that the Group has suitable policies and controls in place to prevent fraud, bribery and other compliance concerns.

Committee members

The Committee consists of myself as Chair, my fellow Non-executive Director Stephen Ball and the Group's Chairman David Williams.

The Board is satisfied that I, as Chair of the Committee, have appropriate and relevant financial expertise. I qualified as a chartered accountant with PricewaterhouseCoopers and have held senior executive roles in financial positions in other listed companies.

The Committee meets at least twice during the year and as and when required. In addition to Committee members, representatives from our external auditor, the Chief Financial Officer and other members of the finance team are invited to attend.

Key activities and actions over the past year

Financial statements

The Audit Committee reviewed and approved the unaudited interim financial statements for the period ending 30 September 2024 and the audited financial statements for the 15-month period ending 30 June 2025 and reported to the Board that in its view the statements were fair, balanced and understandable.

Change in reporting period end date

The Audit Committee discussed and approved the proposal to move the reporting period date from 31 March to 30 June each year and concluded that, given the purchasing cycles, of a number of the Group's key clients, this change would remove an element of uncertainty in the run-up to a financial period end and allow the executive team to better manage the process of keeping investors informed on expected financial performance.

Appointment of external auditors

With the previous external auditors, BDO, having audited the Group since its inception in 2005, the Audit Committee considered it appropriate to re-tender the services during the period, to ensure that the Group continued to retain the highest level of quality,

independence and value in its external audit service. As a result of this process, Hays Mac LLP have been appointed as the new external auditors to the Company effective from the audit of these financial statements.

The Committee is pleased to recommend to the Board that Hays Mac LLP is re-appointed as external auditor for the forthcoming financial year. At the AGM in December, shareholders will be asked to approve this recommendation.

Significant accounting matters

The significant reporting matters and judgements considered by the Committee during the year included:

1. Revenue recognition

In conjunction with the newly appointed Chief Financial Officer and new external auditor, the Committee undertook a detailed review of the appropriateness of the Group's revenue recognition policies, particularly with regard to the provision of cloud-hosted cyber-security solutions and third-party support and maintenance of cyber-security solutions.

In undertaking this review, the Committee noted the evolution in the nature of cyber-security solutions, with an increased weighting towards cloud-hosted SaaS based solutions and products that continue to be enhanced and developed across the life of a contract to manage an ever more rapidly developing threat landscape. The Committee's conclusions in this regard are detailed within Note 1 to the consolidated financial statements 'Statement of accounting policies.'

2. Impairment of goodwill and intangible assets in consolidated statement of financial position and investment in Parent Company

The Audit Committee has reviewed reports concerning the carrying value of specific goodwill and intangible assets which include assumptions and judgements of future cash flows, discount rates used and long-term growth rates. In addition to this, the Committee has reviewed the carrying value of the investment in subsidiaries held by Shearwater Group plc.

The Committee concluded that it would be prudent to apply an exceptional impairment charge in the period to reduce these carrying values. Further information in respect of this assessment is provided within note 9 to the consolidated financial statements and note 2 to the Company financial statements.

3. Going concern

The Audit Committee continues to assess the Group's financial position, cash flows and liquidity in light of what are rapidly changing economic conditions and has reviewed management's forward-looking forecasts, including a reverse stress test which models a plausible worst-case scenario which negatively impacts future trading as a result of potential future global events and economic challenges.

The Committee has concluded that it is appropriate for the financial statements to be prepared on a going concern basis. Please see note 1 of the consolidated financial statements for additional details on the Group's going concern assessment. The Committee has also reviewed and challenged the Group's key risks, which are included within the principal risks and uncertainties section on pages 26 to 30.

4. Foreign exchange risk

The Committee has monitored the implementation of a forward currency contract policy that was established in the prior year to mitigate foreign exchange volatility and has concluded that this continues to reduce the Group's exposure to foreign exchange risk.

5. Cyber security risk

The Committee has reviewed the Group's Data Protection Committee's monthly update reports which provide details of what the Group has done to reduce the risk of data security breach. The Committee notes that whilst the risk of a data breach cannot be completely removed, the continuously evolving work of the Data Protection Committee to mitigate this risk is appropriate.

6. Use of alternative performance measures

The Audit Committee has considered the use of alternative performance measures included in the annual report to present adjusted EBITDA and adjusted profit alongside the statutory disclosures and believes that these additional measures provide the reader with a more informed and balanced view of the underlying performance of the Group. Please see note 2 of the consolidated financial statements which provides a reconciliation of the adjusted and statutory measures.

Risk management and internal control

The Committee is responsible for advising the Board on risk exposure and review of internal controls that are in place to mitigate risk. Principal risks and uncertainties facing the business are presented on pages 26 to 30.

The internal control environment continues to develop as the business evolves, with a particular focus in the year on enhancing the quality and timeliness of management reporting.

Internal audit

No formal internal audit function is currently in place, which the Audit Committee deems appropriate given the size and complexity of the business and the mitigating controls in place. The Committee will continue to review the need for the Group to introduce this function on an annual basis.



Approved on behalf of the Audit Committee by:

Giles Willits
Chairman of the Audit Committee
10 November 2025

Remuneration Committee report

David Williams

Chairman of the Remuneration Committee

Committee attendance

David Williams (Chairman) 4/4

Robin Southwell 4/4

Dear Shareholder

On behalf of the Board, I am pleased to present the Remuneration Committee report for the 15-month period ending 30 June 2025.

Roles and responsibilities

The role of the Remuneration Committee is to review and agree with the Board the framework for remuneration packages for Directors. The Committee considers all aspects of the Chief Executive Officer's and Chief Financial Officer's remuneration, including pensions, bonus arrangements, benefits, incentive payments and share option awards. The Remuneration Committee is also responsible for agreeing the policy and scope of any termination payments.

Committee members

The Committee consists of myself as Chair and my fellow Non-executive Director Robin Southwell.

The Committee met four times during the period, along with a meeting shortly following the period end to consider Executive Director bonuses in the context of the FY25 performance and salary increases for the FY26 year. The meetings are attended by Committee members and, by invitation, other Directors. The table above details Committee members' attendance for the meetings during the period.

Key activities and actions over the past year

Remuneration of Executive Directors

Setting of salary for new Chief Financial Officer

The Committee approved an initial salary range for the Chief Financial Officer role prior to commencing recruitment, based on discussions with an external recruitment agency and review of equivalent salaries for other AIM listed companies. The final salary was then determined with reference to this initial range and the experience of the chosen candidate.

Base salaries

The Committee reviewed the Executive Directors' base salaries and agreed that a 3% increase would be applied effective from 1 July 2026. This rate was set with reference to increases being applied in other Group companies and in line with the standard level applied across the Group. The rate was set slightly below the current rate of UK CPI inflation, as the Group continues to carefully manage its fixed cost base.

Bonus

The bonus opportunities for the CEO and CFO during the period were based on the achievement market expectations of £39.0 million of revenue and £2.0 million of adjusted EBITDA target, together with the Committee's assessment of progress made in the delivery of a number of other strategic milestones.

The Remuneration Committee approves these annual bonuses and retains a level of discretion over the level of payout. Based upon the quality of financial performance in achieving the results, in particular the significant improvement in revenue and adjusted EBITDA, bonuses were awarded for the 15-month period ended 30 June 2025, in line with target levels for both the CEO and CFO.

Further to these, during the period the Remuneration Committee also awarded a bonus to the Interim Chief Financial Officer, in respect of delivery of strategic milestones and on agreement to stay on beyond his originally agreed term to manage a smooth handover to the new CFO. Details of these bonuses are provided in the Directors remuneration report.

Share options

During the period, the Committee approved the award of options over 1,227,000 EMI qualifying shares in Shearwater Group plc under the Group's ESOP scheme. This accounts for 5.1% of outstanding share capital. Of these, 250,000 (1% of outstanding share capital) was awarded to Jonathan Hall. A further grant to Phil Higgins was made following the period end.

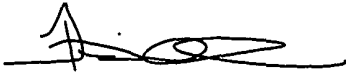
These options vest in three tranches, based on continued employment and delivery of adjusted EBITDA targets across the FY25, FY26 and FY27 financial years.

Remuneration of Non-executive Directors

Non-executive Directors' salaries remained unchanged during the year. In line with the Executive Directors, an increase of 3% has been approved effective from 1 July 2025. In respect of the significant time contribution made by the Non-executive Directors to a number of

strategic initiatives across recent financial years, a one-off bonus was approved during the period to each of the Non-executive Directors amounting to 50% of their annual fees.

Approved on behalf of the Remuneration Committee by:

A handwritten signature in black ink, appearing to be 'David Williams', written over a horizontal line.

David Williams
Chairman of the Remuneration Committee
10 November 2025

Annual report on remuneration

Introduction

The Remuneration Committee has established a remuneration policy for both Executive and Non-executive Directors which aims to:

- align remuneration with performance of the Group and the interests of shareholders. The policy looks to reward, retain and incentivise Directors to perform to the high levels; and
- apportion an element of Executive Directors' remuneration to annual and longer-term performance targets.

Directors' remuneration

A summary of Directors' remuneration is as follows:

	Aggregate of all Directors		Highest paid Director	
	2025 (15 months) £000	2024 (12 months) £000	2025 (15 months) £000	2024 (12 months) £000
Wages and salaries	895	514	375	220
Social security costs	117	61	52	29
Pension costs	4	10	-	-
Share-based payments	2	1	-	-
Total remuneration	1,018	586	427	249

The remuneration of key management personnel during the year is as follows:

	Total salary and fees £'000	Bonus £'000	Benefits £'000	Share- based payments £'000	Sub-total £'000	Pension £'000	Total £'000
15 months ended 30 June 2025							
Executive Directors							
P Higgins	275	100	-	-	375	-	375
A Hurst *	92	25	-	-	117	-	117
J Hall **	137	42	-	2	181	4	185
Non-executive Directors							
D Williams	63	26	-	-	89	-	89
S Ball	32	13	-	-	45	-	45
R Southwell	32	13	-	-	45	-	45
G Willits	32	13	-	-	45	-	45
Total	663	232	-	2	897	4	901

*Adam Hurst resigned on 25 September 2024.

** Jonathan Hall was appointed to the Board on 25 September 2024.

	Total salary and fees £'000	Bonus £'000	Benefits £'000	Sub-total £'000	Pension £'000	Total £'000
Year ended 31 March 2024						
Executive Directors						
P Higgins	220	-	-	220	-	220
A Hurst	69	-	-	69	-	69
P McFadden*	95	-	1	96	10	106
Non-executive Directors						
D Williams	51	-	-	51	-	51
S Ball	26	-	-	26	-	26
R Southwell	26	-	-	26	-	26
G Willits	26	-	-	26	-	26
Total	513	-	1	514	10	524

* P McFadden resigned on 20 November 2023.

Directors' interests in the share options of the Group as at 30 June 2025 were as follows. No Directors held interests in the share options of the Group as at 31 March 2024.

			Number of options at 30 June 2025
	Date of grant	Exercise price	
J Hall	29/01/2025	£0.35	250,000

On 9 July 2025, shortly following the period end, Phil Higgins was granted options over 380,000 ordinary shares in the Group, at an exercise price of 35.2 pence, in line with the terms of those options granted to other staff in January 2025.

Directors' report

The Directors present their annual report together with the audited financial statements for the 15-month period ended 30 June 2025. The corporate governance statement set out on pages 36 to 39 forms part of this report.

Shearwater Group plc is domiciled in England and Wales and is incorporated in England and Wales under Company number 05059457. Shearwater Group plc is a public listed company listed on the AIM market of the London Stock Exchange (AIM). A copy of the Company's articles of association is available on the Group's website at www.shearwatergroup.com.

Principal activities

The Group's principal activity is to provide cyber security, managed security and professional advisory solutions to help create a safer online environment for organisations and their end users.

Business review and future developments

A detailed review of the business, future developments along with the principal risks and uncertainties facing the Group are included within the strategic and business review of activities on pages 3 to 30.

Results and dividends

Results for the year and financial position are detailed on pages 56 to 57. The Directors do not recommend the payment of a dividend for the year (FY24: £nil).

Directors

The Directors of the Group who held office during the year and subsequently are as follows:

Name of Director	
D Williams	Chairman
P Higgins	Executive Director
A Hurst (resigned 25 September 2024)	Executive Director
J Hall (appointed 25 September 2024)	Executive Director
R Southwell	Non-executive Director
S Ball	Non-executive Director
G Willits	Non-executive Director

Directors' interests in shares and share options

The Directors who held office during the year had the following interests, including family interests, in the ordinary shares of the Group:

	Number of shares held at 30 June 2025	Number of shares held at 31 March 2024
P Higgins	2,649,349	2,649,349
D Williams	1,618,757	1,618,757
R Southwell	155,000	155,000
S Ball	119,444	119,444
G Willits	67,717	67,717
J Hall	13,500	n/a

Share capital and substantial shareholders

Details of the issued share capital, together with details of the movements during the year, are contained in note 16 of the consolidated financial statements.

Details of share-based payments are contained in note 17 of the consolidated financial statements and the annual report on remuneration. No person has control over the Company's share capital and issued shares are fully paid.

At 30 June 2025, the Company had been notified of the following substantial shareholders comprising 3% or more of the issued share capital of the Company:

	% of issued share capital
Mr L Jones	12.3%
Mr P Higgins	11.1%
Schroders plc	9.5%
Mr D Stacey	8.8%
Mr D Williams	6.8%

Directors' indemnities

The Group currently has in place, and had for the period ended 30 June 2025, Directors' and Officers' liability insurance for the benefit of all Directors of the Group.

Going concern

The Directors have considered the Group's going concern position, having reviewed detailed forecasts for the period to at least 31 December 2026, and have considered the principal risks the Group is exposed to and how this could impact future trading and the subsequent future cash flows, which has been detailed in a reverse stress test scenario.

The Directors continue to adopt the going concern basis in preparing the annual report and financial statements and are satisfied that sufficient cash resources are available to meet financial commitments as they arise and for at least twelve months from the date of signing the financial statements. Further disclosure is provided in note 1 of the consolidated financial statements.

Our people

The Directors recognise the importance of ensuring effective communication to the Group's employees, ensuring that they are updated on various factors including updates on the performance of the Group.

The Group conforms to current employment laws on the employment of disabled persons and, where we are informed of any employee disability, management make all reasonable efforts to accommodate that employee's requirements.

Stakeholder engagement

Details of the Group's engagement with its key stakeholders are included within the strategic report on pages 15 and 16.

Environment

The Directors remain committed to ensuring that the Group's business is conducted in a way that is not detrimental to the wider environment. The Group continues to work with its partner DODO to maintain its carbon offset programme. We have invested in several carbon offset projects in the current year to offset emissions created by the business and continue to promote awareness of the Group's ongoing impact on the environment. Please see responsible operations section on pages 17 to 20 for more details.

Research and development activities

Key to the Group's strategy is the development of its owned software products; as such, the Group is committed to actively investing in the continued research and development of our software (SaaS) services to ensure that the Group remains at the forefront of the markets we serve. Where specific internal development cost meets the required criteria under IAS 38, these amounts have been capitalised at the cost incurred.

Financial instruments

Details of the use of financial instruments by the Group are contained in note 18 of the consolidated financial statements. The financial risk management policies and objectives are also set out in detail in note 18.

Political donations

No political donations were made during the financial year (FY24: £nil).

Events after the reporting date

The Directors do not believe there are any material events after the reporting date that either have an impact on the expected level of performance of the business or on the position reflected in the statement of financial position at the reporting date. It is noted, however, that:

- On 9 July 2025, options over 380,000 ordinary shares were granted to Chief Executive Officer Phil Higgins, in line with the terms of the options granted to other staff in January 2025.
- On 21 July 2025, Shearwater Group plc disposed of its remaining interest in two mining exploration licenses, in return for the issue of 5 million ordinary shares (a market value of £6k) in Ormonde Mining Plc, quoted on the Aquis Stock Exchange Growth Market. Shearwater's interest in these licenses had no carrying value in the statement of financial position as at 30 June 2025.

Statement as to disclosure of information to auditors

Each of the Directors who held office at the date of approval of these financial statements has confirmed, as far as they are aware:

- the Director knows of no information, which would be relevant to the auditor for the purpose of their audit report, of which the auditor is not aware; and
- the Director has taken all steps that he ought to have taken as a Director to make himself aware of any such information and to establish that the auditor is aware of it.

Annual General Meeting

The Company proposes to convene the Annual General Meeting for Tuesday 16th December. Notice of the Annual General Meeting will be circulated shortly to shareholders.

On behalf of the Board

A handwritten signature in black ink, appearing to be 'David Williams', written over a horizontal line.

David Williams

Chairman

10 November 2025

Statement of Directors' responsibilities

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the Group financial statements in accordance with UK-adopted international accounting standards and the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with UK-adopted international accounting standards, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Website publication

The Directors are responsible for ensuring the annual report and financial statements are made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

The Group's financial statements can be accessed using the following link:

<https://www.shearwatergroup.com/investors/results-centre/>

Independent auditor's report

to the members of Shearwater Group Plc

Opinion

We have audited the financial statements of Shearwater Group PLC (the 'Parent Company') and its subsidiaries (the 'Group') for the 15-month period ended 30 June 2025 which comprise the Consolidated statement of comprehensive income, Consolidated statement of financial position, Consolidated statement of changes in equity, Consolidated cash flow statement, Company statement of financial position, Company statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards.

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 30 June 2025 and of the group's loss for the period then ended;
- have been properly prepared in accordance with UK adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

All audit procedures, including work performed over significant components, was carried out by the Group audit team as the finance function is controlled by group management. Full scope audit procedures were performed on one significant component of the Group, being Brookcourt Limited. Specific scope audit procedures were also performed over SecurEnvoy Limited, Pentest Limited and Shearwater Shared Services Ltd, focusing on areas of higher risk and material account balances.

Desktop review procedures were performed by the Group audit team over non-significant components to ensure sufficient coverage of this financial statement area from a Group perspective.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our scope addressed this matter
Revenue recognition The Group's accounting policy is described in note 1. Details of disaggregation of revenue is included in note 3. The group generates revenue from services and products which are sold individually and in software and service bundles. Revenue is recognised at either a point in time or over time depending on whether the performance obligation is distinct and when the performance obligation is satisfied. We considered there to be a significant audit risk arising from the timing of revenue recognition with regard to appropriate deferral/accrual of revenue. The Group also earns revenue from the resale of third-party licenses, software and services which requires judgement as to whether the Group is acting as a principal or agent. Furthermore, as revenue is a significant balance and a key performance indicator for the Group, we considered revenue recognition to be a key audit matter.	Our procedures included the following: • We assessed whether the Group's revenue recognition policy is in accordance with applicable accounting standards. • We inspected a sample of key contracts to assess the nature of performance obligations and to determine which of these should be recognised at a point in time or over time and evaluated the recognition of revenue in accordance with the accounting policy. • We have challenged management's revenue recognition policy in respect of its software product offerings, including both cloud-based and on-premises solutions, to assess whether the timing of revenue recognition is appropriate and in accordance with the requirements of IFRS 15 Revenue from Contracts with Customers. • We tested the completeness of revenue by agreeing a sample of cash receipts from customers including proof of delivery of license keys and customer acceptances as evidence of satisfaction of the performance obligation. • We assessed the appropriateness of agent versus principal revenue recognition for third-party licenses, software and services sold with reference to large contracts with customers

	and suppliers and the requirements of applicable accounting standards. • We obtained samples of revenue contracts, including contracts with multiple performance obligations, and checked that applicable performance obligations were correctly identified and formed the appropriate basis of revenue recognised, checking to delivery of services to customers by reviewing third-party delivery confirmations. • We tested completeness of deferred revenue and existence of accrued revenue by agreeing sales invoices, cash receipts and proof of satisfaction of the performance obligations, recalculating the amount of revenue to be accrued or deferred, as applicable. Key observations and prior year adjustment – revenue recognition During audit procedures over revenue recognition, we identified a prior-year error relating to the timing of revenue recognition for certain cloud-based software service arrangements. The Group's revised accounting policy requires recognition of revenue for cloud-based software services over time, reflecting the period during which the underlying performance obligations are satisfied. As part of our evaluation of management's assessment of the error, we obtained and reviewed management's calculations to determine the proportion of revenue previously recognised at a point in time that should instead have been recognised over time in accordance with the updated revenue accounting policy and the requirements of IFRS 15 Revenue from Contracts with Customers. We challenged management's methodology and assumptions applied in determining the extent of the misstatement, tested a sample of underlying contracts to identify the relevant performance obligations, and assessed whether the revised allocation and timing of revenue recognition were appropriate. Based on the evidence obtained, we agreed that a prior-year adjustment was required to correct the misstatement. The adjustment has been reflected in the restated comparative figures, with further details disclosed in Note 1a to the financial statements.
Capitalisation of development costs and subsequent recoverability under IAS 38 There is a risk that additions to intangible assets in the year are not correctly capitalised in line with IAS 38: <i>Intangible Assets</i> ("IAS 38") on the basis that they do not meet the capitalisation criteria per the standard. There is also a risk they are valued incorrectly due to inappropriate classification as development costs.	We obtained and critically assessed management's analysis on application of IAS 38 requirements for the development costs capitalised. A detailed review of project costs capitalised during the year was undertaken to ensure compliance with IAS 38 capitalisation criteria. Substantive testing procedures were performed whereby a sample of capitalised development cost transactions were agreed to supporting evidence with recalculation of expected amount capitalised. We verified and challenged management on the proportion of employees' time capitalised and corroborated underlying employee cost rates and percentages of qualifying expenses back to supporting documentation, such as timesheets and payroll records.
Recovery of other intangible assets and recoverability under IAS 38. Recoverability of goodwill. Historical losses incurred by the Group could indicate a risk that the development costs and goodwill are impaired and materially overstated in the financial statements.	We reviewed management's impairment assessment regarding the Operate and Platform Cash Generating Units ("CGUs"). We obtained and reviewed management's formal impairment assessment which included calculation of a value in use benchmark using a discounted cashflow calculation. We have challenged key input assumptions in management's discounted cash-flow calculation as follows: forecasted

	revenue volumes, including pipeline and market opportunities; revenue growth rate; weighted average cost of capital derived discount rates. We conducted a sensitivity analysis which included changes to the perpetuity assumptions, potential impact of negative macro-economic environment on forecasted performance and other elements as appropriate. As part of our sensitivity analysis, we have recalculated the value in use benchmark and compared it to that utilised by management and to the historical costs of the Group's intangible assets. We reviewed the fair value contribution of each development asset against the carrying value of the asset to determine whether impairment would be required.
Recoverability of investments in subsidiaries and intercompany receivables (Parent Company only financial statements) There is a risk that the investments in subsidiaries are materially overstated as the recoverable amount is lower than the carrying value due to the loss-making positions of the subsidiaries.	We obtained and critically assessed impairment assessments prepared by management for both the investments in subsidiaries value and the intercompany receivables. We critically assessed any judgements and estimates made in preparing discounted cash flows to assess the impairment of these balances as part of our work on these areas. Our audit of the forecasts and cashflows included testing to actuals and supporting documentation where appropriate. We also performed additional procedures due to the impairment indicators noted, including: • Considering any external indicators of impairment; • Consideration and assessment of sensitivity analyses prepared by management; and • Forming a range of values to assist in our determination as to whether there is evidence of impairment of these balances.

Our application of materiality

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

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

	Group financial statements	Parent Company financial statements
Overall materiality (OM)	£725,000	£457,000
How we determined OM	1.85% of revenue	2% of total assets but capped at 60% of group materiality
Rationale for OM benchmark applied	KPI of the business which has a focus on increasing recurring revenue. Furthermore, AIM institutional and retail shareholders will base some of their decisions on consensus forecasts and how the company is performing against these, with revenue and adjusted profit being the main drivers of the forecasts.	The Parent Company is not generating significant revenues and is primarily a holding company for its subsidiaries, and as such, an asset-based benchmark was determined to be appropriate. Due to the significance of the balance sheet, using an asset-based benchmark would exceed group materiality, and we have therefore restricted the Parent Company materiality to a proportion of group materiality.
Performance materiality (PM)	£507,000	£320,000
How we determined PM	70% of overall materiality	70% of overall materiality
Rationale for PM benchmark applied	The performance materiality of 70% of overall materiality was determined as appropriate for a listed group of this size, taking into account the following factors: this is a first-year audit engagement for HaysMac LLP, resulting in a lower familiarity with the control environment; the Group is an AIM-listed entity with no external debt facilities; the prior year audit opinion was unqualified; there has been limited turnover in the finance team, which is experienced and technically strong, with good segregation of duties and controls in place; and the Group's operational risk is elevated due to its AIM	

	listing. These considerations, combined with the limited areas of judgement and estimation, support the 70% threshold for performance materiality.	
Error reporting threshold	£36,000 (5% of overall materiality)	£22,900 (5% of overall materiality)

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the Directors' assessment of the Group's ability to continue to adopt the going concern basis of accounting included:

- Reviewing and discussing management's assessment of the Group's ability to remain a going concern;
- Reviewing and understanding the cash flow forecasts for the period to end of December 2026 which are the central element of management's going concern assessment;
- Assessing and challenging the inputs in and judgements made in the preparation of the cash flow forecasts for the period to the end of December 2026; and
- Performing stress tests including sensitivity analysis to model the effect of changing assumptions made or amending key data used in management's cash flow forecasts and considering the impact on the Group's ability to adopt the going concern basis.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the Directors' responsibilities statement set out on page 50, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

- Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to regulatory requirements for the company and trade regulations and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006, income tax, payroll tax and sales tax.

We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to revenue and management bias in accounting estimates. Audit procedures performed by the engagement team included:

- Inquiring of correspondence with regulators and tax authorities;
- Discussions with management including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Evaluating management's controls designed to prevent and detect irregularities;
- Identifying and testing accounting journal entries, in particular those journal entries which exhibited the characteristics we had identified as possible indicators of irregularities; and
- Challenging assumptions and judgements made by management in their critical accounting estimates

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

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

Use of our report

This report is made solely to the Parent Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Parent Company's members those matters we are required to state to them in an Auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Jon Dawson

Jon Dawson (Senior Statutory Auditor)
For and on behalf of HaysMac LLP, Statutory Auditors
10 Queen Street Place
London
EC4R 1AG

Consolidated statement of comprehensive income

for the 15-month period ended 30 June 2025

	Note	2025 15 months £000	2024 12 months (restated) Note 1a £000
Revenue	3	39,549	24,435
Cost of sales		(29,983)	(17,520)
Gross profit		9,566	6,915
Administrative expenses		(18,719)	(6,548)
Depreciation and amortisation		(4,345)	(3,531)
Total operating costs		(23,064)	(10,079)
Operating loss		(13,498)	(3,164)
Adjusted EBITDA		2,214	926
Depreciation and amortisation		(4,345)	(3,531)
Impairment of goodwill and intangible assets	9	(11,058)	-
Other exceptional items	4	(287)	(533)
Share-based payments		(22)	(26)
Operating loss		(13,498)	(3,164)
Net finance cost	6	126	(67)
Loss before taxation		(13,372)	(3,231)
Income tax credit	7	1,405	1,123
Loss for the year and attributable to equity holders of the Company		(11,967)	(2,108)
Other comprehensive loss			
Exchange differences on translation of foreign operations		(4)	(3)
Total comprehensive loss for the year		(11,971)	(2,111)
Earnings/(loss) per ordinary share attributable to the owners of the parent			
Basic and diluted (pence per share)	8	(50.2)	(8.8)
Adjusted basic and diluted (pence per share)	8	3.0	0.5

Adjusted EBITDA and Adjusted basic and diluted earnings/(loss) per share are non-GAAP Group-specific measures which are considered to be key performance indicators of the Group's financial performance. See note 2 for the definition of Adjusted EBITDA and note 8 for the definition of Adjusted based and diluted earnings/(loss) per share.

The results above are derived from continuing operations.

The notes on pages 60 to 81 are an integral part of these consolidated financial statements.

Consolidated statement of financial position

As at 30 June 2025

		2025	2024 (restated) note 1a
	Note	£000	£000
Assets			
Non-current assets			
Intangible assets	9	28,854	42,684
Property, plant and equipment	10	337	481
Deferred tax asset	14	1,109	1,016
Trade and other receivables	11	229	1,268
Total non-current assets		30,529	45,449
Current assets			
Trade and other receivables	11	17,638	16,582
Cash and cash equivalents		5,062	4,974
Total current assets		22,700	21,556
Total assets		53,229	67,005
Liabilities			
Current liabilities			
Trade and other payables	12	15,772	16,424
Total current liabilities		15,772	16,424
Non-current liabilities			
Creditors: amounts falling due after more than one year	13	3,727	4,902
Total non-current liabilities		3,727	4,902
Total liabilities		19,499	21,326
Net assets		33,730	45,679
Capital and reserves			
Share capital	16	22,278	22,278
Share premium		34,581	34,581
Other reserves		23,108	23,086
Translation reserve		23	27
Accumulated losses		(46,260)	(34,293)
Equity attributable to owners of the Company		33,730	45,679
Total equity and liabilities		53,229	67,005

The notes on pages 60 to 81 are an integral part of these consolidated financial statements.

The financial statements on pages 56 to 81 were approved and authorised for issue by the Board and signed on their behalf on 10 November 2025.



Philip Higgins
Chief Executive Officer

Registered number: 05059457

Consolidated statement of changes in equity

for the 15-month period ended 30 June 2025

	Share capital £000	Share premium £000	Other reserves £000	Translation reserve £000	Accumulated losses £000	Total equity £000
At 1 April 2023 (as originally stated)	22,278	34,581	23,442	30	(32,208)	48,123
Adjustment in respect of prior period	-	-	-	-	(359)	(359)
At 1 April 2023 (restated)	22,278	34,581	23,442	30	(32,567)	47,764
Loss for the year	-	-	-	-	(2,108)	(2,108)
Other comprehensive income for the year	-	-	-	(3)	-	(3)
Total comprehensive loss for the year	0	0	0	(3)	(2,108)	(2,111)
Contributions by and distributions to owners:						
Expiry of share options	-	-	(382)	-	382	-
Share-based payments	-	-	26	-	-	26
At 31 March 2024 (as restated)	22,278	34,581	23,086	27	(34,293)	45,679
At 31 March 2024 (as originally stated)	22,278	34,581	23,086	27	(33,996)	45,976
Adjustment in respect of prior period	-	-	-	-	(297)	(297)
Loss for the period	-	-	-	-	(11,967)	(11,967)
Other comprehensive loss for the period	-	-	-	(4)	-	(4)
Total comprehensive loss for the year	0	0	0	(4)	(11,967)	(11,971)
Contributions by and distributions to owners						0
Share based payments	-	-	22	-	-	22
At 30 June 2025	22,278	34,581	23,108	23	(46,260)	33,730

The notes on pages 60 to 81 are an integral part of these consolidated financial statements.

Consolidated cash flow statement

for the 15-month period ended 30 June 2025

		2025 15 months	2024 12 months (restated) note 1a
	Note	£000	£000
Cash flows from operating activities			
Loss for the period		(11,967)	(2,108)
Adjustments for:			
Amortisation of intangible assets	4	4,115	3,287
Depreciation of right-of-use assets	4	169	197
Depreciation of property, plant and equipment	4	61	47
Share-based payment charge	4	22	26
Exceptional items:			
Impairment of goodwill and intangible assets	9	11,059	-
Corporate restructuring costs		116	359
Other one-off costs		171	174
Net finance cost		(126)	67
Income tax		(1,405)	(1,123)
Cash flow from operating activities before changes in working capital		2,215	926
(Increase)/decrease in trade and other receivables		(7,352)	14,241
Increase/(decrease) in trade and other payables		6,285	(12,591)
Cash generated from operations		1,148	2,576
Net foreign exchange movements		364	3
Net finance cost paid		126	(47)
Tax received		291	301
Net cash generated from operating activities before exceptional items		1,929	2,833
Net cash flows on exceptional items		(287)	(533)
Net cash generated from operating activities		1,642	2,300
Investing activities			
Purchase of property, plant and machinery	10	(26)	(42)
Purchase of intangibles	9	(1,343)	(1,032)
Net cash used in investing activities		(1,369)	(1,074)
Financing activities			
Repayment of lease liabilities	15	(185)	(216)
Net cash used in financing activities		(185)	(216)
Net increase in cash and cash equivalents		88	1,010
Cash and cash equivalents at the beginning of the period		4,974	3,964
Cash and cash equivalents at the end of the period		5,062	4,974

The notes on pages 60 to 61 are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

for the 15-month period ended 30 June 2025

General information

The Group is a public limited company incorporated and domiciled in the UK. The address of its registered office is 22 Great James Street, London, WC1N 3ES.

The Parent Company is listed on the AIM market of the London Stock Exchange. The Group provides cyber security, managed security and professional advisory solutions to help create a safer online environment for organisations and their end users.

1. Statement of accounting policies

The material accounting policies applied in preparing the financial statements are outlined below. These policies have been consistently applied for all the years presented, unless otherwise stated.

Basis of preparation

The consolidated financial statements have been prepared in accordance with UK adopted International Accounting Standards ('IFRS') and with those parts of the Companies Act 2006 applicable to companies reported under IFRS.

The consolidated financial statements have been prepared under the historic cost convention. The consolidated financial statements are presented in sterling, the functional currency of Shearwater Group plc, the Parent Company. All values are rounded to the nearest thousand pounds (£000) except where otherwise indicated.

Change of accounting period end date

During FY25 the Directors elected to change the date of the Group's financial year end from 31 March to 30 June, to better align the Group's financial year with its customer procurement cycle. Historically, material contracts have frequently been concluded immediately prior to, or very shortly following the previous year end date of 31 March. This created volatility in performance and presented challenges in providing accurate and timely guidance to investors. The Board believes the revised year end will enable greater clarity and consistency in the Group's reporting.

As a result, data contained with the financial statements is not directly comparable. Where comparative analysis, including year-on-year variances, have been presented within the strategic report, data in respect of FY25 has been annualised, by multiplying the result for the 15-month period to June 2025 by 12/15.

Going concern

Having made enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for at least twelve months from the date of signing these financial statements. Accordingly, they continue to adopt the going concern basis in preparing these consolidated financial statements.

The Group consists of a portfolio of brands, each highly regarded within its own specific segment of the cybersecurity industry. This industry as a whole is growing rapidly, as organisations seek to navigate an increasingly complex threat environment, with the costs of failure ever more apparent. The Group delivered strong growth in FY25, resulting in an adjusted EBITDA profit for the period of £2.2 million and the Directors believe that this growth will continue into FY26. The Group also maintains a robust financial position. At 30 June 2025 the Group was well capitalised, with £5.1 million of cash and no debt.

The Directors have reviewed detailed budget cash flow forecasts for the period to 31 December 2026 and have challenged the assumptions used to create these budgets. The budget figures are carefully monitored against actual outcomes each month and variances are highlighted and discussed at Board level on a quarterly basis as a minimum.

The Board is pleased to report that trading in the current year has started solidly and for the first quarter ended 30 September 2025 is broadly in line with management's expectations.

The Directors have reviewed and challenged a reverse stress test scenario on the Group up to December 2026. The purpose of the reverse stress test for the Group is to test the impact on the Group's cash if the assumptions in the budget are altered.

The reverse stress test assumes significant adjustments to the Group's budget which include the scaling back of revenues across all business lines, for the year ended 30 June 2026, by around 25%, with no further growth into the following year. Under this scenario, limited adjustments were made to direct costs and to future planned recruitment. Even without a more material cost restructuring, or a scaling back of product development expenditure the result of this stress test was that the Group retained sufficient cash reserves to meet its liabilities throughout the review period.

In the unlikely event that the performance of the Group fell short of this plausible worst-case scenario, actions that could be taken by Directors would include, a further restructuring of employment costs, or a scaling back of new product development. Additionally, the Directors could seek to access other sources of finance to mitigate the impact on cash.

Overall, the Directors consider that the strong balance sheet position, coupled with the outcome of the sensitised cash flow projections support their belief that the Group will be able to pay its debts as they fall due for the period to at least 31 December 2026 and therefore they do not believe there are any material uncertainties to disclose regarding going concern. The Directors are therefore satisfied that the financial statements should be prepared on the going concern basis.

Material accounting judgements, estimates and assumptions

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for income and expenses during the year and that affect the amounts reported for assets and liabilities at the reporting date.

Revenue recognition of material contracts

Management make judgements, estimates and assumptions in determining the revenue recognition of material contracts sold by the Group's Services division. The Group works with large enterprise clients, providing services and solutions to support the clients' needs. In many cases, a third-party's products or services will be provided as part of a solution. Management consider the implications around timing of recognition, with factors such as determining the nature of the solution provided, the point control passes to the client and the subsequent fulfilment of the Group's performance obligations. In addition to this, management consider if it is acting as agent or principal. Further details of how the Group determines revenue recognition and if it is acting as agent or principal can be found within the relevant notes within this section.

Impairment of goodwill, intangible assets and investment in subsidiaries

The Group tests goodwill and intangible assets for impairment at least annually or more frequently if there are indicators that their carrying value may not be recoverable. The assessment requires management to estimate the value in use of each cash-generating unit (CGU), which involves preparing forecasts of future revenues, costs and cash flows for each CGU based on the Group's business plans and market expectations. These forecasts are then discounted using an appropriate pre-tax discount rate, which reflects the time value of money and the specific risks associated with each CGU. Management also makes an assessment of an appropriate terminal growth rate to apply beyond the forecast period. Because these calculations are sensitive to changes in assumptions, management performs sensitivity analyses to assess the potential impact of reasonably possible changes in key variables such as revenue growth, operating margins, discount rates and terminal growth rates. Any reduction in the estimated recoverable amount could result in an impairment charge being recognised in the income statement.

Further information on the variables applied in judgements made can be found in note 9.

Capitalisation of internally generated software

In applying the Group's accounting policy for the capitalisation of intangible assets in accordance with IAS 38 Intangible Assets, management is required to exercise significant judgement in determining which costs meet the criteria for recognition as an asset. This includes assessing whether expenditure relates to the development of a discrete product or project, as opposed to ongoing maintenance or enhancement of existing assets. In making this assessment, the Directors consider the nature of the activities undertaken, the stage of completion of each project, and the extent to which internal staff time and external spend are directly attributable to the creation of identifiable and separable intangible assets. Capitalisation is only undertaken where management has a reasonable belief, at the time the expenditure is incurred, that the development will generate probable future economic benefits through future cash inflows to the Group.

Deferred tax asset recognition

The recognition of deferred tax assets in respect of carried forward tax losses and other temporary differences requires management to exercise judgement as to whether it is probable that future taxable profits will be available against which the losses or temporary differences can be utilised. In forming this view, the Directors consider the Group's latest business plans and forecasts, the nature and timing of future taxable income, the expiry dates of any tax losses, and the availability of tax planning opportunities. The assessment inherently involves estimates regarding the Group's future profitability, which are subject to risks and uncertainties, including market conditions and changes in tax legislation.

Share-based payments

The Group measures the fair value of share options granted to employees and Directors at the grant date using the Black-Scholes option pricing model. The use of this model involves several key assumptions which require judgement, including the risk-free interest rate, the expected volatility of the Group's share price, the proportion of options expected to vest, and the average period until vesting. The risk-free rate is based on the rate of interest for ten-year UK Gilts. Expected volatility is based on the historical share price of the Company. The estimate of the number of options likely to vest is updated at each reporting date based on current expectations of employee retention and performance.

Basis of consolidation

The Group's consolidated financial statements incorporate the results and net assets of Shearwater Group plc and all its subsidiary undertakings made up to the end of each accounting period. Subsidiaries are all entities over which the Group has control (see note 2 of the Company financial statements). The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group. All inter-group transactions, balances, income and expenses are eliminated on consolidation.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method under IFRS 3. This involves recognising identifiable assets (including previously unrecognised intangible assets) and liabilities of the acquired business at fair value. Any excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets and liabilities is recognised in the consolidated statement of financial position as goodwill and is not amortised. To the extent that the net fair value of the acquired entity's identifiable assets and liabilities is greater than the cost of the investment, a gain is recognised immediately in the consolidated statement of comprehensive income.

After initial recognition, goodwill is stated at cost less any accumulated impairment losses, with the carrying value being reviewed for impairment at least annually and whenever events or changes in circumstances indicate that the carrying value may be impaired. Goodwill assets considered significant in comparison to the Group's total carrying amount of such assets have been allocated to cash-generating units or groups of cash-generating units. Where the recoverable amount of the cash-generating unit is less than its carrying amount including goodwill, an impairment loss is recognised in the consolidated statement of comprehensive income.

Acquisition costs are recognised in the consolidated statement of comprehensive income as incurred.

Revenue

The Group recognises revenue in accordance with IFRS 15: Revenue from Contracts with Customers. Revenue with customers is evaluated based on the five-step model under IFRS 15: Revenue from Contracts with Customers: (1) identify the contract with the customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to separate performance obligations; and (5) recognise revenues when (or as) each performance obligation is satisfied.

Revenue recognised in the statement of comprehensive income but not yet invoiced is held on the statement of financial position within accrued income. Revenue invoiced but not yet recognised in the statement of comprehensive income is held on the statement of financial position within deferred revenue. Revenue is measured at the fair value of the consideration received or receivable, excluding value-added tax and rebates.

The Group's revenues are comprised of a number of different products and services across our two divisions, details of how revenue recognition is now applied in respect of these are provided below. It is noted that in the case of revenue from cloud-based software and third-party support/ warranties, this had historically been recognised at a point in time when the respective solution was delivered to the client. The correction of this treatment and move to recognise this revenue over time has resulted in a prior year adjustment in these financial statements:

Services

Sales of integrated cyber-security solutions, which could include some or all of: third-party hardware, third-party software, third-party support/ warranties and internal support/ engineering are split into their respective performance obligations:

- Revenue relating to the provision of third-party hardware, or on-premise software is recognised in full at a point in time upon delivery of the product to the end client. This delivery will either be in the form of the physical delivery of a product or the emailing of access codes to the client for them to download third-party software
- Revenue in respect of cloud-based software solutions and third-party support/ warranties, where these are separately identifiable from the main software license, are spread over the duration of the contract.
- Revenue in respect of Shearwater Group's services is spread over time, as the respective performance obligations are discharged. As this relates to engineering services, this will typically be spread evenly across the duration of a contract, unless the contract stipulates specific services to be performed at a particular point during the contract, in which case, recognition will take place once those services have been performed. Where this relates to the value-add service that Shearwater Group provides to identify, procure and integrate a solution and to ensure delivery from the respective partners, this will be calculated by applying a 1.5% mark-up to the cost of sales relating to the cost of third-party support or cloud-hosted software. The balance of any contract price is considered to reflect the value-add service provided by Brookcourt. 90% of this value-add component will be recognised on delivery of the solution, reflecting the front-loaded nature of the service provided, including the design, procurement, integration and implementation of a solution, with the balancing 10% being spread over the contract value.

Sales of consultancy services are usually based on a number of consultancy days that make up the contracted consideration. Consultancy days generally comprise field work and (where required) report writing and delivery which are considered to be of equal value to the client. Revenue is recognised over time based on the number of consultancy days provided within the period compared to the total in the contract.

Software

- Software licences whereby the customer buys software that it sets up and maintains on its premises is recognised fully at the point the licence key/access has been granted to the client. The Group sells the majority of its services through channels and distributors who are responsible for providing first and second line support to the client.
- Software licences for the new 'Authentication as a Service' product whereby the customer accesses the product via a cloud environment maintained by the Company is recognised in two parts, whereby part of the subscription is recognised at the point that the licence key is provided to the customer, with the remaining part recognised evenly over the length of the contract. This deferred proportion represents the obligation to maintain and support the platform that the software runs on.

Principal versus agent considerations

In instances where the Group is involving another party in providing goods or services to a customer, the Group considers whether the nature of its promise is a performance obligation to provide the specified goods or services itself or to arrange for those goods or services to be provided by the other party to determine whether it is a principal or an agent. The business will firstly identify the specific goods and/or services to be supplied to the customer.

In determining whether the business is acting as agent or principal, the business assesses whether it controls each specified good or service before that good is transferred to the customer. It will consider:

- Who is responsible for fulfilling the promise to provide the specific product or service.
- If the business is carrying a liability risk for the specific good or service prior to it being supplied to the customer.
- If the business has discretion over pricing.

In addition to the points noted above, the business also considers the following unique selling points:

- **Pre-sales process:**
In some cases, the business invests heavily in working with the customer to understand their requirements, before designing/recommending a solution that integrates various third-party products or services to meet the customers' requirements.
- **Levels of ongoing services:**
In some cases, whilst not always contracted, the business will continue to support the customer as needed to ensure that their solution is working. This may include co-ordination of the maintenance and support with third parties and provision of engineers to remove and send back faulty products.

Where the Group is a principal, revenues are recognised on a gross basis in the statement of comprehensive income. Where the Group is an agent revenues are recognised on a net basis in the statement of comprehensive income. Directors believe that the standard structure of Shearwater Group's contract and the nature of the services provided mean that it is typically considered a principal.

Segmental reporting

For internal reporting and management purposes, the Group is organised into two reportable segments based on the types of products and services from which each segment derives its revenue – Services and Software. The Group's operating segments are identified on the basis of internal reports that are regularly reviewed by senior management in order to allocate resources to the segment and to assess its performance.

Current and deferred income tax

The charge for taxation is based on the profit or loss for the year and takes into account deferred tax. Deferred tax is the tax expected to be payable or recoverable on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax based in the computation of taxable profit or loss and is accounted for using the balance sheet method.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group's subsidiaries operate and generate taxable income. Management periodically evaluate positions taken in tax returns with respect to situations where applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax assets are only recognised to the extent that it is probable that future taxable profit will be available in the foreseeable future against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are measured at the rates that are expected to apply when the related asset is realised, or liability settled, based on tax rates and laws enacted or substantively enacted at the reporting date.

Intangible assets

Intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses. Intangible assets acquired as part of a business combination are recognised outside goodwill if the assets are separable or arise from contractual or other legal rights and their fair value can be measured reliably. Material expenditure on internally developed intangible assets is taken to the consolidated statement of financial position if it satisfies the six-step criteria required under IAS 38. Development expenditure is capitalised when the Group can demonstrate technical feasibility of completing the intangible asset, its intention and ability to complete and use or sell the asset, and that the asset will generate probable future economic benefits.

Intangible assets with a finite life have no residual value and are amortised over their expected useful lives as follows:

Computer software (including in-house developed software)	2-5 years straight-line basis
Customer relationships	1-15 years straight-line basis
Software	10 years straight-line basis
Trade names	10 years straight-line basis

The amortisation expense on intangible assets with finite lives is recognised in the statement of comprehensive income within administrative expenses. The amortisation period and the amortisation method for intangible assets with finite useful lives are reviewed at least annually.

The carrying value of intangible assets is reviewed for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable.

Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation. Cost includes the original purchase price of the asset plus any costs of bringing the asset to its working condition for its intended use. Depreciation is provided at the annual rates set out below, on a straight-line basis, in order to write down each asset to its residual value over its estimated useful life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Office equipment	25% - 33% per annum
Right-of-use assets	Shorter of useful life of the asset or lease term

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised, as adjusted items if significant, within the statement of comprehensive income.

Financial instruments

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

Financial assets

Trade and other receivables are measured at amortised cost less a provision for doubtful debts, determined as set out below in 'impairment of financial assets'. Any write-down of these assets is expensed to the statement of comprehensive income.

The Group uses derivatives where there is a material surplus or deficit of non-sterling receipts and payments. Forward contracts are measured at each balance sheet based on the prevailing closing exchange rates with exchange gains/(losses) recognised in the statement of comprehensive income.

Impairment of financial assets

The impairment model under IFRS 9 reflects expected credit losses, as opposed to only incurred credit losses under IAS 39. Under the impairment approach in IFRS 9, it is not necessary for a credit event to have occurred before credit losses are recognised. Instead, the Group always accounts for expected credit losses and changes in those expected credit losses. The amount of expected credit losses are updated at each reporting date.

The impairment model only applies to the Group's financial assets that are debt instruments measured at amortised cost or FVTOCI as well as the Group's contract assets and issued financial guarantee contracts. The Group has applied the simplified approach to recognise lifetime expected credit losses for its trade receivables and contracts assets as required or permitted by IFRS 9.

Expected credit losses are calculated with reference to average loss rates incurred in the three most recent reporting periods then adjusted taking into account forward-looking information that may either increase or decrease the current rate. The Group's average combined loss rate is 0.16% (2024: 0.27%). This percentage rate is then applied to current receivable balances using a probability risk spread as follows:

- 80% of debt not yet due (i.e. the Group's average combined loss rate of 0.16% is discounted by 20%, meaning a 0.13% provision would be made to debt not yet due);
- 85% of debt that is <30 days overdue;
- 90% of debt that is 30-60 days overdue;
- 95% of debt that is 60-90 days overdue; and
- 100% of debt that is >90 days overdue.

Management have performed the calculation to ascertain the expected credit loss provision, which works out to £7k (2024: £19k). The movement has been recognised in the statement of comprehensive income. There are no non-current receivable balance credit losses. To date, the Group has a record of minimal bad debts, with less than £10,000 being written off in the past three years.

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in the statement of comprehensive income.

Financial liabilities

Trade and other payables

Financial liabilities within trade and other payables are initially recognised at fair value, which is usually the invoiced amount. They are subsequently carried at amortised cost using the effective interest method (if the time value of money is significant).

Loans are initially recognised at fair value, which is the amount stated in the loan agreement. Subsequently, loan balances are restated to include any interest that has become payable.

Lease liabilities have been recognised at fair value in line with the requirements of IFRS 16. Details of lease disclosures are included in note 15.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in the statement of comprehensive income.

Forward contracts

Foreign exchange risk arises when individual group operations enter into transactions denominated in a currency other than their functional currency. Where the risk to the Group is considered to be significant, the Group has a policy to enter into forward foreign exchange contracts. Further details can be found in note 18.

Leases

Leases are accounted for under IFRS 16 which sets out the principles for recognition, measurement, presentation and disclosures of leases and requires lessees to account for most leases under a single on-balance sheet model.

Right-of-use assets

In determining if a lease exists, management considers if a contract conveys the right to control the use of an identified asset for a period of time in return for a consideration. When assessing whether a contract states a right to control the use of an identified asset, management considers:

- if a contract involves the use of an identified asset, this could be specified explicitly or implicitly and should be physically distinct;
- if the Group has obtained the right to gain substantially all of the economic benefit from the use of the asset throughout the period of use; and
- if the Group has the right to direct the use of the asset.

Identified 'right-of-use assets' are valued at the commencement date of the lease (this is usually the date the underlying asset is available for use).

Right-of-use assets are depreciated on a straight-line basis from the commencement date to the earlier of the end of useful life of the right-of-use asset or the end of the lease term. The right of use asset may be subject to impairment following certain remeasurement of lease liabilities. Details of the Group's right-of-use assets are contained in note 10 of the consolidated financial statements.

Lease liability

At the commencement date of a lease, the Group recognises lease liabilities, measuring them at the present value of lease payments at commencement of the lease discounted at the determined incremental borrowing rate.

The lease liability is measured at the amortised cost using the effective interest method. Should there be a change in expected future lease payments arising from a lease modification or if the Group changes its assessment of whether it will exercise an extension or termination option, the lease liability would be remeasured.

Remeasurement of a lease liability will give rise to a corresponding adjustment being made to the carrying value of the right-of-use asset.

Lease liabilities are detailed in notes 12, 13 and 15 of the consolidated financial statements.

Practical expedients

IFRS 16 provides for certain optional practical expedients, including those related to the initial adoption of the standard. The Group applies the following practical expedients when applying IFRS 16 to leases previously classified as operating leasing under IAS 17:

- applied a single discount rate to all leases with similar characteristics;
- applied the exemption not to recognise right-of-use assets and liabilities for leases with less than twelve months of the lease term remaining as at the date of initial application; and
- applied the exemption for low-value assets whereby leases with a value under £5,000 (usually IT equipment) have been classed as short-term leases and not recognised on the statement of financial position even if the initial term of the lease from the lease commencement date may be more than twelve months.

Incremental borrowing rate

IFRS 16 states that all components of a lease liability are required to be discounted to reflect the present value of the payments. Where a lease (or group of leases) does not state an implicit rate, an incremental borrowing rate should be used.

The incremental borrowing rate should represent what the lessee would have to pay to borrow over a similar term and with similar security, the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment.

The Group has applied an incremental borrowing rate which it uses to discount all identified leases across the Group. The Group has one type of right-of-use assets, all of which are located in the United Kingdom.

Share-based payments

In order to calculate the charge for share-based payments as required by IFRS 2, the Group makes estimates principally relating to assumptions used in its option-pricing model as set out in note 17.

The cost of equity-settled transactions with employees, and transactions with suppliers where fair value cannot be estimated reliably, is measured with reference to the fair value of the equity instrument. The fair value of equity-settled instruments is determined at the date of grant, taking into account market-based vesting conditions. The fair value is determined using an option pricing model.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

At each reporting date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions, the number of equity instruments that will likely vest, or in the case of an instrument subject to market condition, be treated as vesting as described above. The movement in cumulative expense since the previous reporting date is recognised in the statement of comprehensive income, with the corresponding entry in equity.

Pensions

The Group operates a defined contribution personal pension scheme. The assets of this scheme are held separately from those of the Company in an independently administered fund. The pension charge represents contributions payable by the Company to the fund.

Uncertainty over income tax treatments

The Group applies the guidance in IFRIC 23 on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The interpretation requires:

- the Group to determine whether uncertain tax treatments should be considered separately, or together as a Group, based on which approach provides better predictions of the resolution;
- the Group to determine if it is probable that the tax authorities will accept the uncertain tax treatment; and
- if it is not probable that the uncertain tax treatment will be accepted, measure the tax uncertainty based on the most likely amount or expected value, depending on whichever method better predicts the resolution of the uncertainty. This measurement is required to be based on the assumption that each of the tax authorities will examine amounts they have a right to examine and have full knowledge of all related information when making those examinations.

New standards and interpretations applied

No new standards, amendments or interpretations to existing standards having an impact on the financial statements that have been published and that are mandatory for the Group's accounting periods beginning on or before 1 April 2024, or later periods, have been adopted early.

The below are the standards that are new/amended for accounting periods that begin on or after 1 January 2024:

- Classification of liabilities as current or non-current (Amendments to IAS 1);
- Deferred tax related to assets and liabilities arising from a single transaction (Amendments to IAS 12);
- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16);
- Classification of Financial Instruments (Amendments to IFRS 9);
- Non-current liabilities with covenants (Amendments to IAS 1); and
- Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7).

No new standards or amendments that became effective in the financial year had a material impact in preparing these financial statements. There are a number of standards and amendments to standards which have been issued by the IASB that are effective in future accounting periods that have not been adopted early.

The following amendments are effective for annual reporting periods beginning on or after 1 January 2025:

- Guidance on the exchange rate to use when a currency is not exchangeable (Amendments to IAS 21);
- Accounting treatment for the sale or contribution of assets (Amendments to IFRS 10 and IAS 28).

The following amendments are effective for annual reporting periods beginning on or after 1 January 2026:

- Amendments to the classification and measurement of financial instruments (Amendments to IFRS 9 and IFRS 7);
- Annual Improvements to IFRS Standards 2022 – 2024 Cycle (covering amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10, IAS 7).

The following standards are effective for annual reporting periods beginning on or after 1 January 2027:

- IFRS 18 Presentation and Disclosure in Financial Statements;
- IFRS 19 Subsidiaries without Public Accountability: Disclosures.

Beyond the information above, it is not practicable to provide a reasonable estimate of the effect of these standards until a detailed review has been completed.

1a. Prior year adjustment

During the period, the Group reassessed the timing of revenue recognition in respect of certain cloud-hosted software solutions and associated third-party support within the Services segment of the business to ensure alignment with IFRS 15 Revenue from Contracts with Customers.

The conclusion of this review was that under IFRS 15 certain revenues relating to the provision of third-party, cloud-hosted software solutions and support and maintenance contracts should be recognised over time, rather than at a point in time when the solution was initially delivered.

This decision has resulted in the identification of an error in the prior year. As such, the application of IFRS 15 as outlined above has been applied retrospectively and has resulted in a prior year adjustment to restate comparative information. The impact of this change is as outlined below:

Increase/(decrease) in equity:

	2024 as originally stated £000	Adjustment £000	2024 as restated £000
Accrued income – non-current	679	(679)	-
Prepayments and other receivables – non-current	-	1,268	1,268
Accrued income current	2,889	(2,382)	507
Prepayments and other receivable – current	310	6,572	6,882
Total assets	62,226	4,780	67,006
Accruals other payables – non-current	(385)	(1,256)	(1,641)
Accruals and other payables	(3,529)	2,944	(585)
Deferred income	(137)	(6,764)	(6,901)
Total liabilities	(16,250)	(5,076)	(21,326)
Accumulated loss at 1 April 2023	(32,208)	(359)	(32,567)
Net impact on loss in the year	(2,170)	63	(2,108)
Accumulated loss at 31 March 2024	(33,996)	(296)	(34,292)

Increase/ (decrease) in profit:

	2024 as originally stated £000	Prior year adjustment £000	2024 as restated
Revenue	22,643	1,792	24,435
Cost of sales	(15,790)	(1,729)	(17,519)
Loss for the year attributable to equity shareholders	(2,170)	63	(2,108)

	2024 £000
Earnings/(loss) per ordinary share attributable to the owners of the parent:	
Basic and diluted (pence per share)	0.3
Adjusted basic and diluted (pence per share)	0.3

The change did not have an impact on the Group's operating, investing or financing cash flows.

2. Measure of profit/ (loss)

To provide shareholders with a better understanding of the trading performance of the Group, additional alternative performance measures (APMs) are included; Adjusted EBITDA and Adjusted loss before tax have been calculated as profit/loss before tax after adding back the following items, which can distort the underlying performance of the Group:

Adjusted profit/(loss) before tax

- Amortisation of acquired intangible assets.
- Share-based payments.
- Impairment of intangible assets.
- Exceptional items.

Adjusted EBITDA

In addition to the adjusting items highlighted above in the adjusted profit/ loss before tax:

- Finance costs.
- Finance income.
- Depreciation (including amortisation of right-of-use assets).
- Amortisation of other intangible assets – computer software (including in-house software development).

Adjusted EBITDA and adjusted loss before tax reconciles to loss before tax as follows:

	2025	2024
	£000	restated £000
Loss before tax	(13,372)	(3,231)
Amortisation of acquired intangibles	2,624	2,099
Share-based payments	22	26
Exceptional items:		
Impairment of goodwill and intangible assets	11,058	-
Corporate restructuring costs	116	359
Other one-off costs	171	174
Adjusted profit/(loss) before tax	619	(573)
Net finance (income)/costs	(126)	67
Depreciation	230	244
Amortisation of other intangible assets – computer software (including in-house software development)	1,491	1,188
Adjusted EBITDA	2,214	926

3. Segmental information

In accordance with IFRS 8, the Group's operating segments are based on the operating results reviewed by the Board, which represents the chief operating decision maker.

The Group is organised into two reportable segments based on the types of products and services from which each segment derives its revenue – Services and Software.

Segmental information for the 15 months ended 30 June 2025 is presented below. The Group's assets and liabilities are not presented by segment as the Directors do not review assets and liabilities on a segmental basis.

	Revenue 15 months ended 30 June 2025 15 months £000	Profit/(Loss) 15 months ended 30 June 2025 15 months £000	Revenue Year ended 31 March 2024 (restated) £000	Profit/(Loss) Year ended 31 March 2024 (restated) £000
Services ¹	36,996	3,323	22,061	1,530
Software ¹	2,553	539	2,374	869
Group revenue /Group trading EBITDA ¹	39,549	3,862	24,435	2,399
Group costs ¹		(1,648)		(1,472)
Adjusted EBITDA		2,214		927

¹ Figures disclosed in the profit column for Services and Software profitability is adjusted EBITDA.

Segmental information by geography

The Group is domiciled in the United Kingdom and currently the majority of its revenues come from external customers that are transacted in the United Kingdom. A number of transactions which are transacted from the United Kingdom represent global framework agreements, meaning our services, whilst transacted in the United Kingdom, are delivered globally. The geographical analysis of revenue detailed below is on the basis of country of origin in which the master agreement is held with the customer (where the sale is transacted).

	2025	2024
	15 months £000	(restated) £000
United Kingdom	35,636	19,659
Europe (excluding the UK)	1,047	3,428
North America	1,673	1,050
Rest of the world	1,193	298
	39,549	24,435

All of the Group's non-current assets are held within the United Kingdom.

In the 15 months to 30 June 2025 three customers within the Group made up more than 10% of the Group's revenue. These customers contributed £21.7 million to the Group's Services division. In the (restated) prior year, two customers within the Group made up more than 10% of the Group's revenue. These customers contributed £8.9 million to the Group's Services division.

4. Expenses and auditor's remuneration

Operating loss is stated after charging/(crediting):

	2025	2024 (restated)
	£000	£000
Depreciation of fixed assets	230	244
Amortisation of intangibles	4,115	3,287
External auditor's remuneration:		
– Audit fee for annual audit of the Group and Company financial statements	78	132
– Audit fee for annual audit of the subsidiary financial statements	80	231
Share-based payments	22	26
Exceptional items		
Impairment of goodwill and intangible assets	11,058	-
Corporate restructuring costs	116	359
Other one-off costs ¹	171	174
Unrealised (profit)/loss on forward contracts	223	(194)

¹Other one-off costs include completion of a one-off strategic project from FY24 and forex losses and legal costs from one foreign exchange provider breaching the terms of an agreed forward contract.

5. Staff costs

Total staff costs within the Group comprise of all Directors' and employee costs for the financial year.

	2025	2024
	£000	£000
Wages and salaries	7,566	6,769
Social security costs	1,015	802
Pension costs	237	200
Share-based payments	22	26
	<u>8,840</u>	<u>7,797</u>

The weighted average monthly number of employees, including Directors, employed by the Group during the year was:

	2025	2024
	No.	No.
Administration	26	21
Production	44	45
Sales and marketing	19	28
	<u>89</u>	<u>94</u>

Details of Directors' remuneration can be found within the annual report on remuneration on pages 45 and 46.

6. Interest receivable/ (payable)

	2025	2024
	£000	£000
Interest payable on revolving credit facility	(1)	(61)
Interest payable on lease liabilities	(16)	(20)
Other interest payments	-	(1)
	<u>(17)</u>	<u>(82)</u>
Interest receivable	143	15
	<u>126</u>	<u>(67)</u>

7. Taxation

	2025 £000	2024 £000
Current tax:		
UK corporation tax at current rates on UK loss for the year	-	-
Under/(over) provision in respect of prior year	(49)	109
	(49)	109
Foreign tax	3	(20)
Total current tax charge / (credit)	(46)	89
Deferred tax movement in the period	(1,359)	(1,212)
Income tax credit	(1,405)	(1,123)
Reconciliation of taxation:		
Loss before tax	(13,372)	(3,293)
Loss multiplied by the average rate of corporation tax in the year of 25% (2024: 25%)	(3,343)	(823)
Tax effects of:		
Expenses not deductible for tax purposes	2,592	333
Adjustments for previous periods	(49)	109
Foreign tax rate differences	3	(12)
R&D relief	-	(423)
Other items	(608)	(307)
Brought forward losses	-	-
Income tax credit	(1,045)	(1,123)

8. Earnings per share

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

Diluted loss per share is the same as basic loss per share as the potential dilutive shares are anti-dilutive for the 15 months ended 30 June 2025 and for the twelve months ended 31 March 2024. Please see notes 16 and 17 of the consolidated financial statements for more details.

Adjusted earnings per share has been calculated using adjusted earnings calculated as loss after taxation but before:

- Amortisation of acquired intangibles after tax.
- Exceptional items after tax.
- Share-based payments.

The calculation of the basic and diluted profit/loss per ordinary share from total operations attributable to shareholders is based on the following data:

	2025 £000	2024 restated £000
Net loss from total operations		
Loss for the purposes of basic and diluted earnings/(loss) per share being net profit attributable to shareholders	(11,967)	(2,108)
Add/(remove):		
Amortisation of acquired intangibles, net of tax	1,968	1,808
Exceptional costs, net of tax:		
Impairment of goodwill and intangibles	10,467	-
Corporate restructuring costs	87	269
Other one-off costs	128	131
Share-based payments	22	26
Adjusted profit for the purposes of adjusted earnings per share	705	126
	Number	Number
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and adjusted loss per share	23,826,379	23,826,379
	Pence	Pence
Basic and diluted loss per share	(50.2)	(8.8)
Adjusted basic and Adjusted diluted profit/(loss) per share	3.0	(0.5)

9. Intangible assets

	Customer					
	Goodwill	relationships	Software	Tradenames	Licence	Total
	£000	£000	£000	£000	£000	£000
Cost						
At 1 April 2023	36,660	10,838	9,920	6,826	1,005	65,249
Additions	-	-	1,032	-	-	1,032
At 31 March 2024	36,660	10,838	10,952	6,826	1,005	66,281
Additions	-	-	1,343	-	-	1,343
At 30 June 2025	36,660	10,838	12,295	6,826	1,005	67,624
Accumulated amortisation						
At 1 April 2023	6,014	4,557	5,691	3,043	1,005	20,310
Amortisation for the year	-	934	1,670	683	0	3,287
Impairment	-	-	-	-	-	-
At 31 March 2024	6,014	5,491	7,361	3,726	1,005	23,597
Amortisation for the year	-	1,168	2,093	853	0	4,114
Impairment	8,693	2,032	334	-	-	11,059
At 30 June 2025	14,707	8,691	9,788	4,579	1,005	38,770
Net book amount						
At 30 June 2025	21,953	2,147	2,507	2,247	0	28,854
At 31 March 2024	30,646	5,347	3,591	3,100	0	42,684
At 31 March 2023	30,646	6,281	4,229	3,783	0	44,939

The Group tests goodwill and intangible assets annually for impairment. The recoverable amount of goodwill and intangible is determined as the higher of the value-in-use calculation or fair value less cost of disposal for each cash-generating unit (CGU). The value-in-use calculations use pre-tax cash flow projections based on financial budgets and forecasts approved by the Board covering a five-year period. These pre-tax cash flows beyond the five-year period are extrapolated using estimated long-term growth rates.

Following a restructuring of the Group during FY24, including the commercial integration of Xcina Consulting into Brookcourt Solutions and GeoLang into SecurEnvoy, the Group now has three separate CGUs (FY24: three CGUs). For all three CGUs a weighted average cost of capital of 13.8% (FY24: 13.0%) and a terminal value, based on a long-term growth rate of 2% (FY24: 2%) calculated on year five cash flow, has been used.

The following key assumptions around revenue growth are summarised in the table below.

	Brookcourt		
	Software	Solutions	Pentest
Year 1	10%	15%	0%
Year 2	5%	10%	10%
Year 3	5%	10%	8%
Year 4	5%	8%	5%
Year 5	5%	8%	5%

Sensitivity analysis has been performed on each of the Group's CGUs which incorporates changes in assumed revenue growth rates and profit margin growth in addition to terminal value revenue growth rate and weighted cost of capital (WACC).

Outcomes of the following sensitivities are as detailed below:

- Reducing the terminal value from 2% to 1%, would increase the size of the impairment charge by £0.3 million.
- Increasing the weighted average cost of capital by 1%, from 13.8% to 14.8% would increase the size of the impairment charge by £0.4 million.
- Reducing anticipated revenue by 5% p.a. across each CGU, without making any corresponding changes to the cost base of that CGU would increase the size of the impairment charge by £5.2 million.

Based on the outcome of these value-in-use calculations and related sensitivity analysis, in the light of reduced revenue in the software and Pentest businesses in FY25, the Directors considered it prudent to impair the carrying value of goodwill and intangibles in these businesses as follows:

- Software:
 - Goodwill reduced by £7.0 million from £7.0 million to £nil
 - Intangible assets reduced by £2.4 million from £4.7 million to £2.3 million
- Pentest:
 - Goodwill reduced by £1.7 million from £2.8 million to £1.1 million

The licence relates to a right to gold exploration dating back to before 2017 when the Group was known as Aurum Mining plc whose principal activity was mining and exploration.

10. Property, plant and equipment

	Right-of-use assets £000	Office equipment £000	Total £000
Cost			
At 1 April 2023	877	428	1,305
Additions	250	42	292
Disposals	(436)	-	(436)
At 31 March 2024	691	470	1,161
Additions	57	26	83
Disposals	-	(1)	(1)
At 30 June 2025	748	495	1,243
Accumulated depreciation			
At 1 April 2023	560	312	872
Charge for the year	197	47	244
Disposals	(436)	-	(436)
At 31 March 2024	321	359	680
Charge for the year	169	61	230
Disposals	-	(4)	(4)
At 30 June 2025	490	416	906
Net book amount			
At 30 June 2025	258	79	337
At 31 March 2024	370	111	481
At 31 March 2023	317	116	433

Depreciation of property, plant and equipment is charged to depreciation and amortisation expenses within the statement of comprehensive income.

11. Trade and other receivables

	2025	2024 restated
	£000	£000
Non-current		
Prepayments and other receivables	229	1,268
Accrued income	-	-
	229	1,268
	2025	2024 (restated)
	£000	£000
Current		
Trade receivables	5,005	8,948
Prepayments and other receivables	7,759	6,882
Accrued income	4,874	507
Corporation tax asset	-	245
	17,638	16,582

The movement for the provision in expected credit losses is stated below:

	2025	2024 (restated)
	£'000	£'000
At the start of the period	19	30
Movement in expected credit loss provision	(11)	(11)
At the end of the period	8	19

12. Trade and other payables

	2025	2024 (restated)
	£000	£000
Trade payables	2,851	7,320
Accruals and other payables	3,706	585
Deferred income	7,282	6,901
Amounts owed by Group undertakings	0	0
Other taxation and social security	1,504	1,275
Forward contract	276	213
Lease liabilities	160	127
Deferred consideration	(7)	-
Corporation tax	-	3
	15,772	16,424

13. Creditors: amounts falling due after more than one year

	2025	2024 (restated)
	£000	£000
Deferred tax	1,745	3,010
Forward contract	160	-
Lease liabilities	107	251
Accruals and other payables	1,715	1,641
	3,727	4,902

14. Deferred tax

	2025	2024
	£000	£000
Non-current liabilities		
Liability at 1 April	3,010	3,602
Deferred tax credit in the statement of comprehensive income	(1,265)	(592)
Total deferred tax	1,745	3,010

Deferred tax balance at 30 June 2025 includes a £1.7 million (2024: £2.5 million) deferred tax liability for acquired intangible assets including software and trademarks. The remainder represents timing differences arising on the difference between the net book value and tax written down value of internally generated software and office equipment.

	2025	2024
	£000	£000
Non-current assets		
At 1 April	1,016	742
Credit to statement of comprehensive income	93	274
Total deferred tax asset	1,109	1,016

The Group has tax losses of £4.4 million (2024: £4.1 million) across its Parent Company Shearwater Group plc and four subsidiaries that are available for offset against future taxable profits of the entity. A deferred tax asset has been recognised in respect of tax losses brought forward and in the current year which will be used to offset future taxable profits.

15. Lease liabilities

Lease liabilities at 30 June 2025, which include the extension of some existing office leases, are detailed below:

	Property £000
Lease liabilities	
At 1 April 2023	321
Additions	253
Interest expense	20
Payments to lease creditors	(216)
At 31 March 2024	378
Additions	57
Interest expense	16
Payments to lease creditors	(185)
At 30 June 2025	266

The maturity analysis of lease liabilities is detailed below:

	2025	2024
	£000	£000
Lease liabilities – (contractual undiscounted cash flows)		
Less than one year	170	140
One to five years	110	265
Total undiscounted lease liabilities as at 30 June 2025	280	405

There are no leases with a term of more than five years.

	2025	2024
	£000	£000
Lease liabilities included in the statement of financial position at 30 June 2025		
Current	160	127
Non-current	107	251

	2025	2024
	£000	£000
Amounts recognised in the statement of comprehensive income		
Interest on lease liabilities	16	20
Expenses related to short-term leases	0	6
Depreciation of right of use assets (note 10)	169	197

	2025	2024
	£000	£000
Amounts recognised in the statement of cash flows		
Payment of principal	185	216
Payment of interest	16	20
Total cash outflows	201	236

16. Share capital

The table below details movements within the year:

	Ordinary shares	
	2025	2024
Number of shares (in thousands of shares)		
In issue at the start of the period	23,826	23,826
In issue at the end of the period	23,826	23,826
	2025	2024
	£000	£000
Allotted, called up and fully paid		
Ordinary shares of £0.10 each (2024: £0.10 each)	2,382	2,382
Deferred shares of £0.90 each (2024: £0.90 each)	19,896	19,896
Total	22,278	22,278

Deferred shares for all practical purposes are valueless and it is the Board's intention to repurchase, cancel or seek to surrender these deferred shares using lawful means as the Board may at such time in the future decide.

No shares were issued in either the 15-month period ended 30 June 2025 or in the twelve-month period ended 31 March 2024.

Other reserves included:

Share premium

This comprises of the amount subscribed for share capital in excess of the nominal value less any transaction costs incurred in raising equity.

Other reserves

These comprise of amounts expensed in relation to the share options, share incentive scheme (see note 17) and merger relief from shares issued as consideration to acquisitions and equity placings (net of costs).

Movements in the 15-month period ended 30 June 2025 include a share-based payments charge for the period of £22,000, as outlined in note 17.

Accumulated loss reserve

Accumulated loss reserves for the Group are made up of cumulative profits and losses net of dividends and other adjustments.

17. Share-based payments

	2025 £000	2024 £000
Share options – (CSOP)	11	22
Share options – (ESOP)	11	4
Save As You Earn (SAYE)	-	-
	22	26

Share options – (CSOP)

The following options over ordinary shares remained outstanding at 30 June 2025:

	Options at 1 April 2024	Options issued during the period	Options lapsed during the period	Options exercised during the period	Options at 30 June 2025	Exercise price	Date of grant	First date of exercise	Final date of exercise
Employees:									
Employees	80,276	-	80,276	-	-	£0.95	10/02/2022	10/02/2023	10/02/2027
Employees	6,249	-	6,249	-	-	£0.95	10/02/2022	30/09/2023	10/02/2027
Employees	241,064	-	241,064	-	-	£0.95	10/02/2022	10/02/2025	10/02/2027
Total	327,589	-	327,589	-	-				

The following options over ordinary shares remained outstanding at 31 March 2024:

	Options at 1 April 2023	Options issued during the year	Options lapsed during the year	Options exercised during the year	Options at 31 March 2024	Exercise price	Date of grant	First date of exercise	Final date of exercise
Directors:									
P McFadden ¹	25,000	-	25,000	-	-	£0.95	10/02/2022	10/02/2025	10/02/2027
Employees:									
Employees	87,220	-	6,944	-	80,276	£0.95	10/02/2022	10/02/2023	10/02/2027
Employees	11,112	-	4,863	-	6,249	£0.95	10/02/2022	30/09/2023	10/02/2027
Employees	432,064	-	191,000	-	241,064	£0.95	10/02/2022	10/02/2025	10/02/2027
Total	555,396	-	227,807	-	327,589				

1. P McFadden resigned on 20 November 2023.

The following illustrates the number and weighted average exercise price (WAEP) of, and movements in, share options during the year.

	2025		2024	
	Number	WAEP £	Number	WAEP £
Outstanding at the beginning of the period	327,589	0.95	555,396	0.95
Issued	-	-	-	-
Lapsed during the period	327,589	0.95	227,807	0.95
Exercised during the period	-	-	-	-
Outstanding at 30 June 2025	-	-	327,589	0.95
Exercisable at 30 June 2025	-	-	86,525	0.95

The share-based payment charge for options granted to employees and Directors has been calculated using the Black-Scholes model and using the following parameters:

Share price at grant date	£0.95
Exercise price	£0.95
Expected option life (year)	5 years
Expected volatility (%)	43.4%
Expected dividends	0%
Risk-free interest rate (%)	1.54%
Option fair value	£0.38

The calculation includes an estimated leaver provision of 55% (2024: 55%).

Volatility was determined with reference to the average monthly volatility in the Group's share price over the 24 months immediately prior to the date of grant.

No options remained outstanding under the CSOP scheme at the end of the period. In the prior year, the weighted average remaining contractual life of options outstanding at the end of the year was two years and ten months.

Share options – (ESOP)

The following options over ordinary shares remained outstanding at 30 June 2025:

	Options at 1 April 2024	Options issued during the period	Options lapsed during the period	Options exercised during the period	Options at 30 June 2025	Exercise price	Date of grant	First date of exercise	Final date of exercise
Directors:									
J Hall	-	250,000	-	-	250,000	£0.35	29/01/2025	31/10/2025	29/01/2035
Employees:									
Employees	233	-	233	-	-	£1.60	01/03/2019	01/03/2020	01/07/2024
Employees	5,000	-	5,000	-	-	£2.00	01/10/2019	01/10/2020	30/09/2023
Employees	27,936	-	27,936	-	-	£0.95	10/02/2022	10/02/2025	10/02/2027
Employees	-	977,000	-	-	977,000	£0.35	29/01/2025	31/10/2025	29/01/2035
Total	33,169	1,227,000	33,169	-	1,227,000				

The following options over ordinary shares remained outstanding at 31 March 2024:

	Options at 1 April 2023	Options issued during the year	Options lapsed during the year	Options exercised during the year	Options at 31 March 2024	Exercise price	Date of grant	First date of exercise	Final date of exercise
Directors 1:									
P McFadden	7,875	-	7,875	-	-	£4.00	07/05/2018	07/05/2019	30/09/2023
Employees:									
Employees	5,250	-	5,250	-	-	£4.00	13/11/2017	13/11/2018	30/09/2023
Employees	454	-	454	-	-	£4.00	01/03/2018	01/03/2019	28/02/2023
Employees	5,313	-	5,313	-	-	£4.00	04/04/2018	04/04/2019	03/04/2023
Employees	524	-	291	-	233	£1.60	01/03/2019	01/03/2020	01/07/2024
Employees	3,000	-	3,000	-	-	£4.00	01/06/2019	01/06/2020	30/09/2023
Employees	7,500	-	2,500	-	5,000	£2.00	01/10/2019	01/10/2020	30/09/2023
Employees	27,936	-	-	-	27,936	£0.95	10/02/2022	10/02/2025	10/02/2027
Total	57,852	-	24,683	-	33,169				

1. P McFadden resigned on 20 November 2023

The following illustrates the number and weighted average exercise price (WAEP) of, and movements in, share options during the year.

	2025		2024	
	Number	WAEP £	Number	WAEP £
Outstanding at the beginning of the year	33,169	1.1	57,852	3.7
Issued	1,227,000	0.4	-	-
Lapsed during the year	33,169	1.1	24,683	3.8
Exercised during the period	-	-	-	-
Outstanding at 30 June	1,227,000	0.4	33,169	1.1
Exercisable at 30 June	-	-	2,500	2.0

No options were exercised in the year or during the prior year.

The share-based payment charge for options granted to employees and Directors has been calculated using the Black-Scholes model and using the following parameters:

Share price at grant date	£0.33
Exercise price	£0.35
Expected option life (year)	1 year to 3 years

Expected volatility (%)	14.9%
Expected dividends	0%
Risk-free interest rate (%)	4.6%
Option fair value	£0.33

The calculation includes an estimated leaver provision of 0% (2024: 31%).

The weighted average remaining contractual life of options outstanding at the end of the year was 9 years 7 months (2024: 11 months).

Share options – (SAYE)

The following options over ordinary shares remained outstanding at 30 June 2025:

	Options at 1 April 2024	Options issued during the period	Options lapsed during the period	Options exercised during the period	Options at 30 June 2025	Exercise price	Date of grant	First date of exercise	Final date of exercise
Employees:									
Employees	33,264	-	33,264	-	-	£1.515	25/01/2021	01/03/2024	30/09/2024
Total	33,264	-	33,264	-	-				

The following options over ordinary shares remained outstanding at 31 March 2024:

	Options at 1 April 2023	Options issued during the year	Options lapsed during the year	Options exercised during the year	Options at 31 March 2024	Exercise price	Date of grant	First date of exercise	Final date of exercise
Employees:									
Employees	117,614	-	(84,350)	-	33,264	£1.515	25/01/2021	01/03/2024	30/09/2024
Total	117,614	-	(84,350)	-	33,264				

The following illustrates the number and weighted average exercise price (WAEP) of, and movements in, share options during the year.

	2025		2024	
	Number	WAEP £	Number	WAEP £
Outstanding at the beginning of the year	33,264	1.515	117,614	1.515
Issued	-	-	-	-
Lapsed during the year	33,264	1.515	84,350	1.515
Exercised during the year ended 31 March	-	-	-	-
Outstanding at 31 March	-	-	33,264	1.515
Exercisable at 31 March	-	-	33,264	1.515

The share-based payment charge for options granted to employees and Directors has been calculated using the Black-Scholes model and using the following parameters:

Share price at grant date	1.420
Exercise price	1.515
Expected option life (year)	3 years 7 months
Expected volatility (%)	40.0%
Expected dividends	0%
Risk-free interest rate (%)	0.13%
Option fair value	£0.394

The calculation includes an estimated leaver provision of 33% (2024: 33%).

There were no options outstanding under the SAYE scheme at the end of the period. The weighted average remaining contractual life of options outstanding at the end of the prior year was six months.

18. Financial instruments

The Group uses financial instruments, other than derivatives, comprising cash at bank and various items such as trade and other receivables and trade and other payables that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the Group's operations.

The Group's financial assets and liabilities at 30 June 2025, as defined under IFRS 9, are as follows. The fair values of financial assets and liabilities recorded at amortised cost are considered to approximate their book value.

	Amortised cost (loans and receivables)	
	2025	2024
	£000	£000
Financial assets		
Cash and cash equivalents	5,062	4,974
Trade and other receivables	9,879	9,455
Total financial assets	14,941	14,429
Trade and other receivables		
Trade receivables	5,005	8,948
Accrued income	4,874	507
	9,879	9,455

	Amortised cost (payables)		Fair value through profit or loss (FVPL)	
	2025	2024	2025	2024
	£000	£000	£000	£000
Financial liabilities				
Trade and other payables	8,271	9,546	-	-
Lease liabilities	266	378	-	-
Forward contracts	-	-	436	213
Total financial liabilities	8,537	9,924	436	213
Trade and other payables				
Trade payables	2,851	7,320		
Accruals	5,420	2,226		
Other creditors	-	-		
	8,271	9,546		

General objectives, policies and processes

The Board has overall responsibility for the determination of the Group's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's Finance function. The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility.

The Group is exposed to financial risks in respect of:

- capital risk;
- foreign currency;
- interest rates;
- credit risk; and
- liquidity risk.

A description of each risk, together with the policy for managing risk, is given below.

Capital risk

The Group manages its capital to ensure that the Group and its subsidiaries will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of equity and debt balances.

The capital structure of the Group consists of cash and cash equivalents, borrowings and equity. Equity comprises issued capital, reserves and accumulated losses as disclosed in the consolidated statement of changes in equity on page 58.

The Board of Directors reviews the capital structure on a regular basis. As part of this review, the Board considers the cost of capital and the risks associated with each class of capital, against the purpose for which it is intended.

The Group's three-year £4.0 million revolving credit facility with Barclays Bank plc expired on 23 March 2024. Directors elected not to renew this facility, on account of the strong balance sheet position and with no expectation of utilising it in the near term. This requirement is continually reviewed and Directors remain in discussions with Barclays should the need arise to put in place a similar facility in the future.

Market risk

Market risk arises from the Group's use of interest-bearing, tradable and foreign currency financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates (currency risk), interest rates (interest rate risk), or other market factors (other price risk).

Foreign currency risk

The Group is exposed to foreign currency risk on sales and purchases which are denominated in a currency other than sterling. Exposures to exchange rates are predominantly denominated in US dollars and euros. The Group seeks to reduce foreign exchange exposures arising from transactions in various currencies through a policy of matching, as far as possible, receipts and payments across the Group in each individual currency. The Group uses derivatives where there is a material surplus or deficit of non-sterling receipts and payments.

The following forward contracts were entered into in order to mitigate the risk of fluctuations in the value of sterling against US dollar.

Currency	Amount (000)	Maturity date	Foreign exchange rate
US dollar	1,840	10 July 2025	1.322
US dollar	1,700	21 August 2025	1.287
US dollar	3,000	5 June 2026	1.331
US dollar	1,000	15 June 2026	1.317
US dollar	1,750	15 June 2026	1.349
US dollar	2,100	21 August 2026	1.280
US dollar	1,000	15 June 2027	1.310
US dollar	500	15 June 2027	1.347

The above derivatives are remeasured at fair value at each reporting date. This gives rise to a gain or loss, the entire amount of which is recognised in the statement of comprehensive income within administrative expenses.

As of 30 June the Group's net exposure to foreign exchange risk was as follows:

	USD		EUR	
	2025 (restated) £000	2024 (restated) £000	2025 (restated) £000	2024 (restated) £000
Net foreign currency financial assets/(liabilities)				
Trade receivables	100	369	44	160
Other receivables	7	85	1	0
Trade payables	(1,343)	(7,747)	(8)	(27)
Other payables	(8,048)	(67)	3	0
Cash and cash equivalents	421	2,572	190	176
Total net exposure before excluding forward contracts	(8,863)	(4,788)	230	309
Forward contracts	9,800	4,000	0	0
Total net exposure	937	(788)	230	309

The effect of a 10% strengthening of the US dollar against sterling at the reporting date on the US dollar-denominated trade and other receivables, trade and other payables, forward contracts and cash and cash equivalents carried at that date would, all other variables held constant, have resulted in a decrease of the pre-tax loss in the year and an increase in net assets of £0.1 million. A 10% weakening in the exchange rate would, on the same basis, have increased the pre-tax loss in the year and decreased net assets by £0.1 million.

The effect of a 10% strengthening of the euro against sterling at the reporting date on the euro-denominated trade receivables, payables and cash and cash equivalents carried at that date would, all other variables held constant, have resulted in a decrease of the pre-tax loss in the year and an increase in net assets of £0.03 million. A 10% weakening in the exchange rate would, on the same basis, have increased the pre-tax loss in the year and decreased net assets by £0.02 million.

Interest rate risk

The Group has minimal cash flow interest rate risk as it has no external borrowings at variable interest rates.

Liquidity risk

The Group manages liquidity risk by maintaining adequate cash reserves and credit facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities wherever possible.

There has been no change to the Group's exposure to liquidity risks or the manner in which these risks are managed and measured during the year. Further details are provided in the strategic report.

The liquidity risk of each Group entity is managed centrally by the Group's Finance function. Each entity has a predefined facility based on the budget which is set and approved by the Board in advance, which provides detail of each entity's cash requirements. Any material additional expenditure over budget requires sign off by the Board. A quarterly reforecast which includes a cash flow forecast is reviewed by management and approved by the Board.

The Group has just over £0.1 million of credit available on corporate credit cards which are settled in full on a monthly basis.

The maturity profile of the financial assets and liabilities is summarised below. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

	Up to 3 months £'000	Between 3 and 12 months £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000	Over 5 years £'000
Financial assets					
As at 30 June 2025					
Trade and other receivables	15,398	2,240	229	-	-
As at 31 March 2024 (restated)					
Trade and other receivables	14,593	1,929	1,082	246	-

	Up to 3 months £'000	Between 3 and 12 months £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000	Over 5 years £'000
Financial liabilities					
As at 30 June 2025					
Trade and other payables	13,091	2,244	3,461	-	-
Forward contracts	142	134	160	-	-
Lease liabilities	40	121	106	-	-
Total	13,273	2,499	3,727	-	-

Financial liabilities					
As at 31 March 2024 (restated)					
Trade and other payables	13,170	3,194	4,119	252	-
Forward contracts	161	52	0	-	-
Lease liabilities	32	95	131	120	-
Total	13,363	3,341	4,250	372	-

Credit risk

The Group's principal financial assets are trade receivables and bank balances. The Group is consequently exposed to the risk that its customers cannot meet their obligations as they fall due. The Group assess the creditworthiness and financial strength of customers at inception and on an ongoing basis using credit agencies and publicly available financial information together with trade knowledge and experience. The Board considers the overall exposure to credit risk to be low given these processes, the long-standing trading relationship Group has with a high proportion of these entities and the blue-chip nature of the Group's client base. This is borne out by a historically very low level of bad debts.

The Group also reviews the credit rating of its banks and financial institutions and believes exposure to credit risk in this area to be limited due to the use of counterparties with strong credit ratings.

Further detail is provided within note 1 and note 11.

19. Related party transactions

The Directors of the Group and their immediate relatives have an interest of 19% (2024: 19%) of the voting shares of the Group. The shareholdings of Directors and changes during the year are shown in the Directors' report on page 47.

No dividends were made to the Company in either year by subsidiary undertakings.

There were no other related party transactions for the Group during the period.

20. Bank loans

The Group's £4.0 million credit facility with Barclays Bank plc expired on 23 March 2024. No facility was in place throughout the 15-month period to 30 June 2025. Directors do not currently believe that such a facility is required. They remain, however, in ongoing communications with Barclays and a charge held by Barclays remains registered on Shearwater Group plc as this will simplify the process for putting in place a replacement facility should Directors decide that this is desirable.

21. Notes to support cash flow

Cash and cash equivalents, which are available on demand, comprise:

	2025	2024
	£000	£000
Net increase in cash and cash equivalents	88	1,010
Cash and cash equivalents at the beginning of the year	4,974	3,964
Cash and cash equivalents at the end of the year	5,062	4,974

Cash and cash equivalents are held in the following currencies:

	2025	2024
	£000	£000
Sterling	4,451	2,774
US dollar	421	2,049
Euro	190	151
Total	5,062	4,974

Reconciliation of liabilities from financing activities:

Non-cash changes					
	2024	Cash	Loan	Right-of-use	2025
	£'000	outflows	interest	asset	£'000
		£'000	£'000	additions	
				£'000	£'000
Payment of principal on lease liabilities	378	(185)	16	57	266
Total	378	(185)	16	57	266

Non-cash changes					
	2023	Cash	Loan	Right-of-use	2024
	£'000	outflows	interest	asset	£'000
		£'000	£'000	additions	
				£'000	£'000
Revolving credit facility interest payable	-	(47)	47	-	-
Payment of principal on lease liabilities	321	(216)	20	253	378
Total	321	(263)	67	253	378

22. Events after the reporting period

There are no material events after the reporting period to disclose.

Company statement of financial position

As at 30 June 2025

	Note	2025 £000	2024 £000
Assets			
Non-current assets			
Investments in subsidiaries	2	33,316	47,187
Intangible assets	3	3	10
Property, plant and equipment	4	0	2
Trade and other receivables	5	0	4
Total non-current assets		33,319	47,203
Current assets			
Trade and other receivables	5	344	28
Cash and cash equivalents		1	1
Total current assets		345	29
Total assets		33,664	47,232
Liabilities			
Current liabilities			
Trade and other payables	6	23,453	22,405
Total current liabilities		23,453	22,405
Non-current liabilities			
Creditors: amounts falling due after more than one year	7	-	2
Total non-current liabilities		-	2
Total liabilities		23,453	22,407
Net assets		10,211	24,825
Capital and reserves			
Share capital	8	22,278	22,278
Share premium		34,581	34,581
Other reserves		23,110	23,088
Accumulated losses		(69,758)	(55,122)
Equity attributable to owners of the Company		10,211	24,825
Total equity and liabilities		33,664	47,232

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own statement of comprehensive income in these financial statements. The loss for the financial year for the Parent Company was £14.6 million (2024: £15.2 million).

The notes on pages 84 to 88 are an integral part of these Company financial statements.

The financial statements on pages 82 to 88 were approved and authorised for issue by the Board and signed on their behalf by:



Philip Higgins
Chief Executive Officer
10 November 2025
Registered number: 05059457

Company statement of changes in equity

for the period ended 30 June 2025

Company	Share capital £000	Share premium £000	Other reserve £000	Accumulated losses £000	Total equity £000
At 1 April 2023	22,278	34,581	23,444	(40,305)	39,998
Total loss and comprehensive loss for the year	-	-	-	(15,199)	(15,199)
Contributions by and distributions to owners					
Expiry of share options	-	-	(382)	382	-
Share-based payments	-	-	26	-	26
At 1 April 2024	22,278	34,581	23,088	(55,122)	24,825
Total loss and comprehensive loss for the year	-	-	-	(14,636)	(14,636)
Contributions by and distributions to owners					
Share-based payments	-	-	22	-	22
At 30 June 2025	22,278	34,581	23,110	(69,758)	10,211

Notes to the Company financial statements

for the 15-month period ended 30 June 2025

General information

Shearwater Group plc (the 'Company') is a company limited by shares and incorporated and domiciled in the UK.

1. Statement of accounting policies – Company

The significant accounting policies applied in preparing the financial statements are outlined below. These policies have been consistently applied for all the years presented, unless otherwise stated.

The Company financial statements present information about the Company as a separate entity and not about the Group.

Basis of preparation

The Company financial statements have been prepared in accordance with Financial Reporting Standard 101, and in accordance with the Companies Act 2006 as applicable to companies using Financial Reporting Standard 101.

The Company financial statements have been prepared under the historic cost convention. The Company financial statements are presented in sterling. All values are rounded to the nearest thousand pounds (£000) except where otherwise indicated.

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own statement of comprehensive income in these financial statements on the grounds that a parent undertaking includes the Company in its own published consolidated financial statements.

The Company has taken advantage of the exemptions allowed under FRS 101 which allow the exclusion of:

- a statement of cash flows;
- the effect of future accounting standards not yet adopted;
- the disclosure of key management personnel; and
- disclosure of related party transactions with other wholly owned members of the Group.

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for income and expenses during the year and that affect the amounts reported for assets and liabilities at the reporting date. Please see note 1 of the consolidated financial statements in addition to the disclosures below for more details.

Going concern

Having made enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing these consolidated financial statements. See note 1 to the Group accounting policies on page 60 for further details of the Group's going concern position.

Critical accounting judgements, estimates and assumptions

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for income and expenses during the year and that affect the amounts reported for assets and liabilities at the reporting date.

Investments in subsidiaries

Management make judgements, estimates and assumptions in supporting the fair value of investments in subsidiaries. The Company holds a significant investment in its subsidiaries. In assessing the carrying value of these assets for impairment, the Directors have exercised judgement in estimating the recoverable amount of the assets held. The Directors have assessed a range of valuation techniques which include a future discounted cash flow model which incorporates a number of key assumptions and a valuation based upon commonly seen multiples on EBITDA in order to support their judgement that the carrying value of investments in subsidiaries is appropriate at the reporting date. As a result of this analysis Directors concluded that it was appropriate to apply an impairment charge of £13.5 million in the period, which has reduced the carrying value of these investments to £33.3 million as at the reporting date.

Recoverability of intercompany amounts

Management make judgements, estimates and assumptions in determining the recoverability of intercompany amounts. The Company has intercompany receivable balances of £317k which it calculates an expected credit loss provision on. This provision is calculated based upon a forecast schedule of an estimated repayment plan for each intercompany balance.

Investments in subsidiaries

Fixed asset investments relate to investments in subsidiaries and share-based payment reserves for subsidiaries; these are stated at cost less provision for any impairment in value.

Intangible assets

Intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses. Intangible assets with a finite life have no residual value and are amortised over their expected useful lives as follows:

Computer software (including in-house developed software) 2-5 years straight-line basis

The amortisation expense on intangible assets with finite lives is recognised in the statement of comprehensive income within administrative expenses. The amortisation period and the amortisation method for intangible assets with finite useful lives are reviewed at least annually.

The carrying value of intangible assets is reviewed for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable.

Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation. Cost includes the original purchase price of the asset plus any costs of bringing the asset to its working condition for its intended use. Depreciation is provided at the following annual rates, on a straight-line basis, in order to write down each asset to its residual value over its estimated useful life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Office equipment 25% per annum

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised, as adjusted items if significant, within the statement of comprehensive income.

Financial instruments

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

Financial assets

Trade and other receivables are measured at amortised cost less a provision for doubtful debts, determined as set out below in 'impairment of financial assets'. Any write-down of these assets is expensed to the statement of comprehensive income.

Equity investments not qualifying as subsidiaries, associates or jointly controlled entities are measured at fair value through other comprehensive income (FVTOCI), with fair value changes recognised in other comprehensive income (OCI) and dividends recognised in profit or loss.

Financial liabilities

Trade and other payables

Financial liabilities within trade and other payables are initially recognised at fair value, which is usually the invoiced amount. They are subsequently carried at amortised cost using the effective interest method (if the time value of money is significant).

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

The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in the statement of comprehensive income.

Share-based payments

In order to calculate the charge for share-based payments as required by IFRS 2, the Group makes estimates principally relating to assumptions used in its option pricing model as set out in note 17 of the consolidated financial statements.

The cost of equity-settled transactions with employees, and transactions with suppliers where fair value cannot be estimated reliably, is measured with reference to the fair value of the equity instrument. The fair value of equity-settled instruments is determined at the date of grant, taking into account market-based vesting conditions. The fair value is determined using an option pricing model.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

At each reporting date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions, the number of equity instruments that will likely vest, or in the case of an instrument subject to market condition, be treated as vesting as described above. The movement in cumulative expense since the previous reporting date is recognised in the statement of comprehensive income, with the corresponding entry in equity.

Shearwater Group plc's share option schemes, which award share options in the parent entity, includes recipients who are employees of the Group's subsidiary companies. In the subsidiaries' financial statements, the awards, in proportion to the recipients who are employees in said subsidiary, are treated as an equity-settled share-based payment, as the subsidiaries do not have an obligation to settle the award. An expense for the grant date fair value of the award is recognised over the vesting period, with a credit recognised in equity. The credit is treated as a capital contribution, as the parent is compensating the subsidiaries' employees with no cost to the subsidiaries as there is no expectation to recharge the cost. In the Parent Company's financial statements, there is no share-based payment charge where the

recipients are employed by a subsidiary, with the Parent Company recognising an increase in investment in the subsidiaries as a capital contribution from the parent and a credit to equity.

Current and deferred taxation

The charge for taxation is based on the profit or loss for the year and takes into account deferred tax. Deferred tax is the tax expected to be payable or recoverable on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax based in the computation of taxable profit or loss and is accounted for using the balance sheet method.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group's subsidiaries operate and generate taxable income. Management periodically evaluate positions taken in tax returns with respect to situations where applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax assets are only recognised to the extent that it is probable that future taxable profit will be available in the foreseeable future against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are measured at the rates that are expected to apply when the related asset is realised, or liability settled, based on tax rates and laws enacted or substantively enacted at the reporting date.

Pensions

The Company operates a defined contribution personal pension scheme. The assets of this scheme are held separately from those of the Company in an independently administered fund. The pension charge represents contributions payable by the Company to the fund.

2. Investments in subsidiaries

Company	Total £000
Investments in subsidiaries at 1 April 2023	54,461
Additions	6,507
Impairment	(13,781)
Investments in subsidiaries at 31 March 2024	47,187
Liquidation	(366)
Impairment	(13,505)
Investments in subsidiaries at 30 June 2025	33,316

There were no additions made in the 15-month period to 30 June 2025. Additions in the prior year resulted from the impact of an internal corporate restructuring during the year together with share capital contributions made to the Company's subsidiaries in respect of share option expense recognised on share options issued by the Company to employees of a number of the Group's subsidiaries.

The Company has reviewed the carrying value of its investments as part of the Group's impairment reviews for each of its cash-generating units ('CGUs') estimating future discounted cash flows to be generated from each CGU as set out in Note 9 of the consolidated accounts. Impairments of £13.5 million have been made in the period to reflect partial write-downs of the carrying value of a number of the Company's investments (Shearwater Subco Ltd £0.2 million; SecurEnvoy £10.6 million and Pentest £2.8 million). Impairments totalling £13.8 million were applied in the prior year to partially write-down the carrying values of investments in: Brookcourt Solutions (£8.1 million), Shearwater Subco Ltd (£4.0 million), SecurEnvoy (£1.4 million) and share-based payments (£0.4 million).

The following table gives brief details of the entities controlled and included in the consolidated financial statements of the Group at 30 June 2025. Subsidiaries marked (*) are directly owned by Shearwater Group plc; all other subsidiaries are indirectly owned.

Name of company	Country of incorporation or residence	Registered address	Percentage owned
Shearwater Subco Limited*	England and Wales	22 Great James Street, London, WC1N 3ES	100
SecurEnvoy Limited*	England and Wales	22 Great James Street, London, WC1N 3ES	100
Xcina Limited	England and Wales	22 Great James Street, London, WC1N 3ES	100
Xcina Consulting Limited	England and Wales	22 Great James Street, London, WC1N 3ES	100
SecurEnvoy, Inc.	USA	1209 Orange Street, Wilmington, Delaware	100
SecurEnvoy GmbH	Germany	Freibadstr. 30, 81543, München	100
GeoLang Holdings Limited*	England and Wales	22 Great James Street, London, WC1N 3ES	100
GeoLang Limited	England and Wales	22 Great James Street, London, WC1N 3ES	100
Shearwater Shared Services Limited	England and Wales	22 Great James Street, London, WC1N 3ES	100
Brookcourt Solutions Limited*	England and Wales	22 Great James Street, London, WC1N 3ES	100
Pentest Limited*	England and Wales	22 Great James Street, London, WC1N 3ES	100
Brookcourt Solutions B.V.	Netherlands	Herengracht 449A, 1017BR Amsterdam	100
Pentest (Ireland) Limited	Ireland	Block A George's Quay Plaza, George's Quay, Dublin 2	100

During the period, the process to put Shearwater Subco Ltd, Xcina Ltd, Xcina Consulting Ltd, Geolang Holdings Ltd and Geolang Ltd into members voluntary liquidation was substantially completed. These entities had no external liabilities no ongoing activities within them, having previously hived up any such activities into other Group entities. The process of winding-up the SecurEnvoy GmbH was also commenced. These processes are all expected formally complete in FY26.

3. Intangible assets

	Total £000
Cost	
At 1 April 2023	8
Additions	8
At 31 March 2024	16
Additions	-
At 30 June 2025	16
Accumulated amortisation	
At 1 April 2023	1
Charge for the period	5
At 31 March 2024	6
Charge for the period	7
At 30 June 2025	13
Net book amount	
At 30 June 2025	3
At 31 March 2024	10
At 31 March 2023	7

4. Property, plant and equipment

	Total £000
Cost	
At 1 April 2023	30
Additions	1
At 31 March 2024	31
Additions	1
At 30 June 2025	32
Accumulated depreciation	
At 1 April 2023	29
Charge for the period	1
At 31 March 2024	29
Charge for the period	2
At 30 June 2025	31
Net book amount	
At 30 June 2025	0
At 31 March 2024	2
At 31 March 2023	1

5. Trade and other receivables

	2025 £000	2024 £000
Non-current		
Amounts owed by Group companies	-	4
	-	4
Current		
Prepayments and other receivables	29	28
Amounts owed by Group companies	315	-
	344	28

6. Trade and other payables falling due within one year

	2025	2024
	£000	£000
Amounts owed to Group companies	23,134	22,221
Accruals and other payables	319	184
	23,453	22,405

Amounts owed to Group companies are interest free and repayable on demand.

7. Trade and other payables falling due after more than one year

	2025	2024
	£000	£000
Deferred taxation	-	2
	-	2

8. Share capital

	2025	2024
	£000	£000
Allotted, called up and fully paid		
23,826,379 ordinary shares of £0.10 each	2,382	2,382
22,106,460 deferred shares of £0.90 each	19,896	19,896
Total	22,278	22,278

9. Employees

The Company has one employee (FY24: 1) who is the Chief Financial Officer of the Shearwater Group. Remuneration details are included in the report of the Remuneration Committee.

10. Share-based payments

Please refer to note 17 of the Group financial statements for details of share-based payments. A charge of £2k has been recognised in relation to options held by employees for services to the Company.

11. Financial instruments

Please refer to note 18 of the Group financial statements for details of financial instruments. As disclosed in that note, the Group previously had a £4.0 million revolving credit facility (RCF) to provide further contingency against short-term working capital movements. The facility expired on 23 March 2024 and up to that point had not been utilised. Directors do not currently believe that such a facility is required; however, the Company remains party to a cross-guarantee arrangement with fellow Group entities related to this RCF, which has been left in place to simplify the process, should Directors decide that it is desirable to reinstate the facility.

12. Accounting estimates and judgements

Management does not consider that there are any significant accounting estimates or judgements other than those detailed in note 1 of the financial statements.

Advisers

Nominated adviser and stockbroker

Cavendish Securities plc
One Bartholomew Close,
London
EC1A 7BL

Independent auditor

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EC4R 1AG

Solicitors

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Annual General Meeting

Tuesday 16th December